

Renfrew Hydro Inc.

# Exhibit 1

EB-2016-0166 - 2017 Cost of Service

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# Management Discussion and Analysis

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## **Ex.1/Tab 1/Sch.1 – Management Discussion and Analysis**

On October 18, 2012, the Ontario Energy Board (“The Board”) issued its “Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach”, and subsequently commenced implementation of the Renewed Regulatory Framework. This report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that will benefit existing and future customers; will align customer and distributor interests; will continue to support the achievement of important public policy objectives; and will place a greater focus on delivering value for money. Under this approach, a distributor is expected to demonstrate continuous improvement in its understanding of the needs and expectations of its customers and its delivery of services.

On March 5, 2014, the Board issued its report on “Performance Measurement for Electricity Distributors: A Scorecard Approach”. The report sets out the Board’s policies on the measures that will be used by the Board to assess a distributor’s effectiveness and improvement in achieving customer focus, operational effectiveness, public policy responsiveness, and financial performance to the benefit of existing and future customers. Under this approach, a distributor is also expected to demonstrate continuous improvement in its understanding of the needs and expectations of its customers and its delivery of services.

With the above in mind, RHI would like to provide an overview of this utility in terms of the Renewed Regulatory Framework and the Distributor Scorecard. Since these are the measures to which a utility is held accountable, these are also the measures a utility should address during the rate application process. Therefore, this is our account of how RHI continues to improve in its understanding of the needs and expectations of its customers and its delivery of services through implementation of its strategic plans. RHI President Bill Nippard certifies that the information contained in this application is accurate, consistent, and complete.

### **Renfrew Hydro Strategic Approach**

**Renfrew Hydro’s Mission Statement is:** “Renfrew Hydro Inc. will deliver a dependable supply of electricity to customers and achieve the highest level of customer service”.

**Renfrew Hydro's Vision is:** "To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, and least cost service."

**Renfrew Hydro's Core Values are:**

1. Safety- Relentless commitment to protecting ourselves, our colleagues and our community.
2. Honesty and Trust- Being sincere in everything we say and do.
3. Teamwork- Sharing our ideas in an open and supportive manner to achieve excellence.

**Customer Focus:**

In terms of service quality, RHI has always maintained the highest standards possible. In a regulatory environment, there are numerous SQR targets that a utility must achieve. In most cases, RHI consistently meets and exceeds these targets. In terms of customer satisfaction, RHI has always strived for strong customer relations and increased customer engagement within the community. This effort is supported by the customer satisfaction survey measure on the Distributor Scorecard. In 2014, 92% of RHI customers that participated in the survey answered yes/good/excellent to the customer satisfaction questions. In terms of customer engagement, RHI has numerous methodologies by which it engages its customers. This allows RHI to keep in touch with customers at both the individual and community levels.

**Operational Effectiveness:** RHI continues to be one of the more efficient and cost effective utilities in the province, while maintaining the highest level of reliability and workplace safety possible. In regards to Safety, RHI is committed to delivering a world class health and safety environment across all of its operations. At RHI, we always strive to put safety first by creating an injury-free environment, both in the workplace and in the field. In regards to reliability, RHI continues to hold the reliability of the distribution system to the highest standards. This is supported by the SAIFI (0.11) and SAIDI (0.18) measures reported for the 2015 Distributor Scorecard, when compared to other distribution companies across the province. In regards to the Distribution system plan, RHI has implemented new processes to expand its planning horizon to a 10 year horizon (5 historical years and 5 forecasted years). Finally in regards to cost control, RHI continues to maintain one of the lowest "Total Cost per Customer" numbers of \$559, as reflected in the Distributor Scorecard.

1 **Public Policy Responsiveness:** RHI has achieved 96.36% of its Net Cumulative Energy  
2 Savings target in 2014. RHI continues its efforts to instill a conservation culture through  
3 promotion and adoption of conservation and demand management programs through an  
4 agreement to share CDM and environmental program costs with Hydro Ottawa, thereby taking  
5 advantage of the economies of scale and buying power of the larger utility to get the  
6 conservation message across to customers. RHI's CDM initiatives allows the utility to reach out  
7 primarily to our residential and GS < 50 kW customer classes. These outreach programs are  
8 making a difference and have become an integral component of RHI's communications and  
9 customer engagement strategy.

10  
11 **Financial Performance:** RHI's financial performance is challenged due to economic downturns  
12 and decreasing or stagnant revenue, increased costs and industry challenges posed by aging  
13 infrastructure. The main factors contributing to the utilities financial challenges were increased  
14 supplier costs, increasing operational and capital expense due to aging infrastructure, and  
15 insufficient revenue due to electrical rates that do not reflect true cost of service. The  
16 Distribution System Plan (presented later in this document) will support the capital and  
17 maintenance programs needed to maintain and enhance the reliability of RHI's distribution  
18 system to ensure a safe and reliable electrical system for ratepayers for generations to come.

19  
20 With this filing, RHI looks to the future in terms of carrying a strong and sound foundation  
21 forward. By building on this foundation through continuous improvement, technological  
22 investment, and sound financial investment, RHI plans to continue to provide the highest value  
23 in electrical distribution services, at the lowest cost, to our community and the customer.  
24

# Executive Summary

## Ex.1/Tab2/Sch.1 - Proposed Revenue Requirement

RHI proposes to recover through distribution rates a revenue requirement of \$2,148,518. Table 1.1 below shows a comparison of the 2010 Board Approved Revenue Requirement versus the 2017 Test Year proposed Revenue Requirement. The comparison shows that the increase in OM&A from 2010 to 2017 can be attributed to increased billing, collecting and administrative costs. All of these drivers are explained in their respective Exhibits.

**Table 1.1: 2015 Proposed Revenue Requirements**

	CGAAP	MIFRS		
Particular	Last Board Approved	2017	Variance	
OM&A Expenses	\$1,149,829	\$1,549,280	\$399,451	34.74%
Depreciation Expense	\$389,051	\$247,981	\$0	-36.26%
Other Taxes	-\$14,500	\$0	\$0	0.00%
Total Distribution Expenses	\$1,524,380	\$1,797,261	\$399,451	17.90%
Regulated Return On Capital	\$436,201	\$435,760	\$441	-0.36%
Grossed up PILs	\$57,156	\$23,047	\$34,109	-59.91%
<b>Service Revenue Requirement</b>	<b>\$2,017,737</b>	<b>\$2,256,068</b>	<b>\$238,331</b>	<b>11.75%</b>
Less: Revenue Offsets	-\$139,777	-\$107,550	-\$32,227	-23.06%
<b>Base Revenue Requirement</b>	<b>\$1,877,960</b>	<b>\$2,148,518</b>	<b>\$270,558</b>	<b>14.34%</b>

**Ex.1/Tab 2/Sch.2 - Budget and Accounting Assumptions**

The Applicant has reviewed the budget process of other utilities and has since then adopted its own process described below.

RHI compiles budget information for the three major components of the budgeting process:

- revenue forecasts;
- operating, maintenance and administration (“OM&A”); and
- capital costs under the accounting asset groups

RHI’s budget is prepared annually by management and is reviewed and approved by the RHI Board of Directors. Once approved, it does not change and provides a plan against which actual results may be evaluated.

The OM&A costs presented at Exhibit 4 are the result of a business planning and work prioritization process that ensures that the most appropriate, cost effective solutions are put in place. The budgeting process used to determine the OM&A budget involves the following steps:

- Detailed expenses for prior 2-3 years are provided to management. Current year to date actual expenses are also provided. Management are required to update current year forecast to aid in development of full year forecast estimates.
- Expenses for all budgets are built based on analysis including previous years actual information, current year forecast, known changes in external costs, and changes in departmental activities or responsibilities in response to new legislation/regulations/industry activities;
- Variances in spending from prior years must be explained and documented, both at the time of creating the forecast and on a monthly basis as actuals are compiled;
- The Secretary/Treasurer prepares a total labour budget by department using projected wage and benefit cost. Overtime and account distribution are based on previous years actual.

The Secretary/Treasurer compiles all forecasted OM&A expenditures to compare the total projected expenditures and review year over year variances.

1  
2 The forecasted capital budget is influenced, among other factors, by RHI's capacity to finance  
3 capital projects and condition of the assets. Also, the availability of the workforce to complete a  
4 planned capital project is equally influential. All proposed capital projects are assessed within  
5 the framework of its capital budget priority as outlined in (Capital Expenditures by Project).

6 Topics discussed in the budget process include:

- 7 • Customer Demand and Capacity;
- 8 • Renewal;
- 9 • Reliability;
- 10 • Regulatory Requirements.

11  
12 The Distribution System Plan presented supports the capital and maintenance programs  
13 needed to maintain and enhance the reliability of RHI's distribution system.

14  
15 Budget Approval:

16 On an annual basis RHI reviews capital projects identified for potential implementation and  
17 attempts to prioritize each project based on guidelines defined in the asset management  
18 strategy. After examining all recommended projects, they are listed in order from higher to lower  
19 priority and then moved forward based on appropriate financial parameters.

20  
21 Inflation:

22 Staff and management salaries are adjusted yearly to reflect negotiated collective agreements  
23 and general cost of living increases to non-union staff.

**Ex.1/Tab 2/Sch.3 - Load Forecast Summary**

The load forecast presented at Exhibit 3 is based on a methodology which predicts class specific consumption using a multiple regression analysis that relates historical monthly wholesale kWh usage to monthly historical heating degree days and cooling degree days. Neither the number of peak days yielded meaningful results in predicting RHI's load. Therefore, these were not included as explanatory variables.

After testing numerous combinations and scenarios, the utility created one customer specific variable in order to yield more significant results. The use of a "daylight hours" variable help produce a more robust load forecast. More detailed model statistics can be found at Exhibit 3, Tab 1 Schedule 8.

Weather normalized values are determined by using the regression equation with a 10-year average monthly degree days (2005-2015). The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications and has been accepted by the Board.

Allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual wholesale kWh for the 2009 to 2012 period.

The 2017 Load Forecast is presented at the next page and detailed explanations of the load forecast can be found throughout Exhibit 3.

**Table 1.2: Load Forecast**

**Customers or Connections**

	<b>Actual</b>	<b>Projected</b>	<b>Variance</b>	
<b>Customer Class Name</b>	<b>Last Board Appr</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
Residential	3,635	3,835	200	5.50%
General Service < 50 kW	447	414	-33	-7.46%
General Service > 50 to 4999 kW	64	61	-3	-5.03%
Unmetered Scattered Load	30	34	4	14.09%
Street Lighting	1,173	1,195	22	2.24%
<b>TOTAL</b>	<b>5,349</b>	<b>5,543</b>	<b>194</b>	<b>3.63%</b>

**Consumption (kWh)**

	<b>Actual</b>	<b>CDM Adj</b>	<b>Variance</b>	
<b>Customer Class Name</b>	<b>Last Board Appr</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
Residential	31,881,465	28,929,066	-2,956,399	-9.40%
General Service < 50 kW	12,958,689	11,749,297	-1,209,392	-9.47%
General Service > 50 to 4999 kW	52,616,773	43,433,994	-9,182,779	-17.58%
Unmetered Scattered Load	142,827	149,640	6813	4.61%
Street Lighting	1,121,141	1,082,279	-38,862	-3.62%
<b>TOTAL</b>	<b>98,720,895</b>	<b>85,344,276</b>	<b>13,376,619</b>	<b>-13.68%</b>

**Consumption (kW)**

	<b>Actual</b>	<b>CDM Adj</b>	<b>Variance</b>	
<b>Customer Class Name</b>	<b>Last Board Appr</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
Residential	0	0	0	
General Service < 50 kW	0	0	0	
General Service > 50 to 4999 kW	142,778	118,024	-24,754	-17.47%
Unmetered Scattered Load	0	0	0	
Street Lighting	3,110	3,007	-103	-3.45%
<b>TOTAL</b>	<b>145,888</b>	<b>120,843</b>	<b>25,045</b>	<b>-17.17%</b>

**Ex.1/Tab 2/Sch.4 - Rate Base and Capital Planning**

A rate base is the value of property on which a utility is permitted to earn a specified rate of return in accordance with rules set by the OEB. The rate base underlying RHI's revenue requirement includes a forecast of net fixed assets, plus a working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses. Controllable expenses include operations and maintenance, billing and collecting and administration expenses.

The proposed Rate Base for the 2017 test year of \$6,933,996 reflects an increase of \$917,338 from the 2010 Board Approved. The increase suggests a prudent and reasonable investment in the distribution assets and is necessary in order to meet other regulatory requirements, the obligation to connect new growth, and the need to maintain the highest electrical safety standards. Table 1.3 below shows the derivation of the proposed 2017 rate base. Further details can be found at Exhibit 2.

The utility is not proposing to recover any costs from any rate class renewable energy connections/expansions, smart grid, and regional planning initiatives.

**Table 1.3: Rate Base**

Particulars	CGAAP	MIFRS	Variance	
	Last Board Approved	2017	\$	%
Net Capital Assets in Service:				
Avg Gross Asset	\$12,436,805	\$15,495,709	\$3,058,904	24.60%
Avg Accumulated Depr	<b>-\$7,893,818</b>	<b>-\$9,556,595</b>	<b>-\$1,662,777</b>	21.06%
<b>Net Fixed Assets</b>	\$4,542,987	\$5,939,114	\$1,396,127	30.73%
Working Capital Allowance	\$1,473,670	\$994,882	<b>-\$478,789</b>	-33.71%
<b>Total Rate Base</b>	<b>\$6,016,657</b>	<b>\$6,933,995</b>	<b>\$917,338</b>	14.95%

**Table 1.4: Working Capital Allowance**

Expenses for Working Capital	CGAAP	NEWGAAP	Variance	
	Last Board Approved	2017	\$	%
<u>Eligible Distribution Expenses:</u>				
3500-Distribution Expenses - Operation	\$235,909	\$296,946	\$61,037	25.87%
3550-Distribution Expenses - Maintenance	\$171,718	\$196,759	\$25,041	14.58%
3650-Billing and Collecting	\$328,238	\$467,660	\$139,422	42.48%
3700-Community Relations	\$1,000	\$6,000	\$5,000	500.00%
3800-Administrative and General Expenses	\$434,729	\$581,915	\$147,186	33.86%
	<b>-\$21,765</b>		\$21,765	-100.00%
			\$0	
<b>Total Eligible Distribution Expenses</b>	\$1,149,829	\$1,549,280	\$399,451	34.74%
3350-Power Supply Expenses	\$8,674,639	\$11,715,807	\$3,041,168	32.30%
<b>Total Expenses for Working Capital</b>	\$9,824,468	\$13,265,087	\$3,440,619	32.59%
Working Capital factor	15%	7.50%	-7.50%	-50.00%
<b>Total Working Capital</b>	<b>\$1,473,670</b>	<b>\$994,882</b>	<b>-\$478,789</b>	-33.71%

As described in the Distribution System Plan (“DSP”). RHI’s capital expenditures are modest and as a result there are few identifiable separate “projects” to be reported on. As a result the budgeting is typically done using the financial account structure as is the reporting. The major contributors to the increase in Rate Base is the addition of Smart meters, the “Pole Replacement Program”, “Breaker Replacement” in 2017, the purchase of a bucket truck in 2018 and the system access expenditures for Hunters Gate subdivision. Details of these capital expenses above the materiality threshold are presented in the DSP in Section 2.

**Table 1.5: Capital Expenditure Summary**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
System Access	96	119	41	4.3	95	5	35	129	10	10
System Renewal	286	197	279	296	422	615	335	380	385	350
System Service	4	14	10	10	10	110	20	5	5	10
General Plant	54	2.5	27	181	20.5	10.5	360.5	10.5	10.5	20
Total	440	333	357	492	547.5	740.5	750.5	524.5	410.5	390

## Ex.1/Tab 2/Sch.5 - Overview of Operation Maintenance and Administrative Costs

The increase of approximately \$399K in OM&A spending from its 2010 Cost of Service to the 2017 Test Year can be attributed to several factors as detailed in the summary of cost drivers below. Calculations of RHI's revenue requirement and the derivation of the revenue sufficiency can be found at Exhibit 6 and specifics surrounding the OM&A costs are presented at Exhibit 4.

**Table 1.6: Summary of Recoverable OM&A Expenses**

<i>Reporting Basis</i>	<b>CGAAP</b>	<b>MIFRS</b>	<b>Variance</b>	
	<b>Board Approved</b>	<b>2017</b>	<b>\$</b>	<b>\$</b>
Operations	\$235,909	\$296,946	\$61,037	25.87%
Maintenance	\$171,718	\$196,759	\$25,041	14.58%
<b>SubTotal</b>	<b>\$407,627</b>	<b>\$493,705</b>	\$86,078	21.12%
Billing and Collecting	\$328,238	\$467,660	\$139,422	42.48%
Community Relations	\$1,000	\$6,000	\$5,000	500.00%
Administrative and General+LEAP	\$434,729	\$581,915	\$147,186	33.86%
<b>SubTotal</b>	<b>\$763,967</b>	<b>\$1,055,575</b>	\$291,608	38.17%
<b>Adjust</b>	<b>-24,765</b>			
<b>Total</b>	<b>\$1,149,829</b>	<b>\$1,549,280</b>	\$399,451	34.74%

### Summary of cost drivers:

#### Operations:

- Cost of living and collective agreement salary increases
- Reallocation of Health and Safety training, services, and supplies from labour burden to operations
- Rent increase for new garage and warehouse space
- Increased locate activity and expenses

#### Maintenance:

- Maintenance activities have remained fairly consistent with the increase attributed to the cost of living and collective agreement salary increases

#### Billing and Collecting:

- The addition of Smart meter operational and meter reading costs

- Increased customer billing costs moving to a monthly billing cycle
- Increased postage costs from rate increases
- Increases in billing software, support and internet requirements
- Increased bad debts

Community Relations:

- Increase in advertising expenditures related to customer communication

Administrative and General:

- Increased salaries and benefit rates
- The additional costs of conducting customer satisfaction and safety surveys
- Rent for new office facility
- Increased annual regulatory expenses
- The addition of the LEAP funding

## Ex.1/Tab 2/Sch.6 - Statement of Cost of Capital Parameters

RHI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009 in determining the cost of capital.

In calculating the cost of capital, RHI has used the deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB letter of October 15, 2015, for the allowed return on equity and where appropriate for debt.

RHI's weighted average cost of capital for 2017 has been calculated as 6.28%, as shown in Table 1.7 below:

**Table: 1.7 – Overview of Capital Structure**

Particulars	Cost Rate
Debt	
Long-term Debt	4.54%
Short-term Debt	1.65%
Total Debt	4.35%
Equity	9.19%
Common Equity	
Preferred Shares	
Total Equity	9.19%
Total	6.28%

RHI understands that the OEB will most likely update the ROE for 2017 at a later date. RHI commits to updating its Capital Structure accordingly and as new information becomes available.

**Ex.1/Tab 2/Sch.7 - Overview of Cost Allocation and Rate Design**

The main objectives of a Cost Allocation study is to provide information on any apparent cross-subsidization among a distributor's rate classifications and to eventually be used in future rate applications.

RHI has prepared and is filing cost allocation information consistent with the utility's understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board back in November of 2006 and all subsequent updates.

RHI has prepared a Cost Allocation Study for 2017 based on an allocation of the 2017 test year costs (i.e., the 2017 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts, etc.

RHI has used the updated Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2017 data into this model.

Table 1.8 below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs the Board imposed floor and ceiling ranges.

**Table 1.8: Proposed Allocation**

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range		Revenue to Cost Adjustment		
				Floor	Ceiling	2017	2018	2019
Residential	0.96	0.96	-0.00	0.85	1.15			
General Service < 50 kW	1.20	1.20	-0.00	0.80	1.20			
General Service > 50 to 4999 kW	0.88	0.91	-0.03	0.80	1.20			
Unmetered Scattered Load	2.80	2.20	0.59	0.80	1.20	2.20	1.60	1.20
Street Lighting	1.91	1.60	0.31	0.80	1.20	1.60	1.20	

Distribution revenue is derived through a combination of fixed monthly charges and volumetric charges based either on consumption (kWh's) or demand (kW's). Revenues are collected from 5 customer classes including: Residential, General Service less than 50 kW, General Service greater than 50 kW, Unmetered Scattered Load (USL) and Street Lighting.

Fixed rate revenue is determined by applying the current fixed monthly charge to the number of customers or connections in each of the customer classes in each month. Variable rate revenue is based on a volumetric rate applied to meter readings for consumption or demand volume. Existing volumetric rates include a component to recover allowances for transformer ownership. Commodity Charges and deferral and variance rate riders, along with RHI's specific adders are added to the distribution rates to arrive at a final all-encompassing bill.

**Ex.1/Tab 2/Sch.8 - Overview of Deferral and Variance Account Disposition**

RHI proposes to dispose of a debit of \$242,327 related to Group 1 and a debit of \$55,243 for Group 2 Variance/Deferral Accounts. These balances include carrying charges up to and including December 31, 2016. RHI also proposes to dispose of the following;

- A net debit balance of \$63,409 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account, and
- A credit of (\$870,367) being the balance of account 1576 for accounting changes under CGAAP, and
- A debit of \$54,954 for the Net Book Value of Stranded Meters.

Group 1 and Group 2 DVA balances and the Smart Meter Disposition rider are proposed to be disposed of over 4 years. The Stranded Meters Rate Rider is proposed to be disposed over 5 years to minimize their effects on the bill impacts. The credit balance for the accounting changes under CGAAP, extending the useful lives of assets is proposed to be disposed over 4 years.

RHI has followed the OEB's guidance as provided in the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report. As of December 31, 2015, RHI recorded principal balances in the following Board-approved deferral and variance accounts.

1

**Table 1.9: Account and Balances sought for disposition/recovery**

		Balance	Allocator
LV Variance Account	1550	4,569	kWh
Smart Metering Entity Charge Variance Account	1551	(1,871)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(23,007)	kWh
RSVA - Retail Transmission Network Charge	1584	33,177	kWh
RSVA - Retail Transmission Connection Charge	1586	95,386	kWh
RSVA - Power (excluding Global Adjustment)	1588	(31,996)	kWh
RSVA - Global Adjustment	1589	179,085	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2008)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	1,210	kWh
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	(9,674)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	(2,427)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(2,126)	kWh
<b>Total of Group 1 Accounts (excluding 1589)</b>		<b>63,242</b>	
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	0	kWh
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	0	kWh
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act8	1508	0	kWh
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Carrying Charges	1508	0	kWh
Other Regulatory Assets - Sub-Account - Other 4	1508	1,987	kWh
Retail Cost Variance Account - Retail	1518	(6,811)	kWh
Misc. Deferred Debits	1525	23,458	kWh
Retail Cost Variance Account - STR	1548	36,608	kWh
Board-Approved CDM Variance Account	1567	0	kWh
Extra-Ordinary Event Costs	1572	0	kWh
Deferred Rate Impact Amounts	1574	0	kWh
RSVA - One-time	1582	0	kWh
Other Deferred Credits	2425	0	kWh
<b>Total of Group 2 Accounts</b>		<b>55,243</b>	
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0	
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	0	kWh
<b>Total of Account 1562 and Account 1592</b>		<b>0</b>	
LRAM Variance Account (Enter dollar amount for each class)	1568	<b>63,409</b>	
(Account 1568 - total amount allocated to classes)		63,409	
<b>Variance</b>		<b>0</b>	

2

<b>Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)</b>	<b>118,245</b>	
<b>Total of Account 1580 and 1588 (not allocated to WMPs)</b>	<b>(55,003)</b>	
<b>Balance of Account 1589 Allocated to Non-WMPs</b>	<b>179,085</b>	

<b>Balance of Account 1589 allocated to Class A Non-WMP Customers</b>	<b>0</b>	
---	----------	--

<b>Group 2 Accounts - Total balance allocated to each class</b>	<b>55,243</b>	
---	---------------	--

IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	(870,367)	kWh
<b>Total Balance Allocated to each class for Accounts 1575 and 1576</b>		<b>(870,367)</b>	

**Ex.1/Tab 2/Sch.9 - Overview of Bill Impacts**

A summary of the bill impacts by class is presented below. Detailed explanations of the bill impacts are presented at Exhibit 8.

The bill impacts vary by customer class, ranging from an increase of 2.93% for the Residential Class to impacts of 1.94% and -0.04% in the GS< 50 and GS>50 respectively. Unmetered Scattered Load has increased by 1.12% and Street Lighting class has decreased by -5.21%.

The distribution rate increases were reduced by overall credit rate riders to dispose of the significant balances owed to ratepayers that have accumulated in certain variance accounts. The largest credit accumulation can be seen in account 1576, for the changes in depreciation and the useful lives of RHI's fixed assets, totalling (\$870,367).

Although the overall bill impacts have been reduced for certain classes, RHI's proposed 2017 revenue requirement is needed to remain in compliance with its regulators and meet its mandate and commitment to provide safe, reliable cost-effective services and products achieving sustainable growth while respecting the community and the environment.

# Customer Engagement

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## **Ex.1/Tab 3/Sch.1 - Overview of Customer Engagement**

The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the “RRFE Report”) contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations. RHI always has, and always will, focus on its customers by striving to provide superior service to its customer base. RHI is also becoming more customer-centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively and efficiently with our customers. Some of our current initiatives to maintain or improve our level of customer engagement are as outlined on the next few pages.

1

**Table 1.10 – OEB Appendix 2 – AC**

<b>Provide a list of customer engagement activities</b>	<b>Provide a list of customer needs and preferences identified through each engagement activity</b>	<b>Actions taken to respond to identified needs and preferences. If no action was taken, explain why</b>
Public Consultation/Open House	1. Lower rates.  2. Make Bills easier to understand.  3. Easier access to government programs for electrical rebates and CDM programs.	1. Manage expenses diligently. Request Bill impacts for deferral/variance accounts over longer timeframes.  2. We explain bills one on one with the customers where possible.  3. Assist customers one on one. Provide numerous bill inserts on OESP program. Liaison with LEAP intake agency to assist low income customers. Participate in local home show to promote CDM initiatives and coupons.
Electrical Safety Awareness and Customer Satisfaction Surveys	1. Overall concern with rates and where they are heading  2. Generally satisfied with service  3. General public is knowledgeable of electrical hazards	1. Doing our best to mitigate rates but some costs are outside LDC control  2. Service and safety remain our top priority. Customers equate reliability with safety as it is an essential service.  3. No concerns at this time.
Counter Service and direct customer interaction	1. Information on OESP, OCEB, help paying bills	1. Help customers by providing brochures, bill inserts, updates

	<p>2. Rate change info, TOU info</p> <p>3. High bills</p>	<p>to website, and through customer service interaction.</p> <p>2. OEB insert, website, fridge magnets, info at counter</p> <p>3. Review bill history, help customers apply to CDM and equal payment plans, educate on TOU. Provide customers with details on how to view their energy consumption online.</p>
CDM and Environmental Awareness materials through mail, front counter, and Home Show interactions.	<p>1. How to save energy, home efficiency</p> <p>2. Upgrade incentives</p> <p>3. Retailer information/warnings</p> <p>4. Coupons, customer connect, etc</p>	<p>1. SoE coupons, website</p> <p>2. Homeshow displays</p> <p>3. Front counter interaction</p> <p>4. RHI website</p> <p>Homeshow posters and handouts</p> <p>Counter interaction</p>

1  
2

**Ex.1/Tab 3/Sch.2 - Customer Satisfaction Survey**

RHI conducted a customer satisfaction survey with its residential and GS<50 classes. The survey asked customers questions on a wide range of topics, including: (a) power quality and reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service experience. The survey was conducted in September of 2014. The results were compiled into a final report outlining the overall customer satisfaction within the community. These results were then used to support internal discussions surrounding what is currently being done well, and what needs improvement.

With regard to the 2014 survey results, in terms of customer satisfaction, 92% of RHI's customers answered Excellent or Good to all of the rating questions.

The complete report is provided at the next page.



Renfrew  
Hydro Inc.

## 2014 CUSTOMER SATISFACTION SURVEY

## **Background**

As part of a commitment to provide customers with reliable and quality utility services that meet current and future needs, Renfrew Hydro surveyed its customers in September of 2014. The 2014 survey is the first survey conducted by the utility. The utility intends on conducting the survey on a biennial basis in an effort monitor and assess residential and commercial customer knowledge, perceptions and satisfaction regarding utility services.

## **Survey Objectives**

In 2014, the objectives included measuring:

- Utility's overall performance.
- Reliability.
- Billing and Payment Options
- Quality of service provided by customer care.
- Quality of service provided by field employees.
- Customer awareness and usage of the department's online services.
- Customer support for greater use of renewable energy.
- Customer opinions regarding how aggressively sustainable practices should be pursued.
- Cost of Electricity
- Overall Performance

## Survey Methods

The survey was developed in-house through a collaborative effort of, Hearst Power Distribution Company Limited Inc. Hydro Hawkesbury Inc., Hydro 2000 Inc., Cooperative Hydro Embrun, and Ottawa River Power Corporation.

The main purpose of the collaborative effort was to minimize the cost of the survey by the sharing of intellect and resources.

The group briefly contemplated using 3<sup>rd</sup> party company to conduct the survey however, with costs estimated at approximately \$20,000 or \$9 per customer, the Group and the Board of Directors felt that the costs were unjustifiable. Another disadvantage of a 3<sup>rd</sup> party survey was that the surveys are administered by telephone to 400 random residential customers. The Group felt that all its customer should have equal opportunity to complete the survey, rather than a random sample. Lastly, the duration of the 3<sup>rd</sup> party survey was estimated at 18 minutes which the utilities felt was too long. Developing an in-house survey gave the group more control and flexibility surrounding the delivery of the survey. The group approached a select number of customers for their opinion on the method in which they would prefer to be approached by the surveyors (e.g. written survey, online survey or phone survey). The customer's least preferred method was a phone survey.

The survey was also sampled with a select group of customers before it was published. Based on the comments received by the sample group, the survey was further revised to adopt the recommendations of the customer.

In RHI's case, a bill insert was sent to all customers inviting them to participate in the online survey, of which 89 residential customer responded and 11 General Service customers responded.

The survey was conducted in September, 2014.

## 1. Socio-Demographics

The pros and cons of including socio-demographic questions in a survey were considered. Some of the benefits include; knowing the demographic characteristics of your respondents will help you in determining how close the sample replicates the population. Furthermore, if sample sizes are large enough, it enables you to differentiate between different sub-groups. For example, if your service area is prominently "high-income", the response to "electricity costs" may be significantly different than if you have a service area that is mainly "low-income". Another example is that "rental properties" generally include utilities in the rent. For that reason, tenants tend to worry less about reducing electricity costs and conservation. Questions such as "age group" can also be useful. A family with teenagers tend to use a lot more electricity than a retired couple for example. Understanding your customers also helps in establishing means of communications between the utility and its customers.

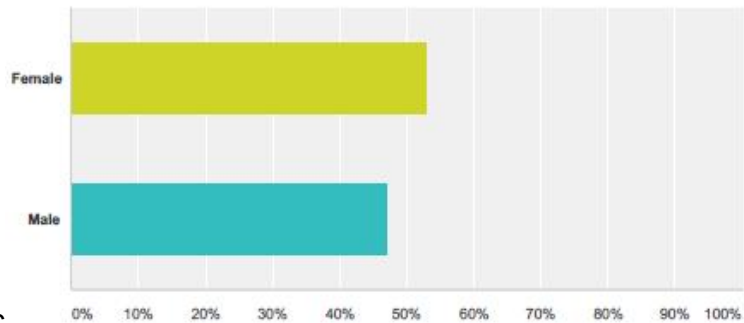
On the other hand, you need a substantial sample to draw any statistically meaningful conclusions. If you have a smaller sample at your disposal, differentiating between certain socio-demographic sub-groups might be meaningless. Also, adding socio-demographic questions lengthens your survey significantly and research shows that the longer a survey, the higher the dropout rate. Lastly, some respondents may be put off by socio-demographic questions and feel that these questions compromise the anonymity of the survey or experience these questions as an invasion of their privacy.

The Group ultimately decided that including socio-demographic questions would be insightful to the utility. Since this information will most likely not change in future years, the Group may decide to exclude these questions in future surveys.

The results of RHI's socio-demographic section of the survey are presented below.

### Q1 What is your gender?

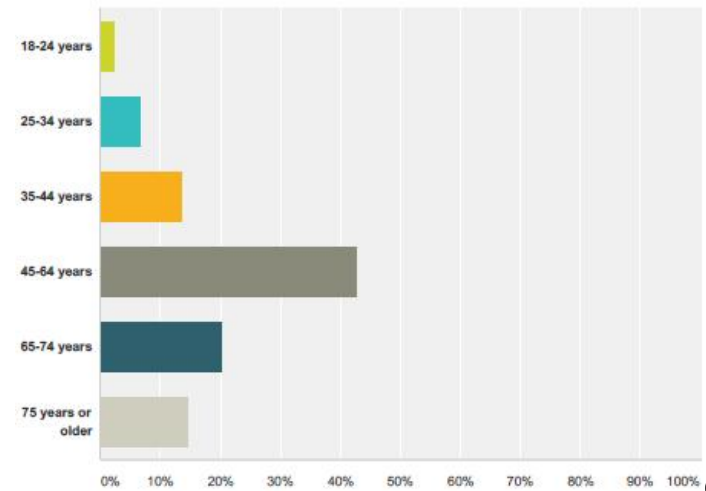
Answered: 89 Skipped: 0



C

### Q2 In which age category listed below do you belong in?

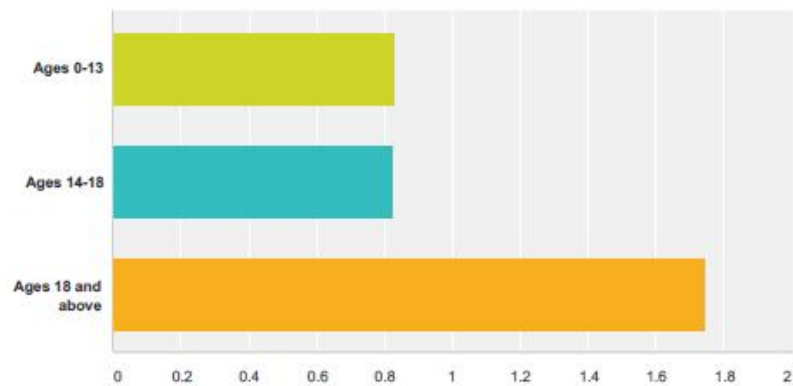
Answered: 89 Skipped: 0



C

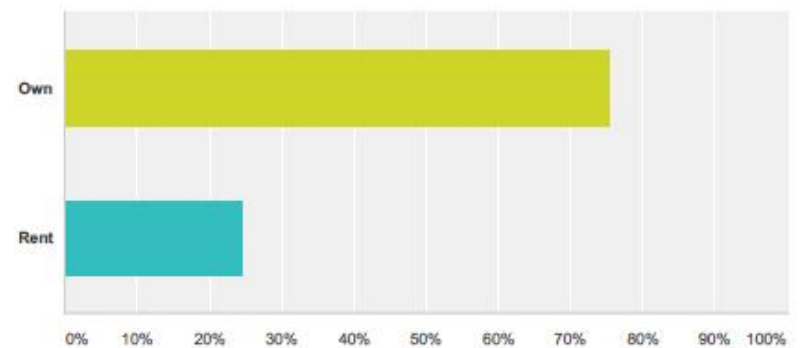
### Q3 Please indicate how many occupants are between the ages of:

Answered: 89 Skipped: 0



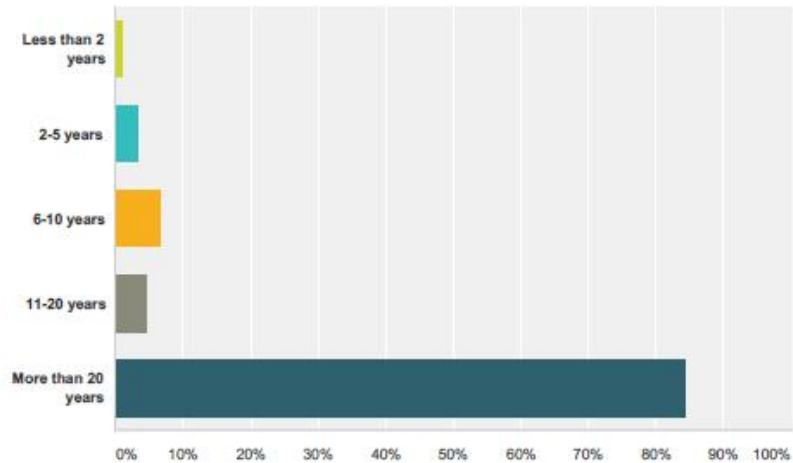
### Q4 Do you currently own or rent your home?

Answered: 89 Skipped: 0



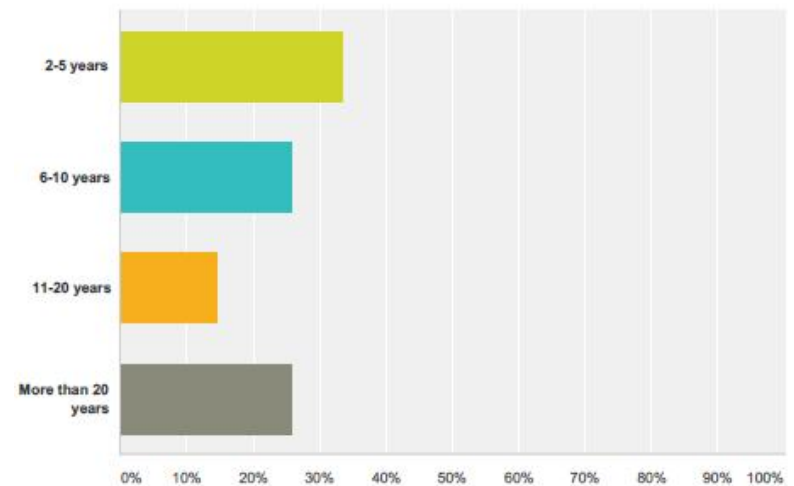
### Q5 How old is your home/apartment?

Answered: 89 Skipped: 0



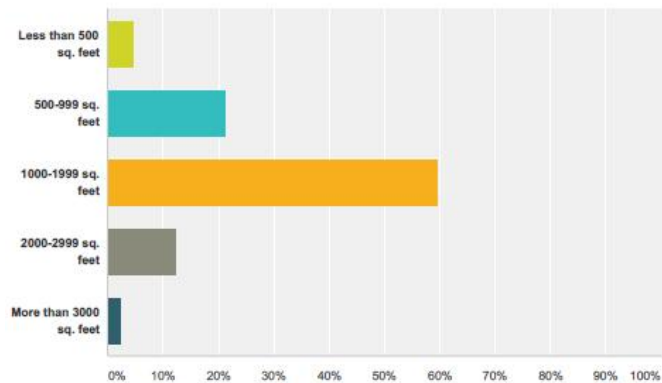
### Q6 How many years have you lived in your household?

Answered: 89 Skipped: 0



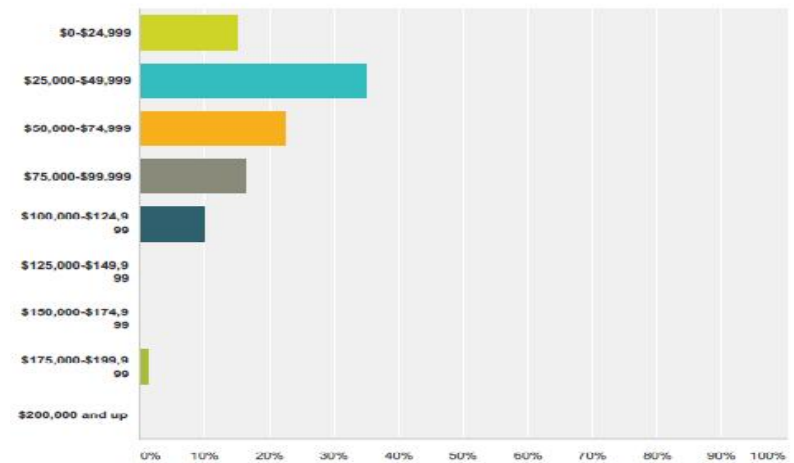
### Q7 What is the approximate square footage of your household?

Answered: 89 Skipped: 0



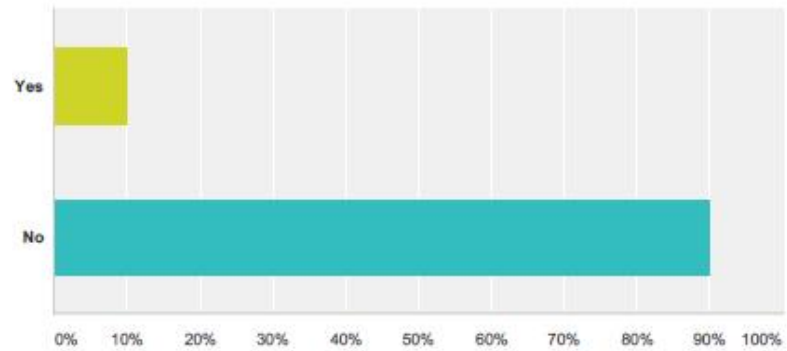
### Q8 What is your approximate average household income?

Answered: 89 Skipped: 0



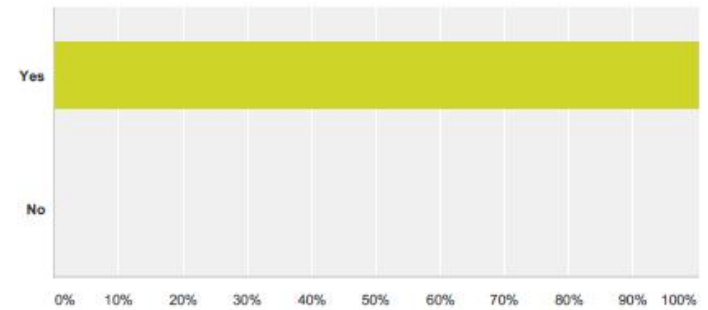
**Q9 Do you purchase your electricity from a retailer?**

Answered: 89 Skipped: 0



**Q10 In terms of reliability, would you say that your utility provides consistent and reliable energy?**

Answered: 88 Skipped: 1



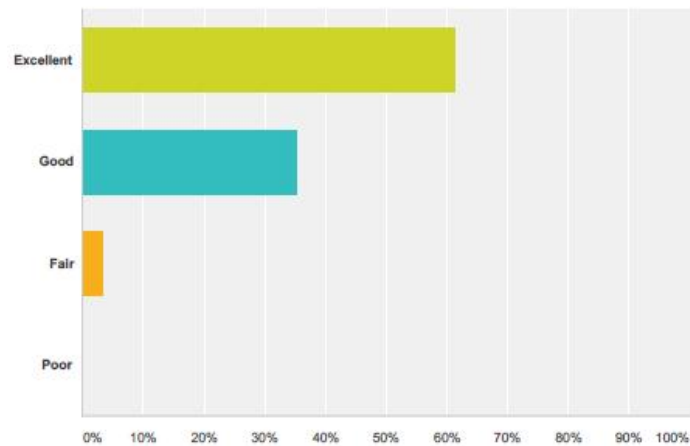
## 2. Reliability

Overall Reliability of the Utility continues to be rated highly by its residents. In 2014, all respondents rated overall Reliability as consistent.

The results of the reliability section of the survey are presented below.

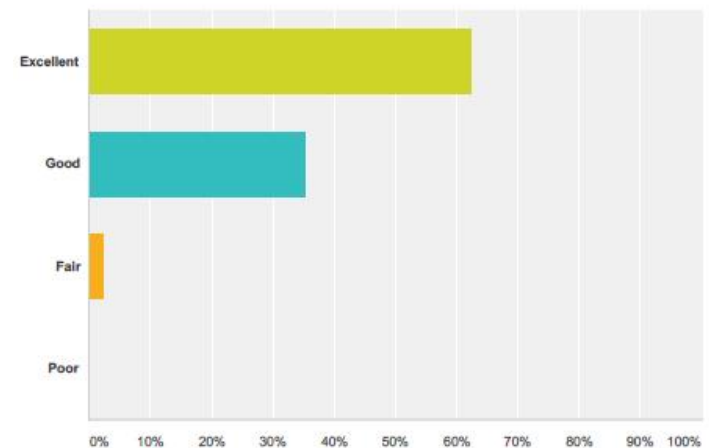
**Q11 How would you rate Renfrew Hydro's ability in restoring service when a power outage occurs?**

Answered: 88 Skipped: 1



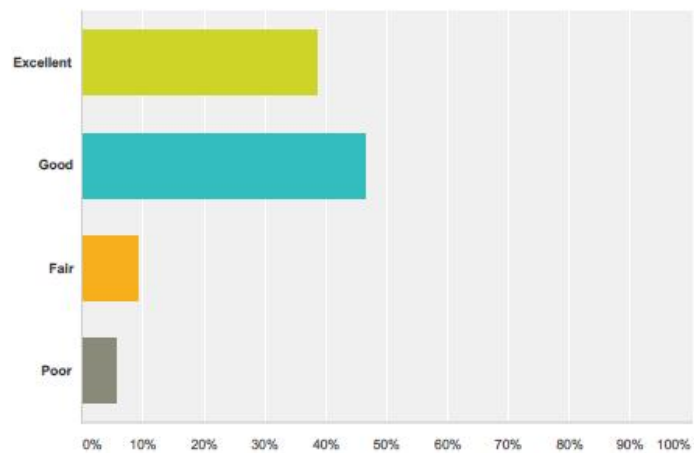
**Q12 How would you rate Renfrew Hydro's ability in minimizing the number of power outages?**

Answered: 88 Skipped: 1



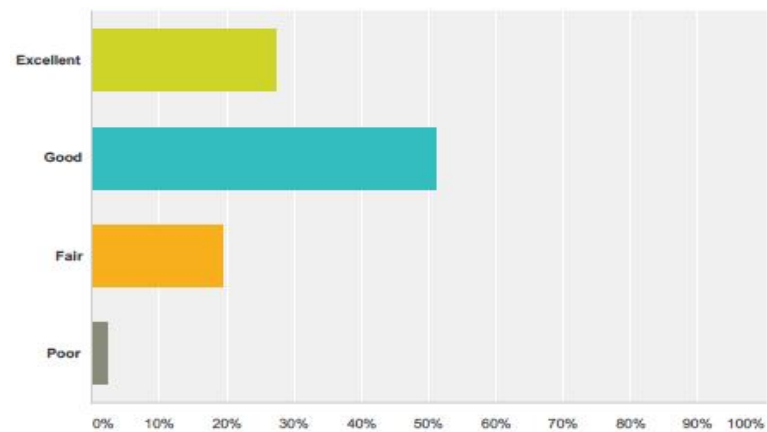
**Q13 How would you rate Renfrew Hydro's ability in providing information about extended outages?**

Answered: 88 Skipped: 1



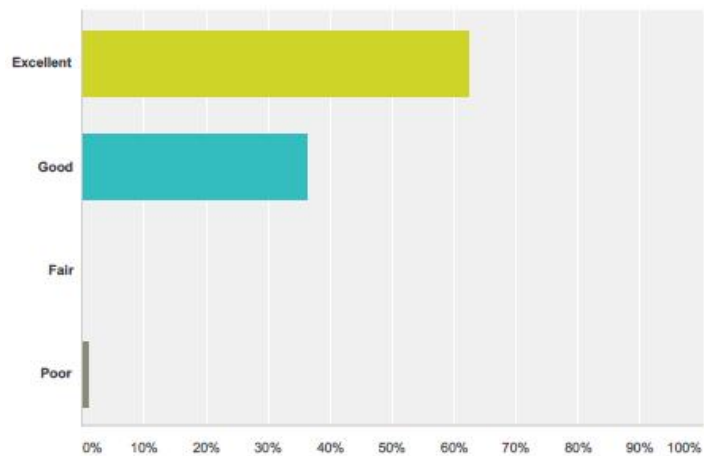
**Q14 How would you rate Renfrew Hydro's ability in being reachable by telephone during an outage?**

Answered: 88 Skipped: 1



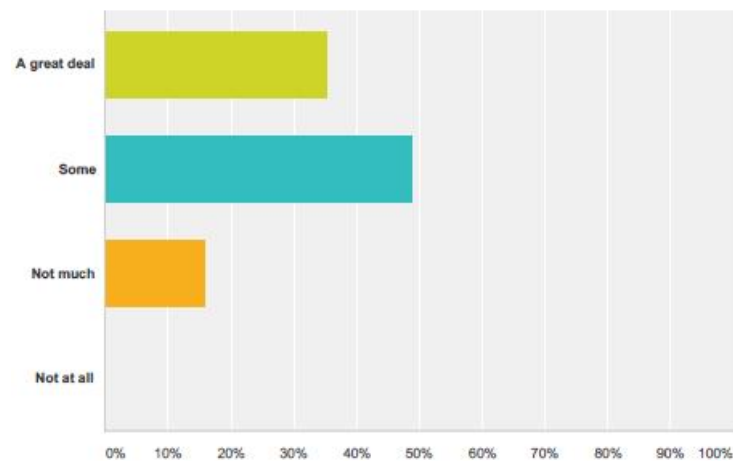
**Q15 In terms of overall reliability of electric service - how would you rate it?**

Answered: 88 Skipped: 1



**Q16 When a power outage occurs, how much does it disrupt your household?**

Answered: 88 Skipped: 1



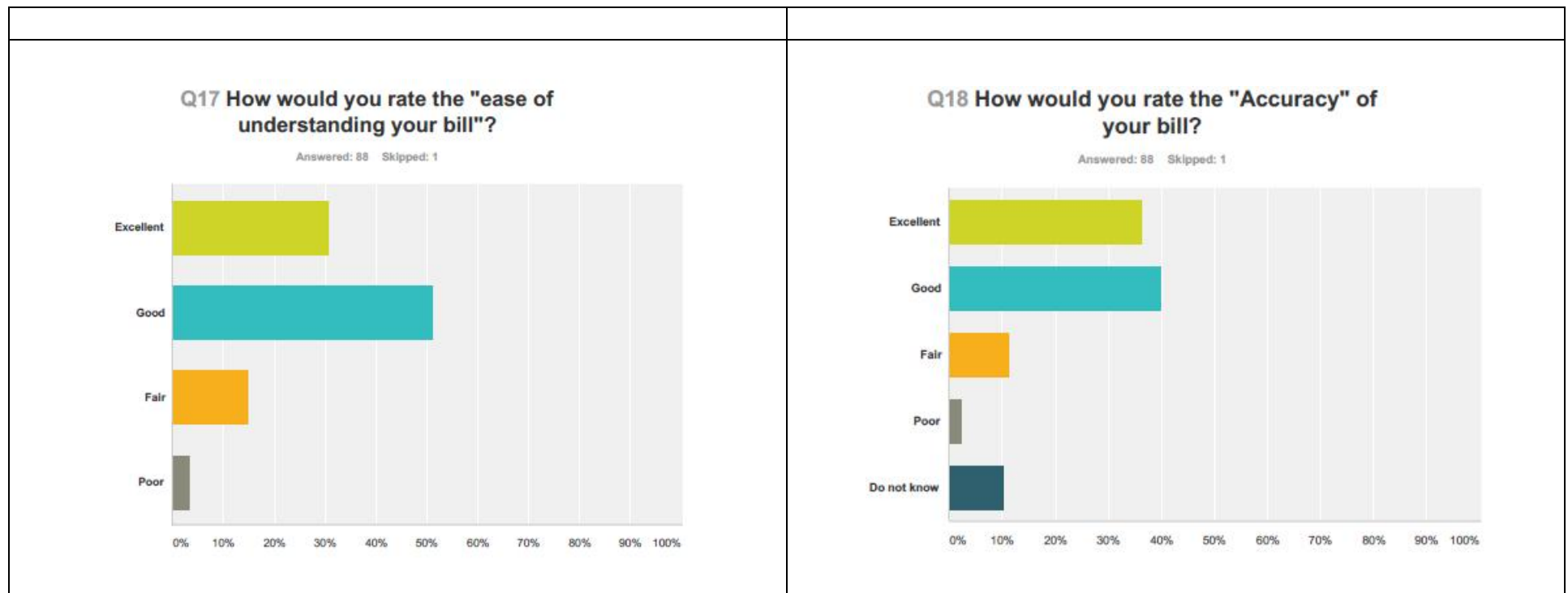
### 3. Billing and Payment Options

Residential customers continue to give high ratings to utility billings. In 2014, residential and commercial customers rated payment options above good. The average ratings for ease of understanding, and accuracy of their utility bills was also good or above.

RHI offers its customers alternative payment options in addition to mailing payment or dropping it off at the utility's office. The alternative payment options include:

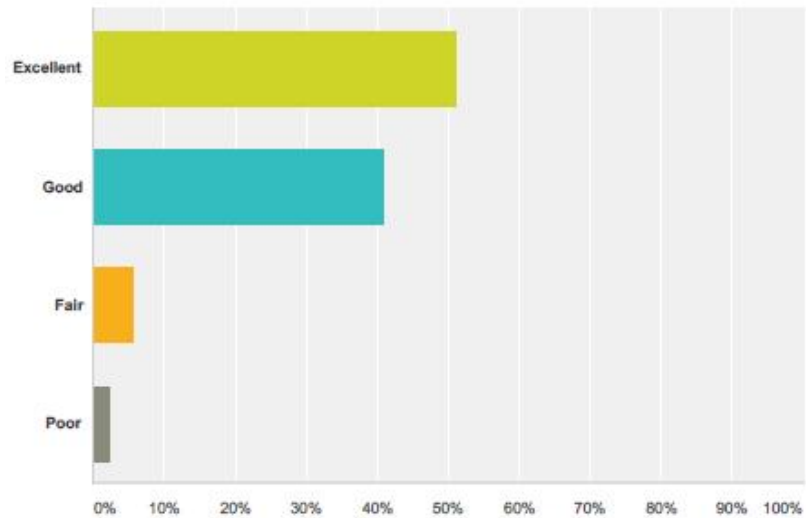
- Paying online by electronic funds transfer
- Telebanking
- Paying online using a credit card
- Paying by automatic withdrawal from checking or savings account
- Equal monthly payment plan

In 2014, more than 68% of the customers that participated were aware of at least four different payment options with awareness being highest for the option of dropping off payment at the utility's office 84%, paying at any chartered bank (77%), paying online using electronic banking (75%), and automatic withdrawal from checking or savings accounts (68%). All other questions and responses related to Billing and Payment Options are shown below.



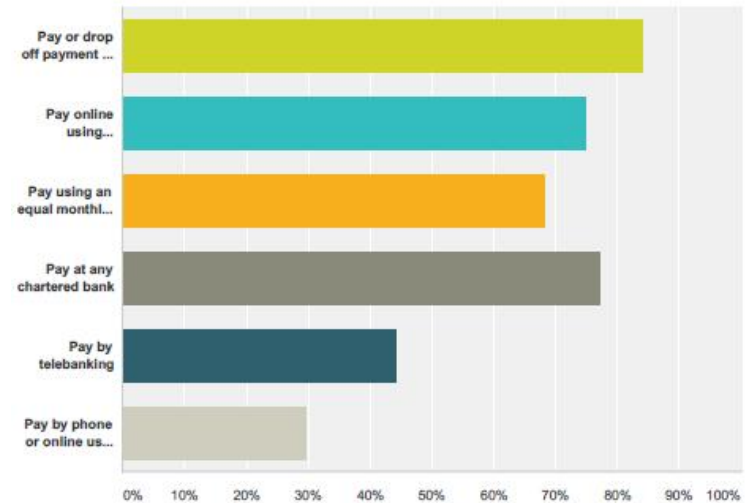
**Q19 How would you rate the payment options offered by your utility?**

Answered: 88 Skipped: 1



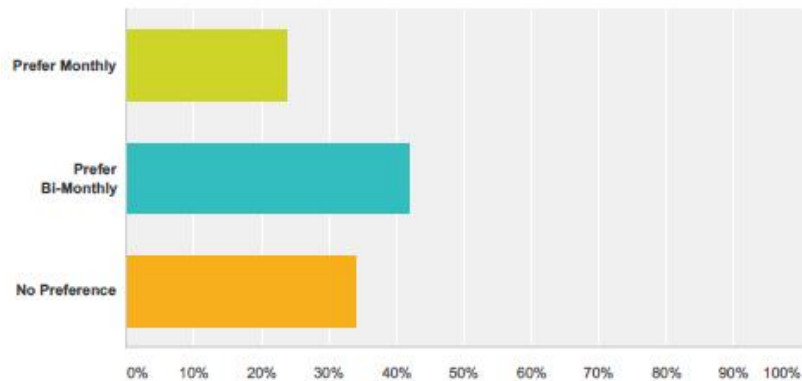
**Q20 Renfrew Hydro offers its customers some alternative payment options. Please indicate which of them you were aware of prior to taking this survey.**

Answered: 88 Skipped: 1



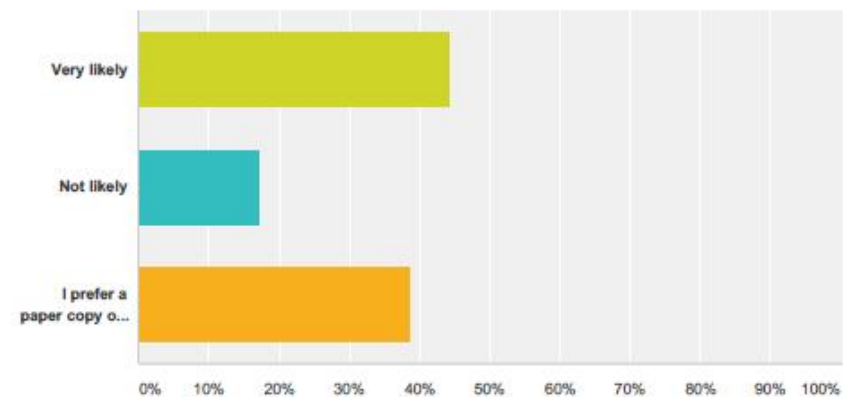
**Q21 Currently, Renfrew Hydro bills residential customers on a bi-monthly cycle. Would you prefer to have your bills issued monthly?**

Answered: 88 Skipped: 1



**Q22 If offered, how likely are you to sign up for e-bills (receiving your hydro bill electronically)?**

Answered: 88 Skipped: 1



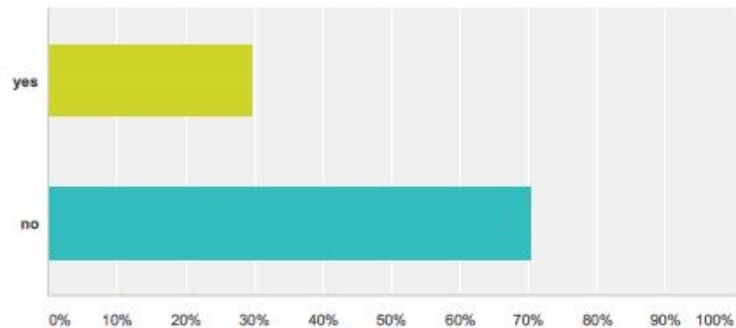
#### 4. Customer Service - Quality of service provided by customer service employees.

In 2014, over one-quarter of the respondents (29%) had contacted the Customer Care Center during the past 12 months with inquiries related to the utility. Among residential customers who contacted the Customer Service Representative, 88% said that their information needs had been met.

Customers who had contacted the Customer Care Center were then asked to rate the customer care representative on specific service attributes: courtesy, knowledge, time and resolution. Residential customers who had contacted the Customer Care Center gave the customer care representative an overall average rating that was well above good in all categories.

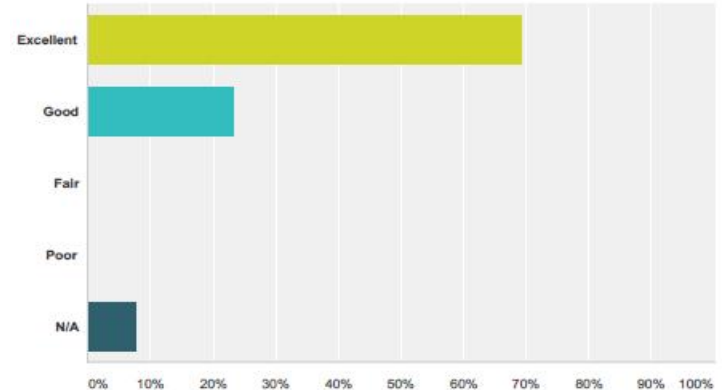
**Q23 During the past 12 months, have you contacted the utility's customer service for any information or assistance?**

Answered: 88 Skipped: 1



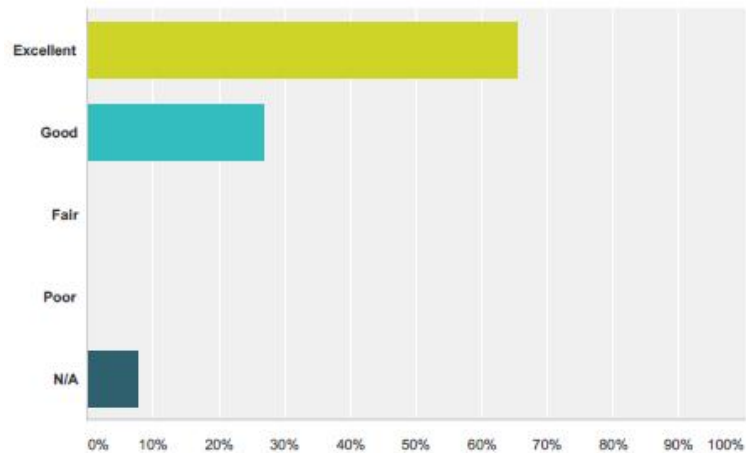
**Q24 Thinking about your most recent contact with Renfrew Hydro, how would you rank the courtesy of the person you spoke to?**

Answered: 26 Skipped: 63



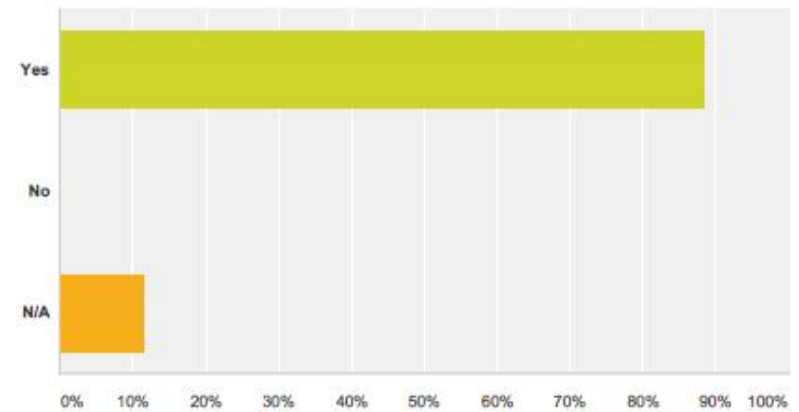
**Q25 Thinking about your most recent contact with Renfrew Hydro, how knowledgeable was the person you spoke to?**

Answered: 26 Skipped: 63



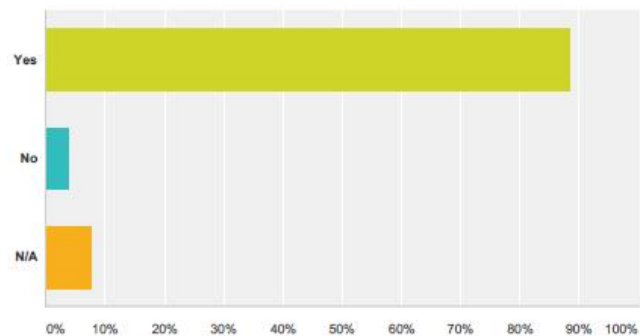
**Q26 Thinking about your most recent contact with Renfrew Hydro, were you satisfied with the time it took to contact someone?**

Answered: 26 Skipped: 63



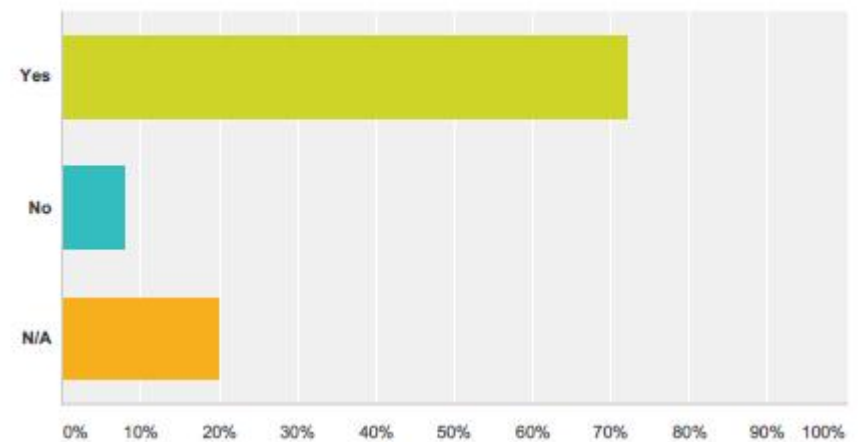
**Q27 Thinking about your most recent contact with Renfrew Hydro, did the customer care representative provide you with the information you needed?**

Answered: 26 Skipped: 63



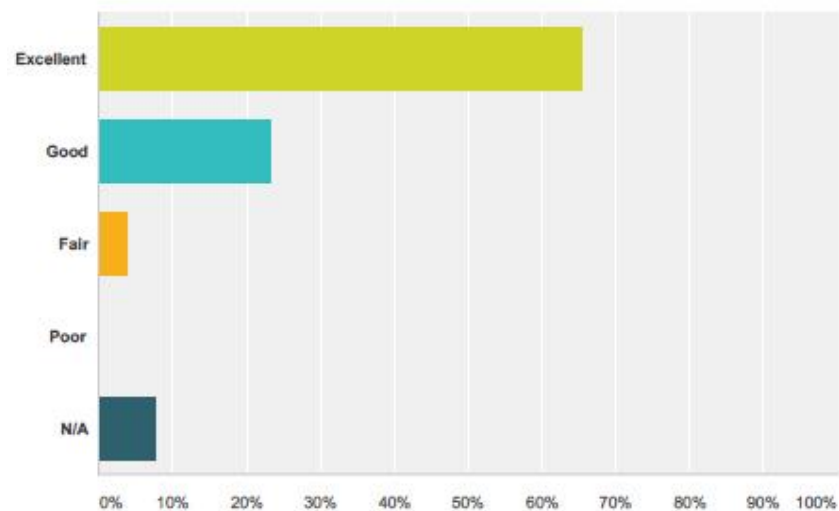
**Q29 Was the problem subsequently solved?**

Answered: 25 Skipped: 64



**Q30 Overall, how would you rate the customer care representative's performance in handling your request for information?**

Answered: 26 Skipped: 63



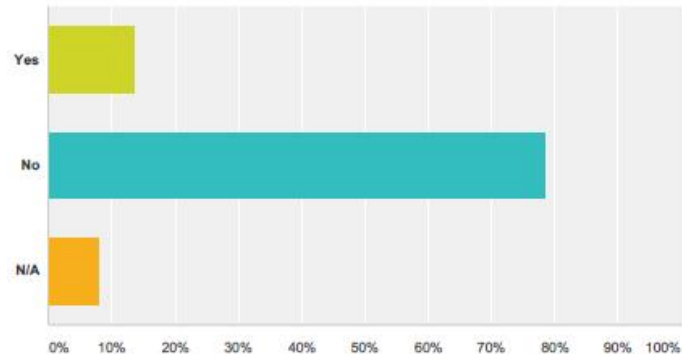
## 5. Customer Service - Quality of service provided by field employees.

In 2014, the majority of customers had no contact with a field employee during the past 12 months, with only 13% of residential customers reporting any type of contact.

Residential customers who had contact with a field employee gave overall performance an average rating between good and excellent. 72% rated the field employees as excellent and 11% as good. Courtesy and Knowledge of field employees was also rated, on average, between good and excellent by residential customers. With an average rating above good, ability to handle request was in line with all other service attributes.

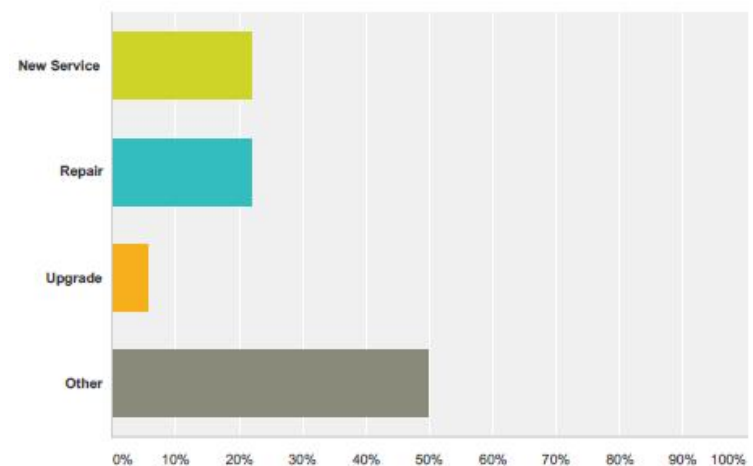
**Q31 Renfrew Hydro field employees (or agents acting on behalf of the utility) perform tasks such as installing, maintaining and repairing utility services. During the past 12 months, have you had any contact with a field employee where you requested assistance or asked for information?**

Answered: 88 Skipped: 1



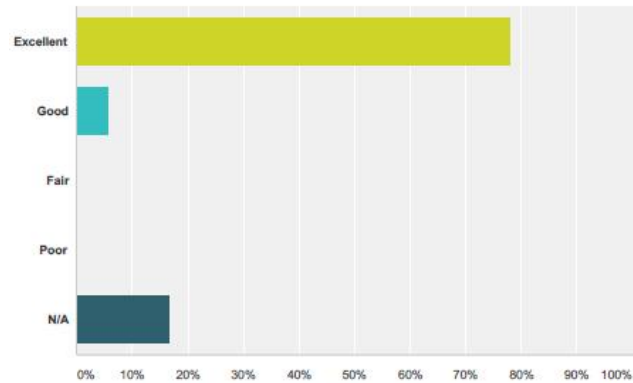
**Q32 Thinking about your most recent contact with a field employee, what type of utility service was this contact related to?**

Answered: 18 Skipped: 71



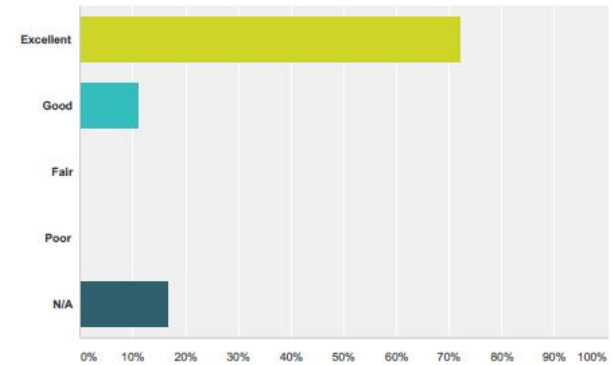
**Q33 Still thinking about your most recent contact with a field employee, how would you rate the employee's courtesy?**

Answered: 18 Skipped: 71



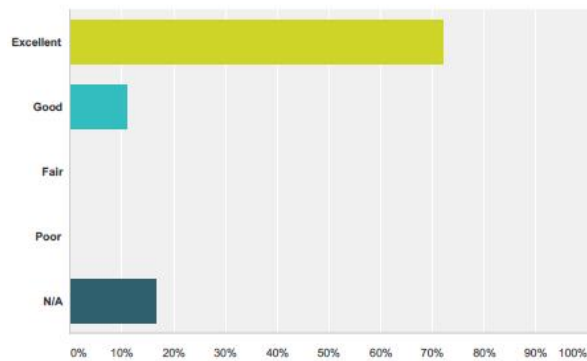
**Q34 Still thinking about your most recent contact with a field employee, how would you rate the employee's knowledge?**

Answered: 18 Skipped: 71



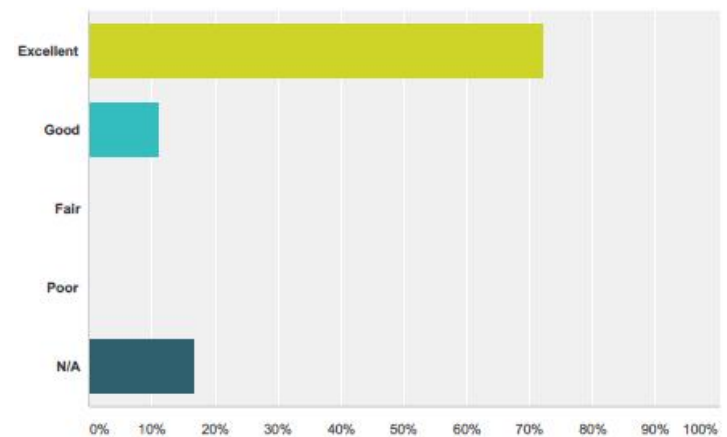
**Q35 Still thinking about your most recent contact with a field employee, how would you rate the employee's ability to handle your request?**

Answered: 18 Skipped: 71



**Q36 Still thinking about your most recent contact with a field employee, how would you rate your overall experience?**

Answered: 18 Skipped: 71



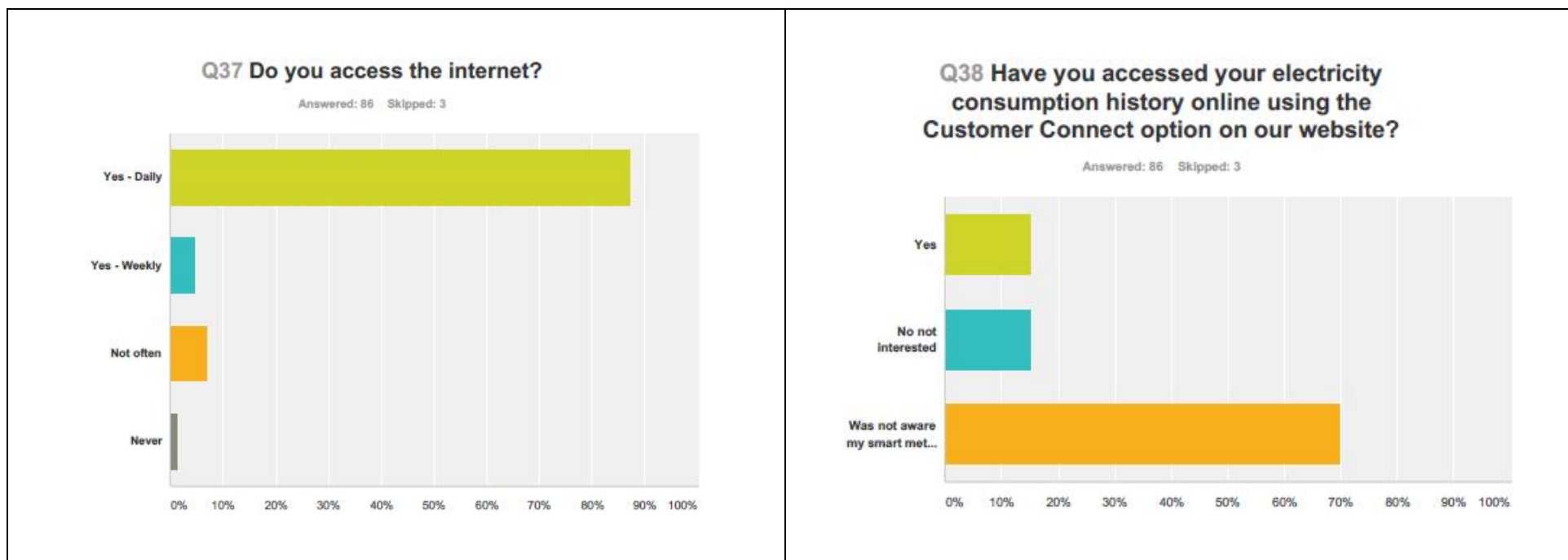
## 6. Customer awareness and usage of the department's online services

Residential and commercial customers were asked about their awareness of viewing their electricity consumption online offered by the Utility. In 2014, the majority of residential customers (76%) were not aware of at least one online service. This is an area where the utility plans on improving.

In 2014, 69% of the residential customers that took part in the survey were not aware they could view their consumption online. RHI plans to improve this area by continuing its efforts to improve customer awareness through bill inserts, website information, and customer service communication.

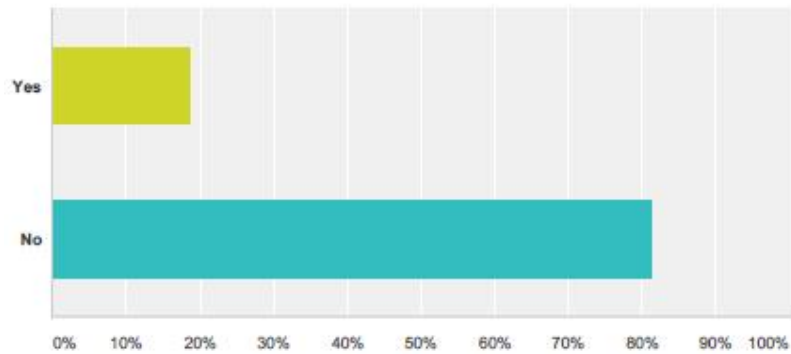
The majority of residential customers (81%) indicated that, other than bill inserts, they had not received any communications from the utility during the past 12 months.

In 2014, 87% of the residential customers surveyed rated Renfrew Hydro as good or excellent in communicating.



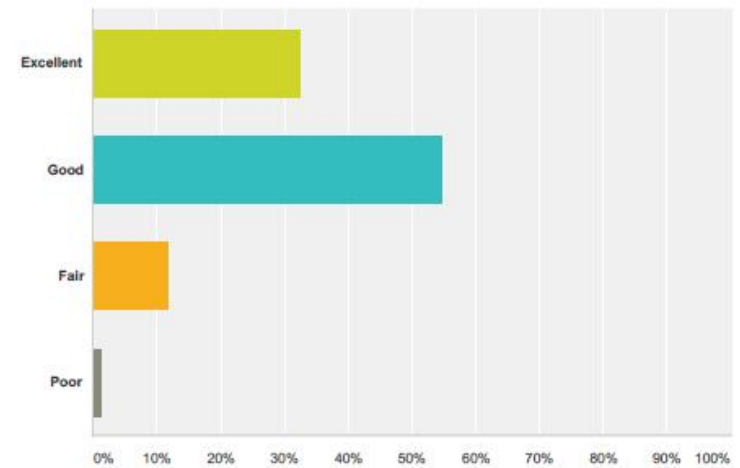
**Q39 Other than utility bill inserts, have you seen or heard any communications from your utility during the past 12 months?**

Answered: 86 Skipped: 3



**Q40 Please indicate how well Renfrew Hydro performs in communicating with you.**

Answered: 86 Skipped: 3



## **7. Customer support for greater use of renewable energy.**

Residential and commercial customers were asked which specific conservation actions they had taken during the past two years. Nearly all respondents had done something to reduce consumption of electricity.

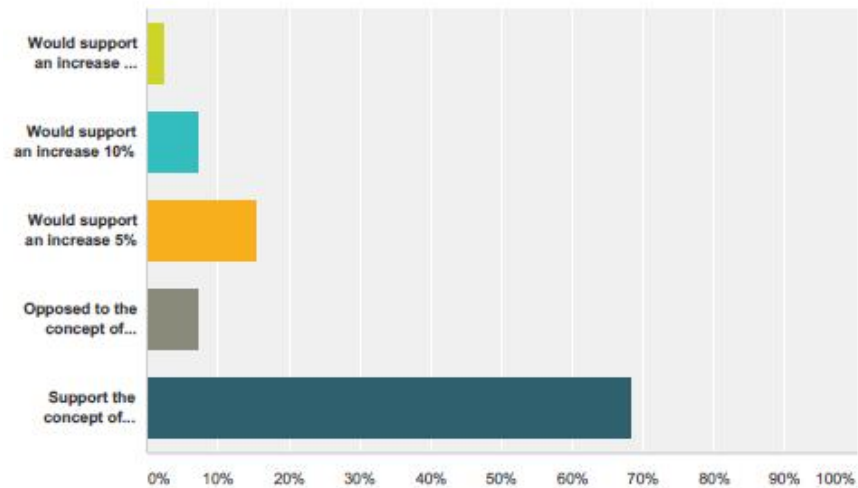
The vast majority of residential customers had changed habits at home to save energy (86%) or installed CFL or LED light bulbs (81%). A majority indicated they had installed a programmable thermostat (44%). Small percentages indicated they had requested a home energy audit (2%) and none had installed solar panels or other renewable energy generation. Other energy reduction actions mentioned by sizeable percentages are listed in the chart below.

In 2014, residential customer support for greater use of renewable energy sources was substantial. 68% indicated that they would support greater use of renewable energy sources, but only if it did not increase their monthly electric bill. Only 15% would support greater use of renewable energy sources if it increased their monthly bill by no more than 5%. Only 7% would support greater use of renewable energy sources if it increased their monthly bill by no more than 10%. Only 2% would support greater use of renewable energy sources if it increased their monthly bill by no more than 15%. 7% of customers were opposed to the concept of conservation.

43% of residential respondents indicated that the utility was a leader in promoting energy conservation.

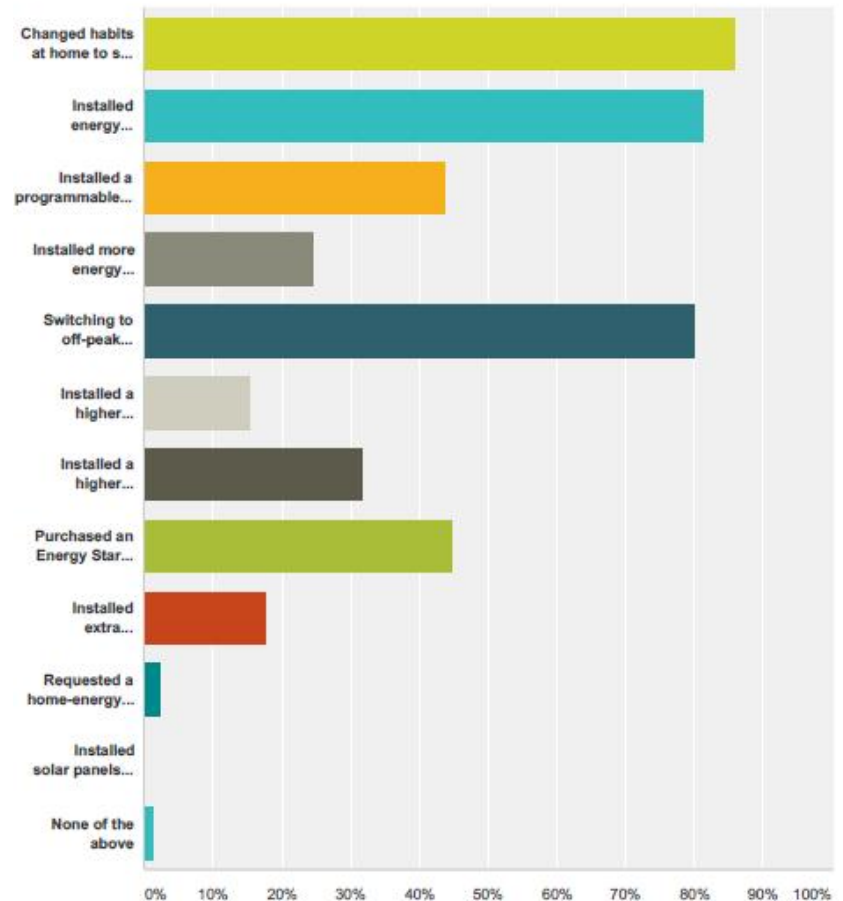
**Q41 One of the ways that utilities reduce consumption of fossil fuels is by providing electricity from renewable energy sources, which may be more costly than conventional energy sources. How would you feel about the use of renewable energy sources if it increased your monthly electric bill?**

Answered: 85 Skipped: 4



**Q42 Please indicate which, if any, of these things your household has done in the past two years to reduce consumption.**

Answered: 85 Skipped: 4



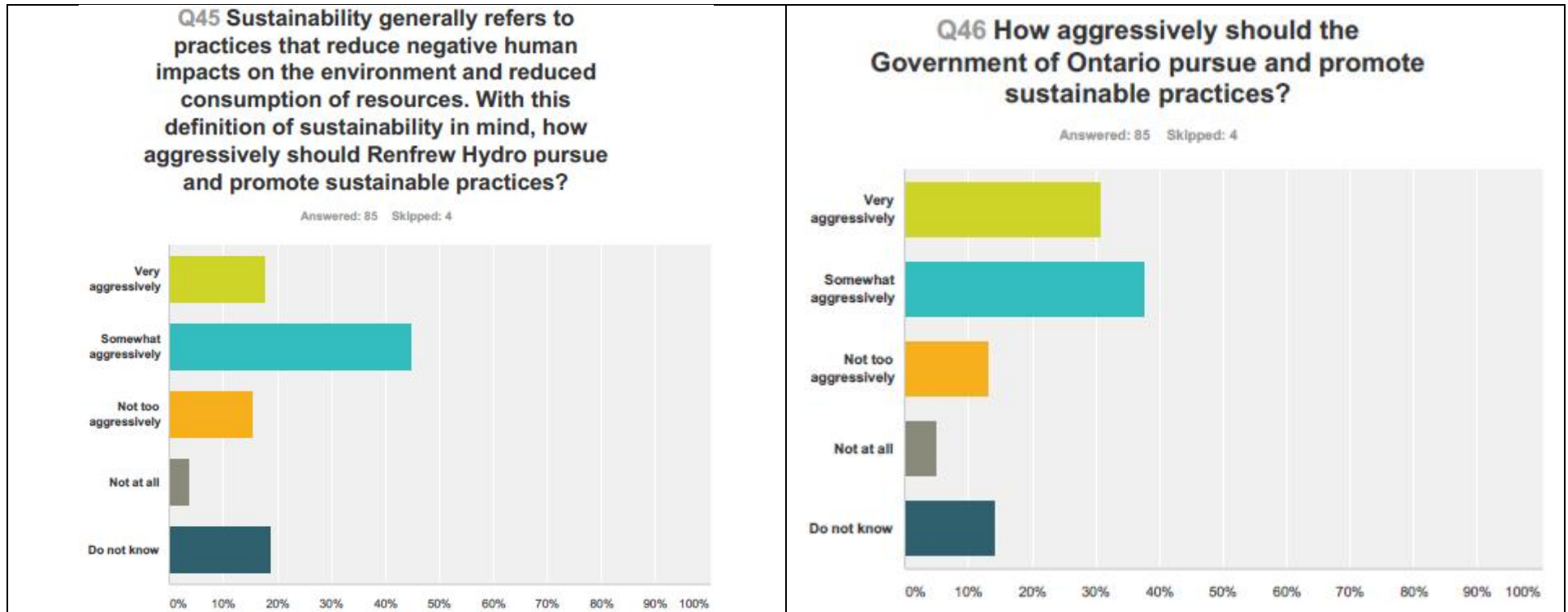
## 8. Sustainability

The definition of Sustainable Practices is living your life in a way that uses resources in a responsible way. RHI customers were asked how aggressively sustainable practices should be pursued by the Utility and the Ontario Government. On average, (44%) residential customers thought that the utility should pursue sustainability somewhat aggressively, 17% very aggressively, 15% not too aggressively and 3% not at all.

In 2014, residential customers also believed, on average, that the Ontario Government (other than utilities) should pursue and promote sustainable practices aggressively. Among residential customers, 37% said sustainable practices should be pursued and promoted somewhat aggressively 31% very aggressively, 13% said sustainable practices should be pursued not too aggressively and 4% not at all.

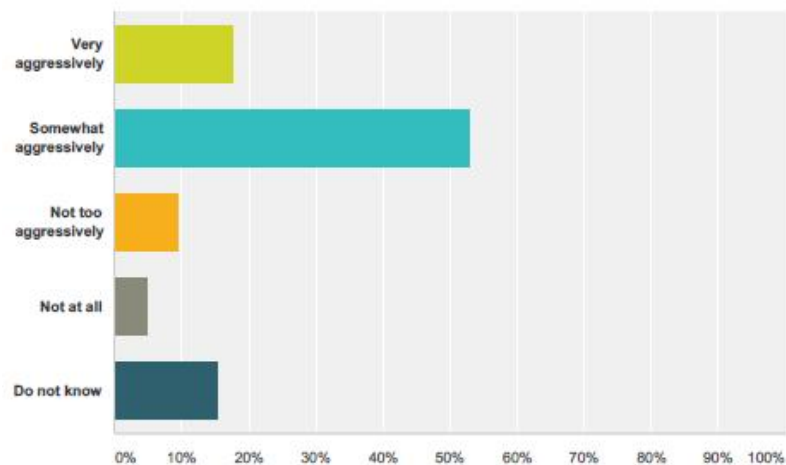
When it comes to household pursuit of sustainable practices, residential customers expressed similar expectations. 48% of residential customers said households in RHI should pursue sustainable practices somewhat aggressively and 23% very aggressively. Only 9% said sustainable practices should be pursued not too aggressively and 5% not at all.

75% of respondents indicated that RHI provided them with the tools needed to help manage their electricity.



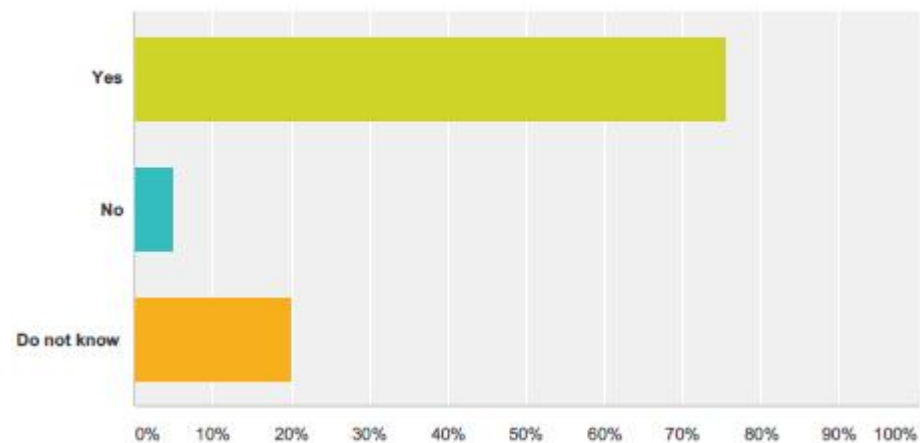
**Q47 How aggressively should households in your service area pursue sustainable practices?**

Answered: 85 Skipped: 4



**Q48 Does your utility provide information and tools to help manage your electricity?**

Answered: 85 Skipped: 4

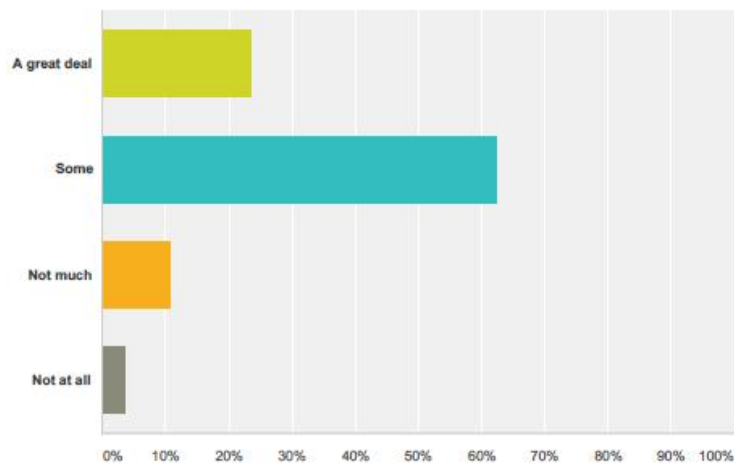


## 9. Cost of Electricity.

RHI's residential customers were asked to what extent the cost of electric service places a strain on their household budget. Only 3% of the residential customers thought that the cost of electricity did not place a great deal of strain on their household budget, while 24% thought it placed a great deal of strain. The majority of residential customers (62%) considered the financial strain to be some. The majority of RHI's customers did however think that the utility provided good value for the service provided.

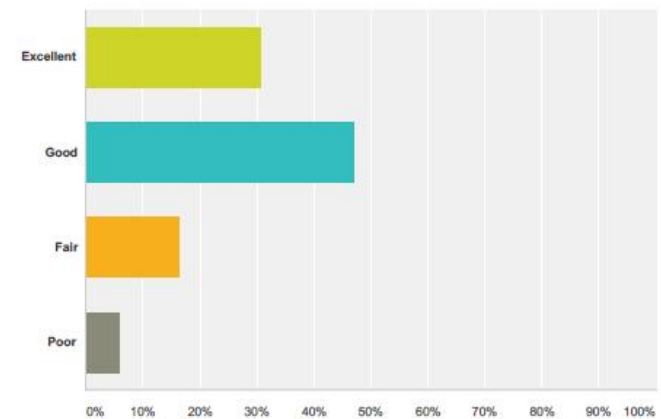
**Q49 To what extent, if any, is the cost of electrical service a strain on your household budget? Would you say:**

Answered: 85 Skipped: 4



**Q50 Considering the quality of electric service in your service area and the local cost of other services (phone, cable, internet), how would you rate the overall value of electric service here? Would you rate the overall value as:**

Answered: 85 Skipped: 4

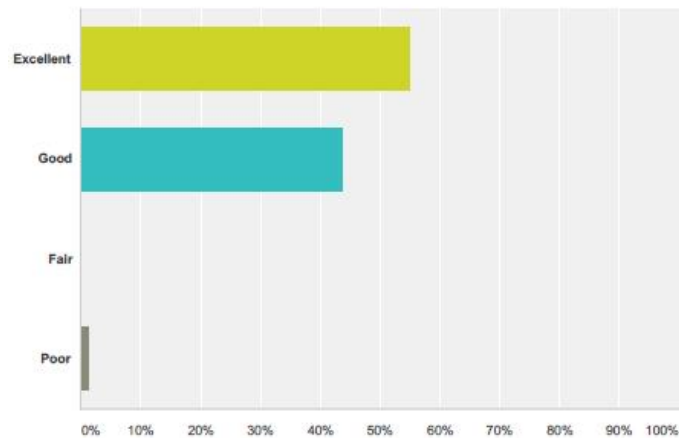


## 10. Overall Performance

Overall performance of the Utility was rated highly by its residents. In 2014, 44% all residential customers rated overall performance as good, (55%) rated the utility's performance as excellent. A very small percentage (1%) rated overall performance as fair or poor. Other questions related to the overall performance of the utility also ranked high.

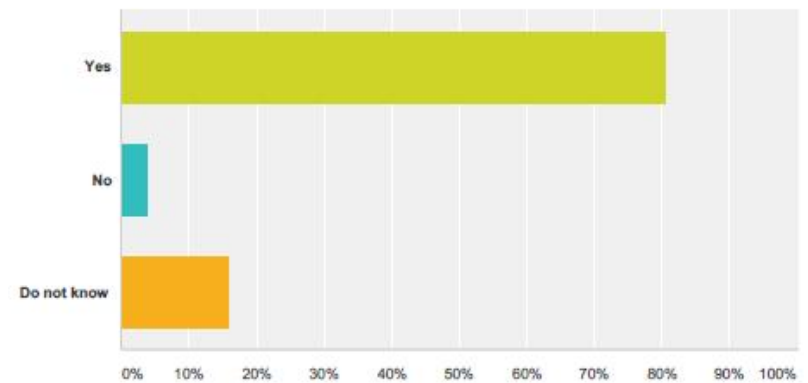
**Q51 After having taken this survey, how would you rate Renfrew Hydro overall performance in serving you?**

Answered: 82 Skipped: 7



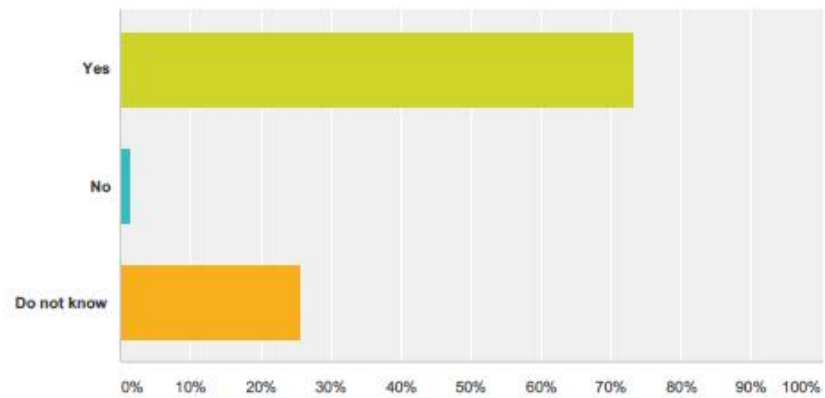
**Q52 Would you say that your utility is a respected company in the community?**

Answered: 82 Skipped: 7



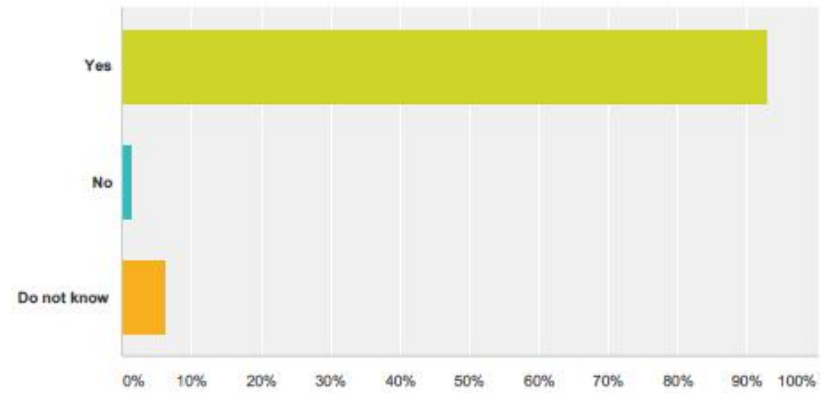
**Q53 Would you say that your utility has a high standard of business ethics?**

Answered: 82 Skipped: 7



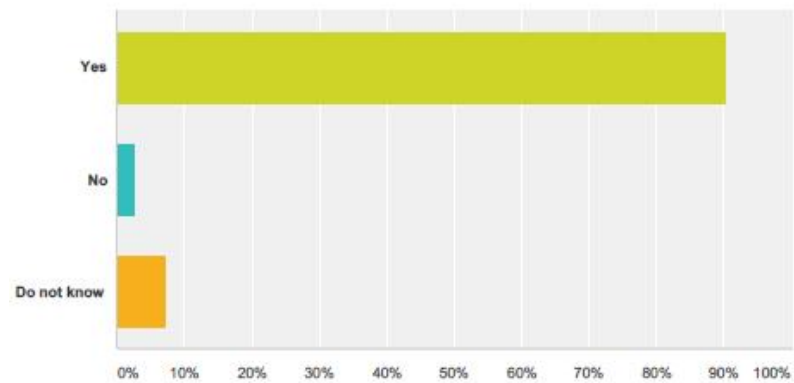
**Q54 Would you describe your utility as being approachable?**

Answered: 82 Skipped: 7



**Q55 In your opinion, should your utility remain a municipally owned corporation?**

Answered: 82 Skipped: 7



## 11. Recommendations and Action Plan

### **Customer views on Reliability**

Renfrew Hydro's Reliability Performance has been well within industry targets and is trending only to improve in the future through Smart Grid applications that will help provide an even better service reliability.

### **Billing Services and Payment Options**

Renfrew Hydro Inc has done a significant amount of work to upgrade (2014/2015) our Customer Information System (CIS) and as well upgrades to the hardware/network to support it. We feel along with these upgrades and new Customer Service Training we are better able to meet customer demands in all areas.

### **Customer Services**

Monthly billing in Dec 2016, will improve Customer Services by making it easier for customers to manage their electricity bills and more frequently monitor their electricity use and make changes, if desired, if their consumption is higher than desired.

### **Customer Services – Field Employees**

Very good results, no improvements planned..

### **Customer awareness and usage of the department's online services**

Renfrew Hydro is currently in development of a new Website that will promote our on-line services and together with social media, greatly improve customer awareness. We will continue to include bill inserts, newspaper/radio ads and participate in community events to keep our customer base informed.

### **Customer views on Renewable Energy**

Renfrew Hydro has dedicated a section of our new website, under conservation, called Renewable Energy. We hope that we will be able to give as much information to our customers as we can on this subject, as we view it as a big step going forward in the future of electricity in the province.

### **Customer views on Sustainability**

Renfrew Hydro works closely with our in town generator, Renfrew Power Generation, to promote sustainability in the community, through community events most recently with the opening of the new generation facilities. Renfrew Hydro will also engage the community with conservation demand savings through bill inserts, printable coupons from our new website and at the counter hand outs.

**Customer views on Cost of Electricity**

Renfrew Hydro provides our customers on a regular basis all information as it relates to the electricity cost in the province with bill inserts, at counter hand outs and updates to our website and social media. Renfrew Hydro is committed to working lean and smart to provide great value for each dollar spent.

**Customer views on Overall Performance**

Renfrew Hydro is always striving to better our performance in all areas, but with that said our respondents were very satisfied with Renfrew Hydro's overall performance.

**Ex.1/Tab 3/Sch.3 – Front Desk Support**

RHI currently maintains front desk support allowing the customer and the utility to interact on a direct basis. Social interaction is still one of the best ways to be in close contact with the customer. People love being heard and they love giving feedback, which is conveniently done when paying your electrical bill at the front counter of your local utility.

With a front desk, information is exchanged regularly with every customer interaction. Data gathered through these interactions can then be used to improve business outcomes. In this sense, front desk staff become pivotal to the business and bridges the gap between the customer and other utility staff. RHI plans on continuing its front desk operations as a form of customer engagement and to ensure expected customer service levels are maintained.

**Ex.1/Tab 3/Sch.4 – Publications**

The majority of RHI's customers receive a physical bill in the mail, and RHI takes advantage of this opportunity to communicate additional information through separate bill inserts, and messages on the bill itself. Many of these messages are coordinated with announcements from the OEB, IESO, and other agencies, and include information about retailers, the OESP program, rate changes, conservation and demand management programs, electrical safety, and references to our website.

**Ex.1/Tab 3/Sch.5 – Meetings and Advertisements**

RHI hosted two open house/public consultation sessions to provide an opportunity for customers to learn about the company's distribution system investment plans and potential rate impacts. The forums were hosted by senior management and a summary of the feedback to the discussion is as follows:

- 1) Overall customers are very pleased with the service and reliability.
- 2) Customers, especially seniors and fixed income persons, are very concerned with rising electricity rates in Ontario and feel electricity is becoming a luxury many of them can no longer afford. Many of them require assistance to understand the programs available to them to help offset electricity costs and assistance to fill out the required paperwork.
- 3) Customers would like to see more political attendance at public meetings pertaining to electrical rates so that the message of rising electricity costs causing hardship is delivered.

1 Details on the open house were advertised in a local paper (the Renfrew Mercury), in the bill  
2 inserts, and at our customer counter. See attached documentation at the next page.

3 When customers are affected by planned upgrades or special projects we speak with them  
4 directly to coordinate outage times and to listen to concerns related to the project. Generally this  
5 effort is appreciated and customers are accommodated whenever possible.



## Can we talk about how to serve you better?

Renfrew Hydro Inc. (RHI) wants to meet with you to have a conversation about its plan to file a cost of service application with the Ontario Energy Board, and how the application will keep our local distribution system safe and reliable. At the same time, we want to hear your ideas about how we can serve you better.

**Tuesday, April 26**  
and  
**Wednesday, April 27**

Drop-in: 6 p.m. to 8 p.m.

Presentation: 7 p.m.

**Renfrew Hydro**

499 O'Brien Road, Unit B

Renfrew ON K7V 3Z3

## How will the cost of service application affect the 19% of your bill that RHI controls?

RHI delivers electricity to your home or business in Renfrew using its own local distribution system. This is RHI's first cost of service application since 2010 representing approximately 19% of the RHI bill you receive. We share our customers' views about the importance of getting value for each dollar. Let's talk about the plan for the next five years, and your ideas on improving our service.

## About RHI's plan for a safe and reliable delivery system now and into the future

**The cost of service application provides for a five-year plan to make annual investments of \$500,000 to \$750,000 to:**

- 1** Upgrade or replace breakers, conductors, insulators, transformers, wooden poles, a bucket truck, and service new subdivisions with underground connections
- 2** Invest in more smart technology to:
  - make better use of smart meters to quickly pinpoint the source of power outages and deploy crews to the area
  - reduce energy waste and losses by using technology to monitor and manage remote substations for loading and outages, feeder and phase balancing, voltage reduction programs, and load management programs
- 3** Handle the demand created by the increase of digital, computer equipment, and technology in homes and businesses that depend on the grid
- 4** Invest in staff through training
- 5** Ensure capacity for future growth

**We will continue to extend the life of infrastructure using scheduled and preventive maintenance without compromising safety or reliability.**

**If you cannot attend, please send your comments via:**

E-mail [info@renfrewhydro.com](mailto:info@renfrewhydro.com)  
Fax 613.432.7463  
Mail 499 O'Brien Road, Unit B, Renfrew ON K7V 3Z3

**For further information, please get in touch with:**

Bill Nippard, President  
Email [bnippard@renfrewhydro.com](mailto:bnippard@renfrewhydro.com)  
Tel 613.432.4884  
Fax 613.432.7463



## Keeping our electricity distribution service safe and reliable by making timely investments

**Renfrew Hydro will be filing a cost of service application with the Ontario Energy Board. The application, if approved, will raise Renfrew Hydro's electricity distribution rates.**

- The cost of service application relates to Renfrew Hydro's distribution services.
- The distribution charge is the cost of delivering electricity from Renfrew Hydro to your home or business and is recovered by Renfrew Hydro through a fixed monthly distribution service charge and a variable delivery charge (distribution volumetric).
- The fixed monthly and the variable charges are listed under the delivery portion of your hydro bill.

### How will the application affect my hydro bill?

- As a residential customer, this application will affect the costs associated with delivery of electricity to your home and business using Renfrew Hydro's network of power lines.
- This application does not affect any of the other charges listed on your hydro bill.

### What do Renfrew Hydro's distribution charges cover?

Distribution charges cover the costs to:

- hire and retain good, qualified staff
- design, build, maintain, and repair overhead and underground lines, poles, stations and local transformers
- provide person-to-person assistance at our customer service office, and by telephone, email, mail, and fax
- deal with emergency situations such as outages, and
- invest in smart technology and staff training

### Why is Renfrew Hydro making this application now?

The cost of service application is mandatory. The last full review of Renfrew Hydro's rates by the Ontario Energy Board took place in 2010.

## We care about what we hear from our customers

Keeping costs down is a concern we all share. Our job is to ensure that we deliver electricity to your door 24/7—safe, reliable service at the best possible value.

**When you pay your hydro bill, we keep 20% to cover our costs of distributing electricity to your home.**

We are required to collect the balance or 80% to pay others for: electricity generation, transmission of power from power generators to RH's system, regulatory charges, and the HST. There is no mark-up by Renfrew Hydro.

We work hard to keep the costs we can control—the distribution rates—as low as possible without affecting safety and reliability. We have extended the life of our system—the 80 km of wire, 1750 poles, 645 transformers, and 5 major substations using inspections, scheduled and preventative maintenance and repairs. That has meant lower distribution costs for Renfrew Hydro customers.

We need to make some timely upgrades and replacements to continue to serve you in a responsible way—investments that provide value but have an impact on what we need to charge to operate our system. We also want to hear your suggestions on how we can improve our service.

## What is Renfrew Hydro planning to do?

Our cost of service application includes a five-year plan with annual investments ranging from \$500,000 to \$750,000 to:

- upgrade or replace aging breakers, conductors, insulators, transformers, wooden poles, a bucket truck, and service, new subdivisions with underground connections
- invest in more smart technology
- make better use of smart meters to quickly pinpoint the source of power outages and deploy crews
- reduce energy waste and losses by using technology to monitor and manage remote substations for loading and outages, feeder and phase balancing, voltage reduction and load management
- handle the increased demand created by digital, computer equipment and technology in homes and businesses
- invest in staff through training
- ensure capacity for future growth

### 2017 \$547,000

- Argyle Street poles (21) , conductor, insulators, transformers
- Hunters Gate subdivision: underground wiring
- pole upgrades (30)
- transformer upgrades (35)

### 2018 \$740,000

- upgrade breakers at M1 substation
- Raglan St. N: poles (12), conductor, insulators
- Smart Grid upgrades
- pole upgrades (40)
- transformer upgrades (15)

### 2019 \$730,000

- line truck
- transformers (15)
- pole upgrades (40)

### 2020 \$504,000

- transformers (15)
- poles (40)
- Hunters Gate subdivision

### 2021 \$390,000

- transformers (15)
- poles (40)

## What's next?

Renfrew Hydro will publish an advertisement announcing its cost of service application with the Ontario Energy Board (OEB) in the Renfrew Mercury. The application and other related information will be posted on Renfrew Hydro's website: <http://www.renfrewhydro.com>

When the OEB receives the application, a file number and the application will be posted on its website. Supporting documents will be posted as well while the OEB examines the application. The OEB will hold a public hearing to consider Renfrew Hydro's request.

The OEB will carry out a thorough review of Renfrew Hydro's projected costs for the years 2017 to 2021 including its five-year distribution plan. That's why this process is referred to as "cost of service." Renfrew Hydro must justify its application to the OEB.

Rate changes in Years Two to Five are made by applying a formula, typically less than inflation.

## Where can I get more information?

If you have questions or want more information about Renfrew Hydro's cost of service application, please get in touch with:

**Bill Nippard,**  
President, Renfrew Hydro

**[bnippard@renfrewhydro.com](mailto:bnippard@renfrewhydro.com)**

**Tel 613.432.4884**

**Fax 613.432.7463**

**Mail 499 O'Brien Road, Unit B,  
Renfrew ON K7V 3Z3**

**Ex.1/Tab 3/Sch.6 – Conservation and Demand Management**

Conservation and Demand Management (“CDM”) work conducted by RHI includes a number of initiatives that involves outreach to our customers. Reaching out to customers through CDM programs helps customers to better understand their local utility, while they become more knowledgeable about energy conservation. RHI continues to participate in a number of community events to highlight CDM program offerings.

In addition to the above, a number of customers have expressed the need for extra consultation and assistance with various CDM programs. In response to this, utility staff make direct contact with customers to assist them with their concerns and/or CDM program applications on an individual basis. These efforts provide a communication channel to energy conscious customers so that the needs and desires of these customers are better understood and addressed.

One extremely important CDM initiative that RHI has undertaken for the past several years is a partnership with Hydro Ottawa for management of its CDM program and marketing materials. Hydro Ottawa manages the program on behalf of RHI and ensures that RHI customers can access the same programs as Hydro Ottawa customers seamlessly.

**Ex.1/Tab 3/Sch.7 – Community Involvement**

It is important to RHI and its Shareholders that its employees support and give back to their community, and as such the utility participates in several community projects and events (at no cost to ratepayers) such as the Home & Garden Show, community banner installations, and holiday lighting installation.

**Ex.1/Tab 3/Sch.8 – Social Services**

Financial Assistance Program: RHI provides support through partnerships with the province’s Low-income Energy Assistance Program (LEAP) program and OESP. Both of these emergency financial assistance programs are designed to help low-income customers who have difficulty making their electricity bill payments.

## **Ex.1/Tab 3/Sch.9 – Other Engagement Activities**

### **Other Customer Activities Include:**

- Newsletters, bill inserts, information bulletins, press releases
- Materials (Publications) – New accounts, developers, people with disabilities, etc.
- Meetings – Town Hall, customer specific, Chamber of Commerce, etc.
- Meetings – Associations (i.e. EDA, ESA, CHEC, etc.),
- Education – Customers, school programs, etc.
- Outage Notification – Planned and unplanned
- Use of Social Media, contests, promotions, etc.
- Collecting, tracking and reviewing key customer service/care metrics
- Supporting charitable or not-for-profit organizations in the community
- Forming alliances with other industry companies to improve service, reduce costs
- Data Analysis (i.e.: billing information, usage data, conservation data, etc.)
- Maintaining information about an account, preferences or permissions
- Responding to & tracking customer complaints
- Responding to & tracking customer suggestions
- Website – RHI is redeveloping its website with a more modern and user friendly format. It will also contain up to date information and links for customers to other websites with relevant information. It will be mobile friendly and contain all the information customers require on the utility.

RHI is of the opinion that Utilities have a higher chance of successfully engaging their customers when they think about what will please those customers. It is critical for utilities to understand what really has meaning to their customers and how their customers form an opinion of the utility. Effective customer engagement addresses each of these through presenting meaningful information in an accessible manner.

# Financial Information

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## **Ex.1/Tab 4/Sch.1 - Historical Financial Statements**

The following attachments are presented in this next section.

- Attachment 1 Year ended 31 December, 2010
- Attachment 2 Year ended 31 December, 2011
- Attachment 3 Year ended 31 December, 2012
- Attachment 4 Year ended 31 December, 2013
- Attachment 5 Year ended 31 December, 2014
- Attachment 6 Year ended 31 December, 2015

1  
2

**Year ended 31 December, 2010**

Renfrew Hydro Inc.

Financial Statements

For the year ended 31 December 2010

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

**MACKILLICAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS

252 Raglan Street S.  
Renfrew, Ontario

INDEPENDENT AUDITORS' REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of the Renfrew Hydro Inc., which comprise the balance sheet as at 31 December 2010, 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*

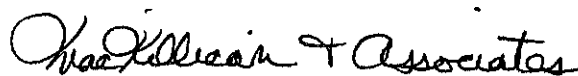
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 auditor's 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 the Renfrew Hydro Inc. as at 31 December 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.



RENFREW, Ontario.  
16 March 2011.

Chartered Accountants,  
Licensed Public Accountants.

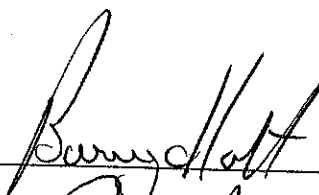

Renfrew Hydro Inc.

Balance Sheet

As at 31 December 2010  
(with 2009 figures for comparison)

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 1,386,524	\$ 2,431,940
Accounts receivable (net)	822,328	822,259
Prepaid expenses	74,248	71,633
Rate rebasing	97,522	28,380
Hydro PIL recoverable	25,040	16,828
Unbilled revenue (Note 2 (d))	1,150,466	1,149,334
Inventory at cost (Note 2 (c))	<u>265,958</u>	<u>263,477</u>
	\$ 3,822,086	\$ 4,783,851
Property, plant and equipment (Note 2 (a) and (b))	<u>4,511,997</u>	<u>4,358,917</u>
	<u>\$ 8,334,083</u>	<u>\$ 9,142,768</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 683,701	\$ 1,432,219
Current customer credits	49,028	50,824
Current portion of customer deposits	59,278	68,028
Bank loan (current portion) (Note 7)	28,100	46,897
Due to associated company (Note 8)	<u>210,243</u>	<u>54,478</u>
	\$ 1,030,350	\$ 1,652,446
Long term liabilities:		
Bank loan (Note 7)	\$ 166,119	\$ 194,133
Promissory note (Note 9)	<u>2,705,168</u>	<u>2,705,168</u>
	\$ 2,871,287	\$ 2,899,301
Other liabilities:		
Long term customer deposits	\$ 171,891	\$ 174,602
Regulated liabilities (Note 6)	<u>1,000,220</u>	<u>1,191,245</u>
	\$ 1,172,111	\$ 1,365,847
Total liabilities	\$ 5,073,748	\$ 5,917,594
Shareholder's equity:		
Share capital:		
Class A special shares:		
Authorized - unlimited		
Common shares:		
Authorized - unlimited		
Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>555,167</u>	<u>520,006</u>
	\$ 3,260,335	\$ 3,225,174
	<u>\$ 8,334,083</u>	<u>\$ 9,142,768</u>

On behalf of the board:

(See accompanying notes)

**MACKILLICAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS

Renfrew Hydro Inc.  
Statement of Retained Earnings  
For the year ended 31 December 2010  
(with 2009 figures for comparison)

	<u>2010</u>	<u>2009</u>
Retained earnings at the beginning of the year	\$ 520,006	\$ 531,803
Net income for the year	<u>38,377</u>	<u>12,865</u>
	\$ 558,383	\$ 544,668
Less dividends declared during the year	<u>(3,216)</u>	<u>(24,662)</u>
Retained earnings at the end of the year	<u>\$ 555,167</u>	<u>\$ 520,006</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Income

For the year ended 31 December 2010  
(with 2009 figures for comparison)

	<u>2010</u>	<u>2009</u>
Distribution revenue:		
Fixed charge	\$ 865,856	\$ 988,735
Variable charge	622,392	630,071
SSS administration	11,610	12,475
PILS recovery	102,710	106,253
Transformer discount	(49,342)	(49,169)
Distribution revenue adjustment (Note 2 (d))	<u>(1,003)</u>	<u>(119,791)</u>
Other operating revenue (Note 4)	\$ 1,552,223	\$ 1,568,574
Interest revenue Retail Service Variance Account (Note 6)	126,272	130,216
	<u>5,284</u>	<u>6,289</u>
	<u>\$ 1,683,779</u>	<u>\$ 1,705,079</u>
Operating and maintenance:		
Distribution (Note 5 (a))	\$ 361,622	\$ 350,682
Utilization (Note 5 (b))	<u>2,345</u>	<u>2,210</u>
Amortization	\$ 363,967	\$ 352,892
Billing and collecting	380,171	417,125
General administration	352,212	319,151
Office building maintenance	305,839	336,598
	<u>19,081</u>	<u>23,781</u>
	<u>\$ 1,421,270</u>	<u>\$ 1,449,547</u>
Income before financial expenses and provision for payment in lieu of taxes	\$ <u>262,509</u>	\$ <u>255,532</u>
Financial expenses:		
Interest on debt obligations	\$ 206,317	\$ 206,987
Interest expense Retail Service Variance Account (Note 6)	<u>10,855</u>	<u>14,508</u>
	<u>\$ 217,172</u>	<u>\$ 221,495</u>
Income before provision for payment in lieu of taxes	\$ 45,337	\$ 34,037
Provision for payment in lieu of taxes	<u>(6,960)</u>	<u>(21,172)</u>
Net income for the year	<u><u>\$ 38,377</u></u>	<u><u>\$ 12,865</u></u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2010  
(with 2009 figures for comparison)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income for the year	\$ 38,377	\$ 12,865
Add amortization which does not involve cash	<u>380,171</u>	<u>417,125</u>
	\$ <u>418,548</u>	\$ <u>429,990</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ (69)	\$ (517,299)
- decrease (increase) in inventory	(2,481)	13,887
- decrease (increase) in prepaid expenses	(2,615)	(32,290)
- decrease (increase) in rate rebasing	(69,142)	(15,456)
- decrease (increase) in unbilled revenue	(1,132)	323,226
- decrease (increase) in Hydro PIL recoverable	(8,212)	9,073
- increase (decrease) in accounts payable and accrued liabilities	(748,518)	571,168
- increase (decrease) in customer credits	(1,796)	(81,302)
- increase (decrease) in current portion of customer deposits	(8,750)	(4,322)
- increase (decrease) in due to associated company	<u>155,765</u>	<u>(17,843)</u>
	\$ <u>(686,950)</u>	\$ <u>248,842</u>
Cash flows from (used for) operating activities	\$ <u>(268,402)</u>	\$ <u>678,832</u>
Cash flows from financing activities:		
Increase (decrease) in bank loan	\$ (46,811)	\$ 199,208
Dividends declared during the year	(3,216)	(24,662)
Increase (decrease) in long term customer deposits	(2,711)	1,475
Increase (decrease) in regulated liabilities	<u>(191,025)</u>	<u>338,451</u>
Cash flows from (used for) financing activities	\$ <u>(243,763)</u>	\$ <u>514,472</u>
Cash flows from investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system	\$ (515,751)	\$ (373,762)
- office equipment	(10,893)	
- easements and improvements	(6,607)	
- trucks, tools and equipment		<u>(259,894)</u>
Cash flows from (used for) investing activities	\$ <u>(533,251)</u>	\$ <u>(633,656)</u>
Net increase (decrease) in cash on hand and in bank during the year	\$ (1,045,416)	\$ 559,648
Cash on hand and in bank at the beginning of the year	<u>2,431,940</u>	<u>1,872,292</u>
Cash on hand and in bank at the end of the year	<u>\$ 1,386,524</u>	<u>\$ 2,431,940</u>

(See accompanying notes)

**MACKILLICAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2010

1. Nature of business:

The company distributes electric power to its customers in the Town of Renfrew.

2. Significant accounting policies:

The financial statements have been prepared in accordance with accounting principles for electrical distribution utilities in Ontario as prescribed by the Ontario Energy Board and reflect the following policies:

(a) Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010 Net Book Value</u>	<u>2009 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	11,324,397	\$ 7,065,612	4,258,785	4,052,889
Easements and improvements	23,981	17,052	6,929	662
Office equipment	240,465	211,430	29,035	45,450
Trucks, tools and equipment	<u>1,099,819</u>	<u>905,466</u>	<u>194,353</u>	<u>237,021</u>
	<u>\$ 12,711,557</u>	<u>\$ 8,199,560</u>	<u>\$ 4,511,997</u>	<u>\$ 4,358,917</u>

(b) Property, plant and equipment amortization:

In accordance with the Ontario Energy Board accounting policy, the estimated useful life of certain assets has been reduced for acquisitions after 1985.

Amortization on the straight-line method is provided over the useful life of property, plant and equipment as follows:

	<u>Acquired Prior to 1986</u>	<u>Additions Since 1985</u>
Buildings - brick	60 years	50 years
Buildings - other	30 years	25 years
Transmission lines	25 years	25 years
Distribution stations equipment	35 years	30 years
Subtransmission feeders	25 years	25 years
Distribution overhead	25 years	25 years
Distribution underground	35 years	25 years
Transformers	30 years	25 years
Meters	35 years	25 years
Office equipment (other than computer)	10 years	10 years
Computer equipment	5 years	5 years
Easements and improvements	20 years	20 years
Miscellaneous equipment and tools	10 years	10 years
Computer software	5 years	5 years
Trucks under 3 tons	5 years	5 years
Trucks over 3 tons	8 years	8 years

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2010

(c) Inventory:

Materials purchased for use at a later date are shown at cost as a current asset.

(d) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,149,334
Unbilled revenue at the end of the year	1,150,466

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

(e) 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.

3. Financial instruments:

The carrying value of the company's financial instruments, being cash on hand and in bank, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer credits, customer deposits, bank loan, due to associated company and promissory note, approximates their fair value. It is management's opinion that the company is not exposed to significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

4. Other operating revenue:

	<u>2010</u>	<u>2009</u>
Late payment charges	\$ 24,841	\$ 30,976
Interest earned	14,096	14,815
Pole rentals	35,033	35,033
Change of occupancy charges	15,120	19,380
Collection reconnection charges		120
Sale of scrap material	14,117	3,364
Building and other rentals		4,000
Miscellaneous revenue	<u>23,065</u>	<u>22,528</u>
	<u>\$ 126,272</u>	<u>\$ 130,216</u>

5. (a) Distribution, operation and maintenance:

	<u>2010</u>	<u>2009</u>
Distribution station equipment and maintenance	\$ 48,149	\$ 31,896
Overhead distribution lines and feeders	262,544	245,279
Underground distribution lines and feeders	19,247	23,525
Distribution transformers	6,390	21,676
Distribution meters	<u>25,292</u>	<u>28,306</u>
	<u>\$ 361,622</u>	<u>\$ 350,682</u>

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2010

(b) Utilization, operation and maintenance:	<u>2010</u>	<u>2009</u>
Customer premises	\$ <u>2,345</u>	\$ <u>2,210</u>

6. Regulated charges:

The balance represents the net amount of retail settlement variance accounts as set out in Article 490 of the Ontario Energy Board Accounting Procedures Handbook for Electric Distribution Utilities and Bill 210, Electricity Pricing, Conservation and Supply Act 2002.

7. Bank loan:

(a) A demand bank loan of \$ 194,219 is payable to the Royal Bank with an interest rate of 4.40%. The loan is repayable in monthly blended principal and interest payments of \$ 3,001. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.

(b) Principal payments owing over the next seven years are as follows:

2011	\$ 28,100
2012	29,350
2013	30,655
2014	32,018
2015	33,443
2016	34,931
2017	<u>5,722</u>
	\$ <u>194,219</u>

8. Due to associated company:

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

9. Promissory note:

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125.

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**Year ended 31 December, 2011**

Renfrew Hydro Inc.

Financial Statements

For the year ended 31 December 2011

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

**MACKILLICAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS

252 Raglan Street S.  
Renfrew, Ontario

INDEPENDENT AUDITORS' REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of the Renfrew Hydro Inc., which comprise the balance sheet as at 31 December 2011, 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 auditor's 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 the Renfrew Hydro Inc. as at 31 December 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

*MacKillican & Associates*

RENFREW, Ontario.  
23 March 2012.

Chartered Accountants,  
Licensed Public Accountants.

Renfrew Hydro Inc.

Balance Sheet

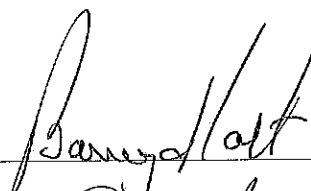
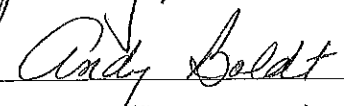
As at 31 December 2011  
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 1,779,885	\$ 1,386,524
Accounts receivable (net)	811,204	822,328
Prepaid expenses	74,270	74,248
Rate rebasing	65,000	97,522
Hydro PIL recoverable	22,407	25,040
Unbilled revenue (Note 2 (d))	1,106,760	1,150,466
Inventory at cost (Note 2 (c))	<u>294,452</u>	<u>265,958</u>
	\$ 4,153,978	\$ 3,822,086
Property, plant and equipment (Note 2 (a) and (b))	<u>4,649,734</u>	<u>4,511,997</u>
	<u>\$ 8,803,712</u>	<u>\$ 8,334,083</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,493,741	\$ 683,701
Current customer credits	69,895	49,028
Current portion of customer deposits	78,051	59,278
Bank loan (current portion) (Note 7)	29,282	28,100
Due to associated company (Note 8)	<u>157,255</u>	<u>210,243</u>
	\$ 1,828,224	\$ 1,030,350
Long term liabilities:		
Bank loan (Note 7)	\$ 136,952	\$ 166,119
Promissory note (Note 9)	<u>2,705,168</u>	<u>2,705,168</u>
	\$ 2,842,120	\$ 2,871,287
Other liabilities:		
Long term customer deposits	\$ 78,724	\$ 171,891
Regulated liabilities (Note 6)	<u>624,534</u>	<u>1,000,220</u>
	\$ 703,258	\$ 1,172,111
Total liabilities	<u>\$ 5,373,602</u>	<u>\$ 5,073,748</u>
Shareholder's equity:		
Share capital:		
Class A special shares:		
Authorized - unlimited		
Common shares:		
Authorized - unlimited		
Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>724,942</u>	<u>555,167</u>
	\$ 3,430,110	\$ 3,260,335
	<u>\$ 8,803,712</u>	<u>\$ 8,334,083</u>

On behalf of the Board:

  
  
(See accompanying notes)

Renfrew Hydro Inc.  
Statement of Retained Earnings  
For the year ended 31 December 2011  
 (with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Retained earnings at the beginning of the year	\$ 555,167	\$ 520,006
Net income for the year	<u>179,369</u>	<u>38,377</u>
	\$ 734,536	\$ 558,383
Less dividends paid during the year	<u>(9,594)</u>	<u>(3,216)</u>
Retained earnings at the end of the year	<u>\$ 724,942</u>	<u>\$ 555,167</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Income

For the year ended 31 December 2011  
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Distribution revenue:		
Fixed charge	\$ 920,063	\$ 865,856
Variable charge	889,921	622,392
SSS administration	11,707	11,610
Microfit administration	242	
PILS recovery	13,783	102,710
Transformer discount	(43,428)	(49,342)
Distribution revenue adjustment (Note 2 (d))	<u>26,482</u>	<u>(1,003)</u>
	\$ 1,818,770	\$ 1,552,223
Other operating revenue (Note 4)	134,609	126,272
Interest revenue Retail Service Variance Account (Note 6)	<u>14,130</u>	<u>5,284</u>
	\$ <u>1,967,509</u>	\$ <u>1,683,779</u>
Operating and maintenance:		
Distribution (Note 5 (a))	\$ 369,692	\$ 361,622
Utilization (Note 5 (b))	<u>3,632</u>	<u>2,345</u>
	\$ 373,324	\$ 363,967
Amortization	380,545	380,171
Billing and collecting	335,087	352,212
General administration	375,617	305,839
Office building maintenance	<u>45,231</u>	<u>19,081</u>
	\$ <u>1,509,804</u>	\$ <u>1,421,270</u>
Income before financial expenses and provision for payment in lieu of taxes	\$ <u>457,705</u>	\$ <u>262,509</u>
Financial expenses:		
Interest on debt obligations	\$ 220,109	\$ 206,317
Interest expense Retail Service Variance Account (Note 6)	<u>25,594</u>	<u>10,855</u>
	\$ <u>245,703</u>	\$ <u>217,172</u>
Income before provision for payment in lieu of taxes	\$ 212,002	\$ 45,337
Provision for payment in lieu of taxes	<u>(32,633)</u>	<u>(6,960)</u>
Net income for the year	\$ <u>179,369</u>	\$ <u>38,377</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2011  
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income for the year	\$ 179,369	\$ 38,377
Add amortization which does not involve cash	<u>380,545</u>	<u>380,171</u>
	<u>\$ 559,914</u>	<u>\$ 418,548</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ 11,124	\$ (69)
- decrease (increase) in inventory	(28,494)	(2,481)
- decrease (increase) in prepaid expenses	(22)	(2,615)
- decrease (increase) in rate rebasing	32,522	(69,142)
- decrease (increase) in unbilled revenue	43,706	(1,132)
- decrease (increase) in Hydro PIL recoverable	2,633	(8,212)
- increase (decrease) in accounts payable and accrued liabilities	810,040	(748,518)
- increase (decrease) in customer credits	20,867	(1,796)
- increase (decrease) in current portion of customer deposits	18,773	(8,750)
- increase (decrease) in due to associated company	<u>(52,988)</u>	<u>155,765</u>
	<u>\$ 858,161</u>	<u>\$ (686,950)</u>
Cash flows from (used for) operating activities	<u>\$ 1,418,075</u>	<u>\$ (268,402)</u>
Cash flows from financing activities:		
Increase (decrease) in bank loan	\$ (27,985)	\$ (46,811)
Dividends paid during the year	(9,594)	(3,216)
Increase (decrease) in long term customer deposits	(93,167)	(2,711)
Increase (decrease) in regulated liabilities	<u>(375,686)</u>	<u>(191,025)</u>
Cash flows from (used for) financing activities	<u>\$ (506,432)</u>	<u>\$ (243,763)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system	\$ (478,080)	\$ (515,751)
- office equipment		(10,893)
- easements and improvements		(6,607)
- trucks, tools and equipment	<u>(40,202)</u>	<u></u>
Cash flows from (used for) investing activities	<u>\$ (518,282)</u>	<u>\$ (533,251)</u>
Net increase (decrease) in cash on hand and in bank during the year	\$ 393,361	\$ (1,045,416)
Cash on hand and in bank at the beginning of the year	<u>1,386,524</u>	<u>2,431,940</u>
Cash on hand and in bank at the end of the year	<u>\$ 1,779,885</u>	<u>\$ 1,386,524</u>

(See accompanying notes)

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2011

1. Nature of business:

The company distributes electric power to its customers in the Town of Renfrew.

2. Significant accounting policies:

The financial statements have been prepared in accordance with accounting principles for electrical distribution utilities in Ontario as prescribed by the Ontario Energy Board and reflect the following policies:

(a) Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	11,802,476	\$ 7,382,733	4,419,743	4,258,785
Easements and improvements	23,981	17,557	6,424	6,929
Office equipment	240,465	236,958	3,507	29,035
Trucks, tools and equipment	<u>1,140,023</u>	<u>942,858</u>	<u>197,165</u>	<u>194,353</u>
	<u>\$ 13,229,840</u>	<u>\$ 8,580,106</u>	<u>\$ 4,649,734</u>	<u>\$ 4,511,997</u>

(b) Property, plant and equipment amortization:

In accordance with the Ontario Energy Board accounting policy, the estimated useful life of certain assets has been reduced for acquisitions after 1985.

Amortization on the straight-line method is provided over the useful life of property, plant and equipment as follows:

	<u>Acquired Prior to 1986</u>	<u>Additions Since 1985</u>
Buildings - brick	60 years	50 years
Buildings - other	30 years	25 years
Transmission lines	25 years	25 years
Distribution stations equipment	35 years	30 years
Subtransmission feeders	25 years	25 years
Distribution overhead	25 years	25 years
Distribution underground	35 years	25 years
Transformers	30 years	25 years
Meters	35 years	25 years
Office equipment (other than computer)	10 years	10 years
Computer equipment	5 years	5 years
Easements and improvements	20 years	20 years
Miscellaneous equipment and tools	10 years	10 years
Computer software	5 years	5 years
Trucks under 3 tons	5 years	5 years
Trucks over 3 tons	8 years	8 years

(c) Inventory:

Materials purchased for use at a later date are shown at lower of cost or market as a current asset.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2011

- (d) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,150,466
Unbilled revenue at the end of the year	1,106,760

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

- (e) 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.

3. Financial instruments:

The carrying value of the company's financial instruments, being cash on hand and in bank, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer credits, customer deposits, bank loan, due to associated company and promissory note, approximates their fair value. It is management's opinion that the company is not exposed to significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

4. Other operating revenue:

	<u>2011</u>	<u>2010</u>
Late payment charges	\$ 35,984	\$ 24,841
Interest earned	20,983	14,096
Pole rentals	35,033	35,033
Change of occupancy charges	17,970	15,120
Sale of scrap material	4,990	14,117
Miscellaneous revenue	<u>19,649</u>	<u>23,065</u>
	<u>\$ 134,609</u>	<u>\$ 126,272</u>

5. (a) Distribution, operation and maintenance:

	<u>2011</u>	<u>2010</u>
Distribution station equipment and maintenance	\$ 37,064	\$ 48,149
Overhead distribution lines and feeders	263,452	262,544
Underground distribution lines and feeders	12,601	19,247
Distribution transformers	21,068	6,390
Distribution meters	<u>35,507</u>	<u>25,292</u>
	<u>\$ 369,692</u>	<u>\$ 361,622</u>

(b) Utilization, operation and maintenance:

	<u>2011</u>	<u>2010</u>
Customer premises	<u>\$ 3,632</u>	<u>\$ 2,345</u>

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2011

6. Regulated charges:

The balance represents the net amount of retail settlement variance accounts as set out in Article 490 of the Ontario Energy Board Accounting Procedures Handbook for Electric Distribution Utilities and Bill 210, Electricity Pricing, Conservation and Supply Act 2002.

7. Bank loan:

(a) A demand bank loan of \$ 166,234 is payable to the Royal Bank with an interest rate of 4.40%. The loan is repayable in monthly blended principal and interest payments of \$ 3,001. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.

(b) Principal and interest payments owing over the next six years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 29,282	\$ 6,728	\$ 36,010
2013	30,597	5,413	36,010
2014	31,971	4,039	36,010
2015	33,406	2,604	36,010
2016	34,906	1,104	36,010
2017	<u>6,072</u>	<u>34</u>	<u>6,106</u>
	\$ 166,234	\$ 19,922	\$ 186,156
Less current portion	<u>(29,282)</u>	<u>(6,728)</u>	<u>(36,010)</u>
	<u>\$ 136,952</u>	<u>\$ 13,194</u>	<u>\$ 150,146</u>

8. Due to associated company:

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

9. Promissory note:

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125.

10. Associated company transactions:

Renfrew Hydro Inc. is related to Renfrew Power Generation Inc. by common ownership. During the year, Renfrew Hydro Inc. purchased \$ 375,038 of hydro electric power and building rent of \$ 18,720 from Renfrew Power Generation Inc. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the associated parties), which approximates the arm's length equivalent value for sales of product.

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**Year ended 31 December, 2012**

Renfrew Hydro Inc.  
Financial Statements  
For the year ended 31 December 2012

**MACKILLICAN & ASSOCIATES**  
CHARTERED ACCOUNTANTS

252 Raglan Street S.  
Renfrew, Ontario

INDEPENDENT AUDITOR'S REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of the Renfrew Hydro Inc., which comprise the balance sheet as at 31 December 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 and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditor's 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 the Renfrew Hydro Inc. as at 31 December 2012, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Mackillican & Associates*

RENFREW, Ontario.  
8 April 2013.

Chartered Accountants,  
Licensed Public Accountants.

Renfrew Hydro Inc.

Balance Sheet


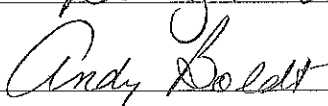
As at 31 December 2012  
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 1,052,996	\$ 1,779,885
Accounts receivable (net)	858,026	811,204
Prepaid expenses	88,969	74,270
Rate rebasing	32,500	65,000
Hydro PIL recoverable	2,006	22,407
Unbilled revenue (Note 2 (d))	1,149,839	1,106,760
Inventory at cost (Note 2 (c))	<u>325,148</u>	<u>294,452</u>
	\$ 3,509,484	\$ 4,153,978
Property, plant and equipment (Note 2 (a) and (b))	<u>4,700,950</u>	<u>4,649,734</u>
	<u>\$ 8,210,434</u>	<u>\$ 8,803,712</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,313,224	\$ 1,493,741
Current customer credits	55,008	69,895
Current portion of customer deposits	68,806	78,051
Bank demand loan (current portion) (Note 7)	30,598	29,282
Due to associated company (Note 8)	<u>197,926</u>	<u>157,255</u>
	\$ 1,665,562	\$ 1,828,224
Long term liabilities:		
Bank demand loan (Note 7)	\$ 106,333	\$ 136,952
Promissory note (Note 9)	<u>2,705,168</u>	<u>2,705,168</u>
	\$ 2,811,501	\$ 2,842,120
Other liabilities:		
Long term customer deposits	\$ 74,224	\$ 78,724
Regulated liabilities (Note 6)	<u>160,040</u>	<u>624,534</u>
	\$ 234,264	\$ 703,258
Total liabilities	\$ 4,711,327	\$ 5,373,602
Shareholder's equity:		
Share capital:		
Class A special shares:		
Authorized - unlimited		
Common shares:		
Authorized - unlimited		
Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>793,939</u>	<u>724,942</u>
	\$ 3,499,107	\$ 3,430,110
	<u>\$ 8,210,434</u>	<u>\$ 8,803,712</u>

On behalf of the Board:

  
  
(See accompanying notes)

Renfrew Hydro Inc.

Statement of Retained Earnings

For the year ended 31 December 2012  
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Retained earnings at the beginning of the year	\$ 724,942	\$ 555,167
Net income for the year	<u>113,839</u>	<u>179,369</u>
	\$ 838,781	\$ 734,536
Less dividends paid during the year	<u>(44,842)</u>	<u>(9,594)</u>
Retained earnings at the end of the year	<u>\$ 793,939</u>	<u>\$ 724,942</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Income

For the year ended 31 December 2012  
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Distribution revenue:		
Fixed charge	\$ 931,285	\$ 920,063
Variable charge	884,656	889,921
SSS administration	12,040	11,707
Microfit administration	520	242
PILS recovery	19,990	13,783
Transformer discount	(36,197)	(43,428)
Distribution revenue adjustment (Note 2 (d))	<u>3,134</u>	<u>26,482</u>
	\$ 1,815,428	\$ 1,818,770
Other operating revenue (Note 4)	119,982	134,609
Interest revenue Retail Service Variance Account (Note 6)	<u>16,211</u>	<u>14,130</u>
	\$ <u>1,951,621</u>	\$ <u>1,967,509</u>
Operating and maintenance:		
Distribution (Note 5 (a))	\$ 383,161	\$ 369,692
Utilization (Note 5 (b))	<u>1,971</u>	<u>3,632</u>
	\$ 385,132	\$ 373,324
Amortization	388,361	380,545
Billing and collecting	354,815	335,087
General administration	424,265	375,617
Office building maintenance	<u>33,324</u>	<u>45,231</u>
	\$ <u>1,585,897</u>	\$ <u>1,509,804</u>
Income before financial expenses and provision for payment in lieu of taxes	\$ <u>365,724</u>	\$ <u>457,705</u>
Financial expenses:		
Interest on debt obligations	\$ 204,290	\$ 220,109
Interest expense Retail Service Variance Account (Note 6)	<u>19,601</u>	<u>25,594</u>
	\$ <u>223,891</u>	\$ <u>245,703</u>
Income before provision for payment in lieu of taxes	\$ 141,833	\$ 212,002
Provision for payment in lieu of taxes	<u>(27,994)</u>	<u>(32,633)</u>
Net income for the year	\$ <u><u>113,839</u></u>	\$ <u><u>179,369</u></u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2012

(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income for the year	\$ 113,839	\$ 179,369
Add amortization which does not involve cash	<u>388,361</u>	<u>380,545</u>
	<u>\$ 502,200</u>	<u>\$ 559,914</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ (46,822)	\$ 11,124
- decrease (increase) in inventory	(30,696)	(28,494)
- decrease (increase) in prepaid expenses	(14,699)	(22)
- decrease (increase) in rate rebasing	32,500	32,522
- decrease (increase) in unbilled revenue	(43,079)	43,706
- decrease (increase) in Hydro PIL recoverable	20,401	2,633
- increase (decrease) in accounts payable and accrued liabilities	(180,517)	810,040
- increase (decrease) in customer credits	(14,887)	20,867
- increase (decrease) in current portion of customer deposits	(9,245)	18,773
- increase (decrease) in due to associated company	<u>40,671</u>	<u>(52,988)</u>
	<u>\$ (246,373)</u>	<u>\$ 858,161</u>
Cash flows from operating activities	<u>\$ 255,827</u>	<u>\$ 1,418,075</u>
Cash flows from financing activities:		
Increase (decrease) in bank demand loan	\$ (29,303)	\$ (27,985)
Dividends paid during the year	(44,842)	(9,594)
Increase (decrease) in long term customer deposits	(4,500)	(93,167)
Increase (decrease) in regulated liabilities	<u>(464,494)</u>	<u>(375,686)</u>
Cash flows used for financing activities	<u>\$ (543,139)</u>	<u>\$ (506,432)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system	\$ (385,608)	\$ (478,080)
- computer equipment	(6,705)	
- trucks, tools and equipment	<u>(47,264)</u>	<u>(40,202)</u>
Cash flows used for investing activities	<u>\$ (439,577)</u>	<u>\$ (518,282)</u>
Net increase (decrease) in cash on hand and in bank during the year	\$ (726,889)	\$ 393,361
Cash on hand and in bank at the beginning of the year	<u>1,779,885</u>	<u>1,386,524</u>
Cash on hand and in bank at the end of the year	<u>\$ 1,052,996</u>	<u>\$ 1,779,885</u>

(See accompanying notes)

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2012

1. Nature of business:

The company distributes electric power to its customers in the Town of Renfrew.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook and reflect the following policies:

(a) Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2012 Net Book Value</u>	<u>2011 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	12,188,084	\$ 7,723,617	4,464,467	4,419,743
Easements and improvements	23,981	17,963	6,018	6,424
Office equipment	247,170	239,807	7,363	3,507
Trucks, tools and equipment	<u>1,187,287</u>	<u>987,080</u>	<u>200,207</u>	<u>197,165</u>
	<u>\$ 13,669,417</u>	<u>\$ 8,968,467</u>	<u>\$ 4,700,950</u>	<u>\$ 4,649,734</u>

(b) Property, plant and equipment amortization:

In accordance with the Ontario Energy Board accounting policy, the estimated useful life of certain assets has been reduced for acquisitions after 1985.

Amortization on the straight-line method is provided over the useful life of property, plant and equipment as follows:

	<u>Acquired Prior to 1986</u>	<u>Additions Since 1985</u>
Buildings - brick	60 years	50 years
Buildings - other	30 years	25 years
Transmission lines	25 years	25 years
Distribution stations equipment	35 years	30 years
Subtransmission feeders	25 years	25 years
Distribution overhead	25 years	25 years
Distribution underground	35 years	25 years
Transformers	30 years	25 years
Meters	35 years	25 years
Office equipment (other than computer)	10 years	10 years
Computer equipment	5 years	5 years
Easements and improvements	20 years	20 years
Miscellaneous equipment and tools	10 years	10 years
Computer software	5 years	5 years
Trucks under 3 tons	5 years	5 years
Trucks over 3 tons	8 years	8 years

(c) Inventory:

Materials purchased for use at a later date are shown at lower of cost or market as a current asset.

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2012

- (d) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,106,760
Unbilled revenue at the end of the year	1,149,839

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

- (e) Revenue recognition:  
Revenue is recognized at the time of the billing for consumption.

- (f) 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Financial instruments:

The carrying value of the company's financial instruments, being cash on hand and in bank, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer credits, customer deposits, bank demand loan, due to associated company and promissory note, approximates their fair value. It is management's opinion that the company is not exposed to significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

4. Other operating revenue:

	<u>2012</u>	<u>2011</u>
Late payment charges	\$ 27,065	\$ 35,984
Interest earned	17,512	20,983
Pole rentals	35,033	35,033
Change of occupancy charges	17,760	17,970
Collection reconnection charges	180	
Sale of scrap material	3,685	4,990
Building and other rentals	3,000	
Miscellaneous revenue	<u>15,747</u>	<u>19,649</u>
	<u>\$ 119,982</u>	<u>\$ 134,609</u>

5. (a) Distribution, operation and maintenance:

	<u>2012</u>	<u>2011</u>
Distribution station equipment and maintenance	\$ 33,899	\$ 37,064
Overhead distribution lines and feeders	299,546	263,452
Underground distribution lines and feeders	12,144	12,601
Distribution transformers	11,900	21,068
Distribution meters	<u>25,672</u>	<u>35,507</u>
	<u>\$ 383,161</u>	<u>\$ 369,692</u>

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2012

(b) Utilization, operation and maintenance:	<u>2012</u>	<u>2011</u>
Customer premises	\$ <u>1,971</u>	\$ <u>3,632</u>

6. Regulated liabilities:

The balance represents the net amount of retail settlement variance accounts as set out in Article 490 of the Ontario Energy Board Accounting Procedures Handbook for Electric Distribution Utilities and Bill 210, Electricity Pricing, Conservation and Supply Act 2002.

7. Bank demand loan:

(a) A bank demand loan of \$ 136,931 is payable to the Royal Bank with an interest rate of 4.40%. The loan is repayable in monthly blended principal and interest payments of \$ 3,001. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.

(b) Principal and interest payments owing over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,598	\$ 5,413	\$ 36,011
2014	31,972	4,039	36,011
2015	33,407	2,604	36,011
2016	34,907	1,104	36,011
2017	<u>6,047</u>	<u>45</u>	<u>6,092</u>
	\$ 136,931	\$ 13,205	\$ 150,136
Less current portion	<u>30,598</u>	<u>5,413</u>	<u>36,011</u>
	<u>\$ 106,333</u>	<u>\$ 7,792</u>	<u>\$ 114,125</u>

8. Due to associated company:

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

9. Promissory note:

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125.

10. Associated company transactions:

Renfrew Hydro Inc. is related to Renfrew Power Generation Inc. by common ownership. During the year, Renfrew Hydro Inc. purchased \$ 221,672 of hydro electric power and building rent of \$ 18,720 from Renfrew Power Generation Inc. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the associated parties), which approximates the arm's length equivalent value for sales of product.

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**Year ended 31 December, 2013**

Renfrew Hydro Inc.

Financial Statements

For the year ended 31 December 2013

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS



**MACKILLICAN  
& ASSOCIATES**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of Renfrew Hydro Inc., which comprise the balance sheet as at 31 December 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, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditor's 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 Renfrew Hydro Inc. as at 31 December 2013, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook.

*MacKilligan & Associates*

RENFREW, Ontario.  
17 April 2014.

Chartered Professional Accountants,  
Licensed Public Accountants.

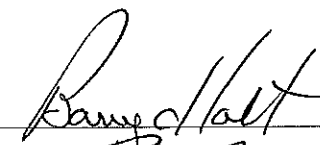
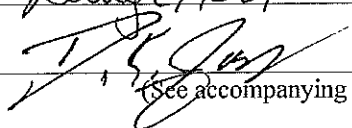
Renfrew Hydro Inc.

Balance Sheet

As at 31 December 2013  
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 593,855	\$ 1,052,996
Accounts receivable (Note 13)	1,037,807	858,026
Due from associated company (Note 8)	30,370	
Prepaid expenses	94,155	88,969
Rate rebasing		32,500
Hydro PILs recoverable	10,089	2,006
Unbilled revenue (Note 2 (d))	1,434,660	1,149,839
Inventory at cost (Note 2 (c))	<u>294,185</u>	<u>325,148</u>
	\$ 3,495,121	\$ 3,509,484
Regulated assets (Note 6)	110,027	
Property, plant and equipment (Note 2 (a) and (b))	<u>4,885,350</u>	<u>4,700,950</u>
	<u>\$ 8,490,498</u>	<u>\$ 8,210,434</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,849,910	\$ 1,313,224
Current customer credits	72,710	55,008
Current portion of customer deposits	58,472	68,806
Bank demand loan (current portion) (Note 7)	31,972	30,598
Due to associated company (Note 8)	<u>197,926</u>	<u>197,926</u>
	<u>\$ 2,013,064</u>	<u>\$ 1,665,562</u>
Long term liabilities:		
Bank demand loan (Note 7)	\$ 74,362	\$ 106,333
Promissory note (Note 9)	2,705,168	2,705,168
Deferred revenue (Note 11)	<u>24,322</u>	<u></u>
	<u>\$ 2,803,852</u>	<u>\$ 2,811,501</u>
Other liabilities:		
Long term customer deposits	\$ 90,016	\$ 74,224
Regulated liabilities (Note 6)	<u>160,040</u>	<u>160,040</u>
	<u>\$ 90,016</u>	<u>\$ 234,264</u>
Total liabilities	<u>\$ 4,906,932</u>	<u>\$ 4,711,327</u>
Shareholder's equity:		
Share capital:		
Class A special shares:		
Authorized - unlimited		
Common shares:		
Authorized - unlimited		
Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>878,398</u>	<u>793,939</u>
	<u>\$ 3,583,566</u>	<u>\$ 3,499,107</u>
	<u>\$ 8,490,498</u>	<u>\$ 8,210,434</u>

On behalf of the Board:

  
  
(See accompanying notes)

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS

Renfrew Hydro Inc.  
Statement of Retained Earnings  
For the year ended 31 December 2013  
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Retained earnings at the beginning of the year	\$ 793,939	\$ 724,942
Net income for the year	<u>112,919</u>	<u>113,839</u>
	\$ 906,858	\$ 838,781
Less dividends paid during the year	<u>(28,460)</u>	<u>(44,842)</u>
Retained earnings at the end of the year	<u>\$ 878,398</u>	<u>\$ 793,939</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Income

For the year ended 31 December 2013  
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Distribution revenue:		
Fixed charge	\$ 942,128	\$ 931,285
Variable charge	890,605	884,656
SSS administration	12,192	12,040
Microfit administration	613	520
PILs recovery	35,590	19,990
Transformer discount	(34,209)	(36,197)
Distribution revenue adjustment (Note 2 (d))	<u>6,652</u>	<u>3,134</u>
	\$ 1,853,571	\$ 1,815,428
Other operating revenue (Note 4)	108,379	119,982
Interest revenue Retail Service Variance Account (Note 6)	<u>17,117</u>	<u>16,211</u>
	\$ 1,979,067	\$ 1,951,621
Operating and maintenance:		
Distribution (Note 5 (a))	\$ 403,666	\$ 383,161
Utilization (Note 5 (b))	<u>16,117</u>	<u>1,971</u>
	\$ 419,783	\$ 385,132
Amortization	192,475	388,361
Billing and collecting	396,188	354,815
General administration	405,763	424,265
Office building maintenance	28,804	33,324
Regulatory debit (Note 2 (b))	<u>183,938</u>	
	\$ 1,626,951	\$ 1,585,897
Income before financial expenses, loss on retirement of assets and payment in lieu of taxes	\$ 352,116	\$ 365,724
Financial expenses:		
Interest on debt obligations	\$ 202,986	\$ 204,290
Interest expense Retail Service Variance Account (Note 6)	<u>9,845</u>	<u>19,601</u>
	\$ 212,831	\$ 223,891
Income before loss on retirement of assets and payment in lieu of taxes	\$ 139,285	\$ 141,833
Loss on retirement of assets	<u>6,455</u>	
Income before payment in lieu of taxes	\$ 132,830	\$ 141,833
Payment in lieu of taxes (Note 12)	<u>(19,911)</u>	<u>(27,994)</u>
Net income for the year	\$ <u>112,919</u>	\$ <u>113,839</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2013  
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income for the year	\$ 112,919	\$ 113,839
Add items which do not require an outlay of cash:		
- amortization	192,475	388,361
- loss on retirement of assets	<u>6,455</u>	<u>        </u>
	<u>\$ 311,849</u>	<u>\$ 502,200</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ (179,781)	\$ (46,822)
- decrease (increase) in due from associated company	(30,370)	
- decrease (increase) in inventory	30,963	(30,696)
- decrease (increase) in prepaid expenses	(5,186)	(14,699)
- decrease (increase) in rate rebasing	32,500	32,500
- decrease (increase) in unbilled revenue	(284,821)	(43,079)
- decrease (increase) in Hydro PILs recoverable	(8,083)	20,401
- increase (decrease) in accounts payable and accrued liabilities	536,686	(180,517)
- increase (decrease) in customer credits	17,702	(14,887)
- increase (decrease) in current portion of customer deposits	(10,334)	(9,245)
- increase (decrease) in due to associated company	<u>(197,926)</u>	<u>40,671</u>
	<u>\$ (98,650)</u>	<u>\$ (246,373)</u>
Cash flows from operating activities	<u>\$ 213,199</u>	<u>\$ 255,827</u>
Cash flows from financing activities:		
Decrease in bank demand loan	\$ (30,597)	\$ (29,303)
Dividends paid during the year	(28,460)	(44,842)
Increase (decrease) in long term customer deposits	15,792	(4,500)
Increase in deferred revenue	24,322	
Decrease in regulated accounts	<u>(270,067)</u>	<u>(464,494)</u>
Cash flows used for financing activities	<u>\$ (289,010)</u>	<u>\$ (543,139)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system (net)	\$ (355,026)	\$ (385,608)
- computer equipment		(6,705)
- construction work in progress	(25,804)	
- trucks, tools and equipment	<u>(2,500)</u>	<u>(47,264)</u>
Cash flows used for investing activities	<u>\$ (383,330)</u>	<u>\$ (439,577)</u>
Net decrease in cash on hand and in bank during the year	\$ (459,141)	\$ (726,889)
Cash on hand and in bank at the beginning of the year	<u>1,052,996</u>	<u>1,779,885</u>
Cash on hand and in bank at the end of the year	<u>\$ 593,855</u>	<u>\$ 1,052,996</u>

(See accompanying notes)

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2013

1. NATURE OF BUSINESS

The company distributes electric power to its customers in the Town of Renfrew.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook and reflect the following policies:

(a) Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2013 Net Book Value</u>	<u>2012 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	12,496,117	\$ 7,838,681	4,657,436	4,464,467
Easements and improvements	23,981	18,353	5,628	6,018
Office equipment	247,170	239,209	7,961	7,363
Trucks, tools and equipment	1,189,787	1,024,161	165,626	200,207
Construction work in progress	<u>25,804</u>		<u>25,804</u>	
	<u>\$ 14,005,754</u>	<u>\$ 9,120,404</u>	<u>\$ 4,885,350</u>	<u>\$ 4,700,950</u>

(b) CGAAP accounting changes:

On 8 July 2010, the OEB released a amortization study for use by electricity distributors in preparation for transition to IFRS. The results of this study were released in a report by a third party consultant, Kinectrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Even though Renfrew Hydro has deferred adoption of IFRS until 1 January 2015, as permitted by the Canadian Accounting Standards Board, the release of this study provided Renfrew Hydro with new information with regards to the estimates used for amortization purposes. In accordance with the OEB's letter of 17 July 2012, "Regulatory accounting policy direction regarding changes to amortization expense and capitalization policies in 2012 and 2013", Renfrew Hydro has adopted the required changes to amortization and capitalization under CGAAP as of 1 January 2013 on a prospective basis.

The OEB has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to amortization; the difference is a reflection of the revised amortization expense in comparison to the amortization that would have been recorded under previous service life terms and thus included in rates charged to customers. The cumulative variance in this account will be refunded to ratepayers in the year of the company's next cost of service application through an adjustment to amortization expense over an approved amortization period pending review and approval by the OEB.

Upon review of the Kinectrics Report, Renfrew Hydro has determined that the useful lives of the distribution assets are longer than previously estimated. Renfrew Hydro has revised its componentization structure and revised the estimated useful lives of its distribution system assets as a result of that study. This has lead to a decrease in the amortization expense compared to prior periods. Amortization for 2013 is based on straight-line amortization over the remaining useful life based on the new useful lives determined by reference to the Kinectrics Report.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2013

Additionally, Renfrew Hydro has modified its policy relating to asset disposals where an asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the statement of income.

Accounting Policy - property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not amortized. Construction in progress assets are not amortized until the project is complete and in service. The estimated useful lives are as follows:

Buildings - brick	50 years
Buildings - other	25 years
Distribution stations and related equipment	15-50 years
Distribution system - poles and fixtures	45 years
Distribution system - overhead conductors	60 years
Distribution system - underground conduit	50 years
Distribution system - underground conductor	50 years
Distribution lines - transformers	40 years
Distribution services - overhead	60 years
Distribution services - underground	40 years
Distribution meters	25 years
Distribution - smart meters	15 years
Office equipment (other than computer)	10 years
Computer equipment	5 years
Easements	20 years
Miscellaneous equipment and tools	10 years
Computer software	5 years
Trucks under 3 tons	5 years
Trucks over 3 tons	8 years

Amortization methods and useful lives are reviewed at each reporting date.

(c) Inventory:

Materials purchased for use at a later date are shown at lower of cost using the average cost method or net realizable value.

(d) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,149,839
Unbilled revenue at the end of the year	1,434,660

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

(e) Revenue recognition:

Revenue is recognized at the time of the billing for consumption.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2013

(f) 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. FINANCIAL INSTRUMENTS

The carrying value of the company's financial instruments, being cash on hand and in bank, accounts receivable, due from associated company, unbilled revenue, accounts payable and accrued liabilities, customer credits, customer deposits, bank demand loan, due to associated company and promissory note, approximates their fair value. It is management's opinion that the company is not exposed to significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

4. OTHER OPERATING REVENUE	<u>2013</u>	<u>2012</u>
Late payment charges	\$ 21,437	\$ 27,065
Interest earned	11,950	17,512
Pole rentals	35,033	35,033
Change of occupancy charges	17,880	17,760
Collection reconnection charges	650	180
Sale of scrap material	3,336	3,685
Building and other rentals		3,000
Deferred credit	278	
Miscellaneous revenue	<u>17,815</u>	<u>15,747</u>
	<u>\$ 108,379</u>	<u>\$ 119,982</u>

5. OPERATING AND MAINTENANCE	<u>2013</u>	<u>2012</u>
(a) Distribution, operation and maintenance:		
Distribution station equipment and maintenance	\$ 34,008	\$ 33,899
Overhead distribution lines and feeders	310,714	299,546
Underground distribution lines and feeders	11,594	12,144
Distribution transformers	14,710	11,900
Distribution meters	<u>32,640</u>	<u>25,672</u>
	<u>\$ 403,666</u>	<u>\$ 383,161</u>

(b) Utilization, operation and maintenance:	<u>2013</u>	<u>2012</u>
Customer premises	<u>\$ 16,117</u>	<u>\$ 1,971</u>

6. REGULATED ASSETS AND LIABILITIES

The balance represents the net amount of retail settlement variance accounts as set out in Article 490 of the Ontario Energy Board Accounting Procedures Handbook for Electric Distribution Utilities and Bill 210, Electricity Pricing, Conservation and Supply Act 2002.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2013

7. BANK DEMAND LOAN

(a) A bank demand loan of \$ 106,334 is payable to the Royal Bank with an interest rate of 4.40%. The loan is repayable in monthly blended principal and interest payments of \$ 3,001. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.

(b) Principal and interest payments owing over the next four years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 31,972	\$ 4,039	\$ 36,011
2015	33,407	2,604	36,011
2016	34,907	1,104	36,011
2017	<u>6,048</u>	<u>33</u>	<u>6,081</u>
	\$ 106,334	\$ 7,780	\$ 114,114
Less current portion	<u>31,972</u>	<u>4,039</u>	<u>36,011</u>
	<u>\$ 74,362</u>	<u>\$ 3,741</u>	<u>\$ 78,103</u>

8. DUE FROM (TO) ASSOCIATED COMPANY

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

9. PROMISSORY NOTE

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125.

10. ASSOCIATED COMPANY TRANSACTIONS

Renfrew Hydro Inc. is related to Renfrew Power Generation Inc. by common ownership. During the year, Renfrew Hydro Inc. purchased \$ 244,785 of hydro electric power, paid building rent of \$ 18,720 to Renfrew Power Generation Inc and received \$ 44,588 for work done for the Thomas Low Project from Renfrew Power Generation Inc. There is no formal lease agreement. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the associated parties), which approximates the arm's length equivalent value for sales of product.

11. DEFERRED REVENUE

Developer contributions for capital assets are amortized to income on the same basis as the related assets are being amortized.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2013

12. PAYMENT IN LIEU OF TAXES (PILs)

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

	<u>2013</u>	<u>2012</u>
Income before payment in lieu of taxes	\$ <u>132,830</u>	\$ <u>141,833</u>
Expected PILs at the combined tax rate of 15.50% (2012 - 15.50%)	\$ 20,589	\$ 21,984
Taxation affect of:		
Difference in capital cost allowance and amortization	(21,899)	8,112
Ontario Apprenticeship Training Tax Credit (net)	(8,288)	(2,102)
Loss on disposal of assets	1,000	
Regulatory debit	<u>28,509</u>	<u>          </u>
Payment in lieu of taxes	\$ <u>19,911</u>	\$ <u>27,994</u>

13. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 1,061,657	\$ 893,025
Allowance for doubtful accounts	<u>(23,850)</u>	<u>(34,999)</u>
Net accounts receivable	\$ <u>1,037,807</u>	\$ <u>858,026</u>

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**Year ended 31 December, 2014**

Renfrew Hydro Inc.

Financial Statements

For the year ended 31 December 2014

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS



**MACKILLICAN  
& ASSOCIATES**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of Renfrew Hydro Inc., which comprise the balance sheet as at 31 December 2014, 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, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 auditor's 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 Renfrew Hydro Inc. as at 31 December 2014, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook.

*MacKilligan & Associates*

RENFREW, Ontario.  
23 April 2015.

**Chartered Professional Accountants,**  
Licensed Public Accountants.

Renfrew Hydro Inc.

Balance Sheet

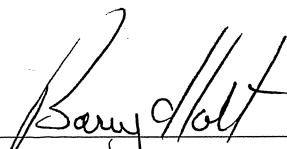

As at 31 December 2014  
(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current:		
Cash on hand and in bank (Note 15)	\$ 342,775	\$ 593,855
Accounts receivable (Note 13)	1,086,083	1,037,807
Due from associated company (Note 8)		30,370
Prepaid expenses	59,915	94,155
Hydro PILs recoverable		10,089
Unbilled revenue (Note 2 (d))	1,349,826	1,434,660
Inventory at cost (Note 2 (c))	<u>296,155</u>	<u>294,185</u>
	\$ 3,134,754	\$ 3,495,121
Regulated assets (Note 6)	254,558	110,027
Property, plant and equipment (Note 2 (a) and (b))	<u>5,031,603</u>	<u>4,885,350</u>
	<u>\$ 8,420,915</u>	<u>\$ 8,490,498</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,571,668	\$ 1,849,910
Hydro PILs payable	11,574	
Current customer credits	89,422	72,710
Current portion of customer deposits	35,026	58,472
Bank demand loans (current portion) (Note 7)	38,751	31,972
Due to associated company (Note 8)	<u>132,488</u>	
	<u>\$ 1,878,929</u>	<u>\$ 2,013,064</u>
Long term liabilities:		
Bank demand loans (Note 7)	\$ 58,607	\$ 74,362
Promissory note (Note 9)	2,705,168	2,705,168
Deferred revenue (Note 11)	<u>23,765</u>	<u>24,322</u>
	\$ 2,787,540	\$ 2,803,852
Other liabilities:		
Long term customer deposits	<u>110,037</u>	<u>90,016</u>
Total liabilities	<u>\$ 4,776,506</u>	<u>\$ 4,906,932</u>
Shareholder's equity:		
Share capital:		
Class A special shares:		
Authorized - unlimited		
Common shares:		
Authorized - unlimited		
Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>939,241</u>	<u>878,398</u>
	<u>\$ 3,644,409</u>	<u>\$ 3,583,566</u>
	<u>\$ 8,420,915</u>	<u>\$ 8,490,498</u>

On behalf of the Board:

  
  
(See accompanying notes)

Renfrew Hydro Inc.  
Statement of Retained Earnings  
For the year ended 31 December 2014  
(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
Retained earnings at the beginning of the year	\$ 878,398	\$ 793,939
Net income for the year	<u>89,073</u>	<u>112,919</u>
	\$ 967,471	\$ 906,858
Less dividends paid during the year	<u>(28,230)</u>	<u>(28,460)</u>
Retained earnings at the end of the year	<u><u>\$ 939,241</u></u>	<u><u>\$ 878,398</u></u>

(See accompanying notes)

For the year ended 31 December 2014  
(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
Sale of energy	\$ <u>9,652,816</u>	\$ <u>9,286,938</u>
Distribution revenue:		
Fixed charge	\$     954,096	\$     942,128
Variable charge	875,048	890,605
SSS administration	12,322	12,192
Microfit administration	702	613
PILs recovery	35,334	35,590
Transformer discount	(33,899)	(34,209)
Distribution revenue adjustment (Note 2 (d))	<u>(4,845)</u>	<u>6,652</u>
	\$     1,838,758	\$     1,853,571
Other operating revenue (Note 4)	108,332	108,379
Interest revenue Retail Service Variance Account (Note 6)	<u>17,457</u>	<u>17,117</u>
	\$ <u>1,964,547</u>	\$ <u>1,979,067</u>
	\$    11,617,363	\$    11,266,005
Cost of power purchased	<u>9,652,816</u>	<u>9,286,938</u>
	\$ <u>1,964,547</u>	\$ <u>1,979,067</u>
Operating and maintenance:		
Distribution (Note 5 (a))	\$     437,191	\$     403,666
Utilization (Note 5 (b))	<u>28,588</u>	<u>16,117</u>
	\$     465,779	\$     419,783
Amortization	213,223	192,475
Billing and collecting	382,977	396,188
General administration	364,894	405,763
Office building maintenance	21,878	28,804
Regulatory debit (Note 2 (b))	<u>163,528</u>	<u>183,938</u>
	\$ <u>1,612,279</u>	\$ <u>1,626,951</u>
Income before financial expenses, loss on retirement of assets and payment in lieu of taxes	\$ <u>352,268</u>	\$ <u>352,116</u>
Financial expenses:		
Interest on debt obligations	\$     200,719	\$     202,986
Interest expense Retail Service Variance Account (Note 6)	<u>8,633</u>	<u>9,845</u>
	\$ <u>209,352</u>	\$ <u>212,831</u>
Income before loss on retirement of assets and payment in lieu of taxes	\$     142,916	\$     139,285
Loss on retirement of assets	<u>12,269</u>	<u>6,455</u>
Income before payment in lieu of taxes	\$     130,647	\$     132,830
Payment in lieu of taxes (Note 12)	<u>41,574</u>	<u>19,911</u>
Net income for the year	\$ <u>89,073</u>	\$ <u>112,919</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2014

(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net income for the year	\$ 89,073	\$ 112,919
Add items which do not require an outlay of cash:		
- amortization	213,223	192,475
- loss on retirement of assets	<u>12,269</u>	<u>6,455</u>
	<u>\$ 314,565</u>	<u>\$ 311,849</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ (48,276)	\$ (179,781)
- decrease (increase) in due from associated company	30,370	(30,370)
- decrease (increase) in inventory	(1,970)	30,963
- decrease (increase) in prepaid expenses	34,240	(5,186)
- decrease (increase) in rate rebasing		32,500
- decrease (increase) in unbilled revenue	84,834	(284,821)
- decrease (increase) in Hydro PILs recoverable	10,089	(8,083)
- increase (decrease) in accounts payable and accrued liabilities	(278,241)	536,686
- increase (decrease) in Hydro PILs payable	11,574	
- increase (decrease) in customer credits	16,712	17,702
- increase (decrease) in current portion of customer deposits	(23,446)	(10,334)
- increase (decrease) in due to associated company	<u>132,488</u>	<u>(197,926)</u>
	<u>\$ (31,626)</u>	<u>\$ (98,650)</u>
Cash flows from operating activities	<u>\$ 282,939</u>	<u>\$ 213,199</u>
Cash flows from financing activities:		
Decrease in bank demand loan	\$ (8,976)	\$ (30,597)
Dividends paid during the year	(28,230)	(28,460)
Increase in long term customer deposits	20,021	15,792
Increase (decrease) in deferred revenue	(557)	24,322
Decrease in regulated accounts	<u>(144,531)</u>	<u>(270,067)</u>
Cash flows used for financing activities	<u>\$ (162,273)</u>	<u>\$ (289,010)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system (net)	\$ (330,455)	\$ (355,026)
- computer equipment	(5,437)	
- construction work in progress	(17,679)	(25,804)
- trucks, tools and equipment	(21,744)	(2,500)
- proceeds on retirement of assets	<u>3,569</u>	
Cash flows used for investing activities	<u>\$ (371,746)</u>	<u>\$ (383,330)</u>
Net decrease in cash on hand and in bank during the year	\$ (251,080)	\$ (459,141)
Cash on hand and in bank at the beginning of the year	<u>593,855</u>	<u>1,052,996</u>
Cash on hand and in bank at the end of the year	<u><u>\$ 342,775</u></u>	<u><u>\$ 593,855</u></u>

(See accompanying notes)

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2014

1. NATURE OF BUSINESS

The company distributes electric power to its customers in the Town of Renfrew.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (CGAAP), including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook and reflect the following policies:

(a) Property, plant and equipment:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	12,766,778	\$ 7,952,285	4,814,493	4,657,436
Easements and improvements	23,981	18,744	5,237	5,628
Office equipment	252,607	243,272	9,335	7,961
Trucks, tools and equipment	1,211,531	1,075,371	136,160	165,626
Construction work in progress	<u>43,483</u>		<u>43,483</u>	<u>25,804</u>
	<u>\$ 14,321,275</u>	<u>\$ 9,289,672</u>	<u>\$ 5,031,603</u>	<u>\$ 4,885,350</u>

(b) CGAAP accounting changes:

On 8 July 2010, the OEB released an amortization study for use by electricity distributors in preparation for transition to IFRS. The results of this study were released in a report by a third party consultant, Kinectrics, and provided information and guidance that the OEB expected LDCs to consider as asset service lives were determined under IFRS. Even though Renfrew Hydro has deferred adoption of IFRS until 1 January 2015, as permitted by the Canadian Accounting Standards Board, the release of this study provided Renfrew Hydro with new information with regards to the estimates used for amortization purposes. In accordance with the OEB's letter of 17 July 2012, "Regulatory accounting policy direction regarding changes to amortization expense and capitalization policies in 2012 and 2013", Renfrew Hydro has adopted the required changes to amortization and capitalization under CGAAP as of 1 January 2013 on a prospective basis.

The OEB has approved variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes to amortization; the difference is a reflection of the revised amortization expense in comparison to the amortization that would have been recorded under previous service life terms and thus included in rates charged to customers. The cumulative variance in this account will be refunded to ratepayers in the year of the company's next cost of service application through an adjustment to amortization expense over an approved amortization period pending review and approval by the OEB.

Upon review of the Kinectrics Report, Renfrew Hydro has determined that the useful lives of the distribution assets are longer than previously estimated. Renfrew Hydro has revised its componentization structure and revised the estimated useful lives of its distribution system assets as a result of that study. This has lead to a decrease in the amortization expense compared to periods prior to 2013. Amortization for 2013 forward is based on straight-line amortization over the remaining useful life based on the new useful lives determined by reference to the Kinectrics Report.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2014

Additionally, Renfrew Hydro has modified its policy relating to asset disposals where an asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the statement of income.

Accounting Policy - property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not amortized. Construction in progress assets are not amortized until the project is complete and in service. The estimated useful lives are as follows:

Buildings - brick	50 years
Buildings - other	25 years
Distribution stations and related equipment	15-50 years
Distribution system - poles and fixtures	45 years
Distribution system - overhead conductors	60 years
Distribution system - underground conduit	50 years
Distribution system - underground conductor	50 years
Distribution lines - transformers	40 years
Distribution services - overhead	60 years
Distribution services - underground	40 years
Distribution meters	25 years
Distribution - smart meters	15 years
Office equipment (other than computer)	10 years
Computer equipment	5 years
Easements	20 years
Miscellaneous equipment and tools	10 years
Computer software	5 years
Trucks under 3 tons	5 years
Trucks over 3 tons	8 years

Amortization methods and useful lives are reviewed at each reporting date.

(c) Inventory:

Materials purchased for use at a later date are shown at lower of cost using the average cost method or net realizable value.

(d) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,434,660
Unbilled revenue at the end of the year	1,349,826

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

(e) Revenue recognition:

Revenue is recognized at the time of the billing for consumption. All other revenue is recognized on an accrual basis as earned.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2014

(f) 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. FINANCIAL INSTRUMENTS

The carrying value of the company's financial instruments, being cash on hand and in bank, accounts receivable, due from associated company, unbilled revenue, accounts payable and accrued liabilities, customer credits, customer deposits, bank demand loan, due to associated company and promissory note, approximates their fair value. It is management's opinion that the company is not exposed to significant terms and conditions that may affect the amount, timing and certainty of future cash flows.

4. OTHER OPERATING REVENUE

	<u>2014</u>	<u>2013</u>
Late payment charges	\$ 21,456	\$ 21,437
Interest earned	6,032	11,950
Pole rentals	38,709	35,033
Change of occupancy charges	15,930	17,880
Collection reconnection charges	715	650
Sale of scrap material	3,500	3,336
Deferred credit	556	278
Miscellaneous revenue	<u>21,434</u>	<u>17,815</u>
	<u>\$ 108,332</u>	<u>\$ 108,379</u>

5. OPERATING AND MAINTENANCE

	<u>2014</u>	<u>2013</u>
(a) Distribution, operation and maintenance:		
Distribution station equipment and maintenance	\$ 36,590	\$ 34,008
Overhead distribution lines and feeders	318,696	310,714
Underground distribution lines and feeders	3,153	11,594
Distribution transformers	15,281	14,710
Distribution meters	26,681	32,640
Health and Safety	<u>36,790</u>	
	<u>\$ 437,191</u>	<u>\$ 403,666</u>
(b) Utilization, operation and maintenance:	<u>2014</u>	<u>2013</u>
Customer premises	<u>\$ 28,588</u>	<u>\$ 16,117</u>

6. REGULATED ASSETS AND LIABILITIES

Regulated assets and liabilities represent costs and revenues that have been deferred and that are expected to be disposed of through future rates. Retail Settlement Variance Accounts (RSVA) are required to be recorded by the OEB and arise from differences in amounts billed to customers and retailers and the cost to the company, for electricity, wholesale market services and transmission services. The company accrues interest on regulated assets and liabilities as permitted by the OEB. Annual changes in the regulated assets and liabilities account balances have a direct impact on the bank balance.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2014

7. BANK DEMAND LOANS

- (a) A bank demand loan of \$ 73,358 is payable to the Royal Bank with an interest rate of 4.40%. The loan is repayable in monthly blended principal and interest payments of \$ 3,001. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.
- (b) A bank demand loan of \$ 24,000 is payable to the Royal Bank with an interest rate of 3.53%. The loan is repayable in monthly blended principal and interest payments of \$ 437. Collateral for the loan is a security agreement chattel mortgage covering the 2015 Dodge Journey.
- (c) Principal and interest payments owing over the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 38,751	\$ 2,611	\$ 41,362
2016	40,017	1,345	41,362
2017	8,481	461	8,942
2018	4,966	277	5,243
2019	<u>5,143</u>	<u>100</u>	<u>5,243</u>
	\$ 97,358	\$ 4,794	\$ 102,152
Less current portion	<u>38,751</u>	<u>2,611</u>	<u>41,362</u>
	<u>\$ 58,607</u>	<u>\$ 2,183</u>	<u>\$ 60,790</u>

8. DUE FROM (TO) ASSOCIATED COMPANY

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

9. PROMISSORY NOTE

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125.

10. ASSOCIATED COMPANY TRANSACTIONS

Renfrew Hydro Inc. is related to Renfrew Power Generation Inc. by common ownership. During the year, Renfrew Hydro Inc. purchased \$ 283,627 of hydro electric power, paid building rent of \$ 18,720 to Renfrew Power Generation Inc and received \$ 11,040 for work done for the Thomas Low Project from Renfrew Power Generation Inc. There is no formal lease agreement. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the associated parties), which approximates the arm's length equivalent value for sales of product.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2014

11. DEFERRED REVENUE

Developer contributions for capital assets are amortized to income on the same basis as the related assets are being amortized.

12. PAYMENT IN LIEU OF TAXES (PILs)

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

	<u>2014</u>	<u>2013</u>
Income before payment in lieu of taxes	\$ <u>130,647</u>	\$ <u>132,830</u>
Expected PILs at the combined tax rate of 26.50% (2013 - 15.50%)	\$ 34,621	\$ 20,589
Taxation affect of:		
Difference in capital cost allowance and amortization	(32,283)	(21,899)
Ontario Apprenticeship Training Tax Credit (net)	(7,350)	(8,288)
Loss on disposal of assets	3,251	1,000
Regulatory debit	<u>43,335</u>	<u>28,509</u>
Payment in lieu of taxes	\$ <u>41,574</u>	\$ <u>19,911</u>

The taxable capital of the Associated Group was over \$ 15,000,000 in 2014 which reduces the Small Business Deduction to zero for the year.

13. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 1,112,278	\$ 1,061,657
Allowance for doubtful accounts	<u>(26,195)</u>	<u>(23,850)</u>
Net accounts receivable	\$ <u>1,086,083</u>	\$ <u>1,037,807</u>

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

15. CASH ON HAND AND IN BANK

The balance has decreased due to the disposition of regulatory accounts through rate riders according to the OEB regulations.

1

**Year ended 31 December, 2015**

2

Renfrew Hydro Inc.

Financial Statements

For the year ended 31 December 2015

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS



## Serving the Community of Renfrew

499 O'Brien Rd – Unit B, Renfrew ON K7V 3Z3

Tel: 613-432-4884 Fax: 613-432-7463

[www.renfrewhydro.com](http://www.renfrewhydro.com)

### Management's Responsibility for the Financial Statements

The accompanying financial statements of Renfrew Hydro Inc. (the "company") are the responsibility of the company's management and have been prepared in compliance with legislation, and in accordance with International Financial Reporting Standards. A summary of the significant accounting policies is contained in Note 3 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The company's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

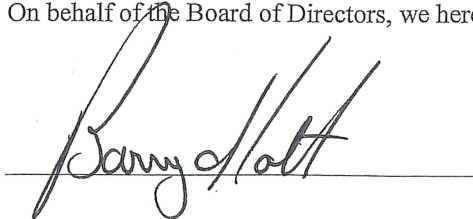
The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

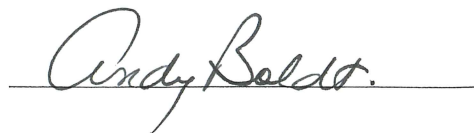
The financial statements have been audited by MacKillican & Associates, independent external auditors appointed by the company. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the company's financial statements.

  
William Nippard  
President

  
Cindy Marshall  
Secretary/Treasurer

On behalf of the Board of Directors, we hereby approve the Financial Statements:







**MACKILLICAN  
& ASSOCIATES**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Shareholder,  
Renfrew Hydro Inc.

We have audited the accompanying financial statements of Renfrew Hydro Inc., which comprise the statement of financial position as at 31 December 2015, and the statements of changes in shareholder's equity, comprehensive income (loss) 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 International Financial Reporting Standards, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook 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.

### *Auditor's 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 auditor's 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 Renfrew Hydro Inc. as at 31 December 2015, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, including principles prescribed by the Ontario Energy Board in the Accounting Procedures Handbook.

*MacKillican + Associates*

RENFREW, Ontario.  
22 April 2016.

**Chartered Professional Accountants,**  
Licensed Public Accountants.

Renfrew Hydro Inc.  
Statement of Financial Position  
As at 31 December 2015  
(with 2014 figures for comparison)

	31 December <u>2015</u>	31 December <u>2014</u>	1 January <u>2014</u>
<u>ASSETS</u>			
Current assets:			
Cash on hand and in bank	\$ 620,644	\$ 342,775	\$ 593,855
Accounts receivable (Note 5)	847,977	1,086,083	1,037,807
Due from associated company (Note 8)			30,370
Prepaid expenses	36,623	59,915	94,155
Rate rebasing	15,921		
Hydro PILs recoverable (Note 3 (k))	10,087		10,089
Unbilled revenue (Note 3 (b))	1,404,337	1,349,826	1,434,660
Inventory at cost (Notes 3 (n) and 6)	<u>229,057</u>	<u>247,389</u>	<u>294,185</u>
	\$ 3,164,646	\$ 3,085,988	\$ 3,495,121
Non-current assets:			
Property, plant and equipment and intangible assets (Notes 3 (f), (h) and 7)	5,361,141	5,080,369	4,885,350
Deferred tax asset (Notes 3 (k) and 8)	213,917	255,597	302,237
Investment in Utility Collaborative Inc., recorded at cost (Note 23)	<u>100</u>		
Total assets	\$ 8,739,804	\$ 8,421,954	\$ 8,682,708
Regulatory deferral account balances (Notes 3 (a) and 9)	<u>793,103</u>	<u>784,690</u>	<u>886,135</u>
Total assets and regulatory deferral account balances	<u>\$ 9,532,907</u>	<u>\$ 9,206,644</u>	<u>\$ 9,568,843</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Current liabilities:			
Accounts payable and accrued liabilities (Note 26)	\$ 778,870	\$ 1,571,668	\$ 1,849,910
Hydro PILs payable (Note 3 (k))		11,574	
Current customer credits	147,211	89,422	72,710
Current portion of customer deposits (Note 11)	32,624	35,026	58,472
Term bank loans (current portion) (Note 21)	40,017	38,751	31,972
Due to associated company (Note 15)	<u>1,225,864</u>	<u>132,488</u>	
	\$ 2,224,586	\$ 1,878,929	\$ 2,013,064
Long term liabilities:			
Term bank loans (Note 21)	\$ 18,592	\$ 58,607	\$ 74,362
Deferred revenue (Note 10)	<u>41,214</u>	<u>23,765</u>	<u>24,322</u>
	\$ 59,806	\$ 82,372	\$ 98,684
Other liabilities:			
Long term customer deposits (Note 11)	\$ 110,344	\$ 110,037	\$ 90,016
Employee future benefits (Notes 3 (j) and 13)	168,422	189,170	189,170
Promissory note (Notes 12 and 15)	<u>2,705,168</u>	<u>2,705,168</u>	<u>2,705,168</u>
	\$ 2,983,934	\$ 3,004,375	\$ 2,984,354
Total liabilities	\$ 5,268,326	\$ 4,965,676	\$ 5,096,102
Shareholder's equity:			
Share capital: (Note 14)			
Class A special shares: Authorized - unlimited			
Common shares:			
Authorized - unlimited, Issued - 15,120 shares	\$ 2,705,168	\$ 2,705,168	\$ 2,705,168
Retained earnings	<u>967,635</u>	<u>1,005,668</u>	<u>991,465</u>
	\$ 3,672,803	\$ 3,710,836	\$ 3,696,633
Total liabilities and shareholder's equity	\$ 8,941,129	\$ 8,676,512	\$ 8,792,735
Regulatory deferral account balances (Notes 3 (a) and 9)	<u>591,778</u>	<u>530,132</u>	<u>776,108</u>
Total liabilities, shareholder's equity and regulatory deferral account balances	<u>\$ 9,532,907</u>	<u>\$ 9,206,644</u>	<u>\$ 9,568,843</u>

(See accompanying notes)

Renfrew Hydro Inc.  
Statement of Changes in Shareholder's Equity  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, 31 December 2013 (Note 25)	\$ 2,705,168	\$ 991,465	\$ 3,696,633
Net comprehensive income for the year		42,433	42,433
Less dividends	<u>                    </u>	<u>(28,230)</u>	<u>(28,230)</u>
Balance, 31 December 2014 (Note 25)	\$ 2,705,168	\$ 1,005,668	\$ 3,710,836
Net comprehensive income (loss) for the year		(15,765)	(15,765)
Less dividends	<u>                    </u>	<u>(22,268)</u>	<u>(22,268)</u>
Balance, 31 December 2015	\$ <u>2,705,168</u>	\$ <u>967,635</u>	\$ <u>3,672,803</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Comprehensive Income (Loss)

For the year ended 31 December 2015

(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
Sale of energy	\$ <u>10,853,776</u>	\$ <u>9,652,816</u>
Distribution revenue:		
Fixed charge	\$ 988,217	\$ 974,309
Variable charge	884,980	885,087
SSS administration	12,352	12,326
Transformer discount	<u>(32,947)</u>	<u>(33,666)</u>
	\$ 1,852,602	\$ 1,838,056
Other operating revenue (Note 19)	<u>107,584</u>	<u>103,002</u>
	\$ <u>1,960,186</u>	\$ <u>1,941,058</u>
Cost of power purchased	\$ 12,813,962	\$ 11,593,874
	<u>10,853,776</u>	<u>9,652,816</u>
	\$ <u>1,960,186</u>	\$ <u>1,941,058</u>
Distribution (Note 20)	\$ 484,226	\$ 465,779
Amortization	222,240	213,223
Billing and collecting	413,185	382,977
General administration	427,970	386,772
Regulatory debit (Note 3 (a))	<u>172,388</u>	<u>163,528</u>
	\$ <u>1,720,009</u>	\$ <u>1,612,279</u>
Income before financial income, financial expenses, loss on retirement of assets, payment in lieu of taxes and deferred taxes	\$ <u>240,177</u>	\$ <u>328,779</u>
Financial income:		
Interest earned	\$ 4,891	\$ 6,032
Interest revenue Retail Service Variance Account (Note 9)	<u>11,457</u>	<u>17,457</u>
	\$ <u>16,348</u>	\$ <u>23,489</u>
Financial expenses:		
Interest on debt obligations	\$ 199,846	\$ 200,719
Interest expense Retail Service Variance Account (Note 9)	<u>3,943</u>	<u>8,633</u>
	\$ <u>203,789</u>	\$ <u>209,352</u>
Income before loss on retirement of assets, payment in lieu of taxes and deferred taxes	\$ 52,736	\$ 142,916
Loss on retirement of assets	<u>10,708</u>	<u>12,269</u>
Income before payment in lieu of taxes and deferred taxes	\$ 42,028	\$ 130,647
Payment in lieu of taxes (Note 8)	(16,113)	(41,574)
Deferred taxes (Notes 3 (k), 8 and 25)	<u>(41,680)</u>	<u>(46,640)</u>
Net comprehensive income (loss) for the year	\$ <u>(15,765)</u>	\$ <u>42,433</u>

(See accompanying notes)

Renfrew Hydro Inc.

Statement of Cash Flows

For the year ended 31 December 2015

(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net comprehensive income (loss) for the year	\$ (15,765)	\$ 42,433
Add items which do not require an outlay of cash:		
- amortization	222,240	213,223
- loss on retirement of assets	<u>10,708</u>	<u>12,269</u>
	<u>\$ 217,183</u>	<u>\$ 267,925</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ 238,106	\$ (48,276)
- decrease (increase) in due from associated company		30,370
- decrease (increase) in inventory	18,332	46,796
- decrease (increase) in prepaid expenses	23,292	34,240
- decrease (increase) in rate rebasing	(15,921)	
- decrease (increase) in unbilled revenue	(54,511)	84,834
- decrease (increase) in Hydro PILs recoverable	(10,087)	10,089
- decrease (increase) in deferred taxes	41,680	46,640
- increase (decrease) in accounts payable and accrued liabilities	(792,798)	(278,241)
- increase (decrease) in Hydro PILs payable	(11,574)	11,574
- increase (decrease) in current customer credits	57,789	16,712
- increase (decrease) in employee future benefits	(20,748)	
- increase (decrease) in current portion of customer deposits	(2,402)	(23,446)
- increase (decrease) in due to associated company	<u>1,093,376</u>	<u>132,488</u>
	<u>\$ 564,534</u>	<u>\$ 63,780</u>
Cash flows from operating activities	<u>\$ 781,717</u>	<u>\$ 331,705</u>
Cash flows from financing activities:		
Decrease in bank demand loans	\$ (38,749)	\$ (8,976)
Dividends paid during the year	(22,268)	(28,230)
Increase in long term customer deposits	307	20,021
Increase (decrease) in deferred revenue	17,449	(557)
Increase (decrease) in regulated accounts	<u>53,233</u>	<u>(144,531)</u>
Cash flows from (used for) financing activities	<u>\$ 9,972</u>	<u>\$ (162,273)</u>
Cash flows used for investing activities:		
Additions to property, plant and equipment:		
- buildings, transmission and distribution system	\$ (325,287)	\$ (330,455)
- office equipment	(23,522)	(5,437)
- computer software	(39,417)	
- construction work in progress	(3,127)	(66,445)
- easements	(4,321)	
- leasehold improvements	(116,088)	
- trucks, tools and equipment	(2,356)	(21,744)
- proceeds on retirement of assets	398	3,569
Increase in investment in Utility Collaborative Inc.	<u>(100)</u>	<u></u>
Cash flows used for investing activities	<u>\$ (513,820)</u>	<u>\$ (420,512)</u>
Net increase (decrease) in cash on hand and in bank during the year	\$ 277,869	\$ (251,080)
Cash on hand and in bank at the beginning of the year	<u>342,775</u>	<u>593,855</u>
Cash on hand and in bank at the end of the year	<u><u>\$ 620,644</u></u>	<u><u>\$ 342,775</u></u>

(See accompanying notes)

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

1. NATURE OF BUSINESS

Renfrew Hydro Inc. (the "company")'s primary business activity is the distribution of electricity to the Town of Renfrew residents and businesses. The company owns and operates an electrical distribution system, which delivers electricity power to its customers in the Town of Renfrew. Renfrew Hydro Inc. is wholly owned by the municipality of the Town of Renfrew and is governed by a Board of Directors. The address of the company's corporate office and principal place of business is 499 O'Brien Road, Unit B, Renfrew, Ontario. The financial statements were approved by the Board of Directors on 22 April 2016 who have the power to amend the financial statements after issue.

2. BASIS OF PRESENTATION

(a) Statement of Compliance:

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB including principles prescribed by the OEB. These are the company's first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. They should be read in conjunction with the 2014 Canadian generally accepted accounting principles ("Canadian GAAP") financial statements and related notes. In this context, the term "Canadian GAAP" refers to generally accepted accounting principles before the adoption of IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the company is provided in Note 25.

(b) Basis of Measurement:

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN\$), which is also the company's functional currency, and all values are rounded to the nearest dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Explanation of Activities Subject to Rate Regulation:

Renfrew Hydro Inc., as an electricity distributor, is both licensed and regulated by the Ontario Energy Board "OEB" which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the company and establishing standards of service for the company's customers. The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis for 1 May to 30 April.

Regulatory risk:

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

Recovery risk:

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. Renfrew Hydro Inc. is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at 1 January 2014 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Regulatory Deferral Accounts:

Renfrew Hydro Inc. has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the company has continued to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s), that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after 1 May 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of Recognized Amounts:

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

(b) Revenue:

Revenue is recognized to the extent that it is probable that economic benefits will flow to Renfrew Hydro Inc. and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, pole use rental, fixed collection charges, interest revenue from Retail Service Variance Account, investment income and other miscellaneous revenues.

Sale and Distribution of Energy:

Renfrew Hydro Inc. is licensed by the OEB to distribute electricity. As a licensed distributor, the company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether Renfrew Hydro Inc. ultimately collects these amounts from customers. The company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Renfrew Hydro Inc.

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Revenues from the sale and distribution of electricity is recognized on an accrual basis, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other:

Other revenues, which include revenues from late payment charges, conservation demand management, pole use rental, change of occupancy charges, collection reconnection charges, sale of scrap material, microfit administration, deferred credit and other miscellaneous revenues are recognized at the time services are provided.

Where the company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as deferred revenue and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

(c) Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(d) Financial Assets:

Financial assets are classified as loans and receivables. These include cash and accounts receivables. Collectability of accounts receivable is reviewed on an ongoing basis. Accounts receivable which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that Renfrew Hydro Inc. will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognized in the Statement of Comprehensive Income (Loss). These assets are measured at amortized cost.

(e) Financial Liabilities:

Accounts payable and accrued liabilities, customer credits, customer deposits, term bank loans, due to associated company (Renfrew Power Generation Inc.), promissory note and other payables are classified as other financial liabilities. These liabilities are measured at amortized cost.

Customer Deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from Renfrew Hydro Inc.'s own cash and cash equivalents. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2 %. Also included in this balance are cash and securities lodged with Renfrew Hydro Inc. by counterparties under electricity supply agreements.

(f) Property, Plant and Equipment:

Recognition and measurement:

Property, plant and equipment (PP&E) are recognized at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the company, including eligible borrowing costs.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

Amortization of PP&E is recorded in the Statement of Comprehensive Income (Loss) on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Buildings - brick	50 years
Buildings - other	25 years
Distribution stations and related equipment	15-50 years
Distribution system - poles and fixtures	45 years
Distribution system - overhead conductors	60 years
Distribution system - underground conduit	50 years
Distribution system - underground conductor	50 years
Distribution lines - transformers	40 years
Distribution services - overhead	60 years
Distribution services - underground	40 years
Distribution meters	25 years
Distribution - smart meters	15 years
Office equipment (other than computer)	10 years
Computer equipment	5 years
Leasehold improvements	10 years
Miscellaneous equipment and tools	10 years
Trucks under 3 tons	5 years
Trucks over 3 tons	8 years

Amortization methods and useful lives are reviewed at each reporting date.

**Construction in Progress and Spare Parts:**

Construction in progress is comprised of assets under construction and major spare parts not yet placed into service. Construction in progress is not amortized until the assets are in service.

**Deferred Revenue:**

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Developer contributions for capital assets are amortized to income on the same basis as the related assets are being amortized.

**Gains and Losses on Disposal:**

Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Statement of Comprehensive Income (Loss) when the asset is disposed of. When an item of PP&E with related deferred revenue is disposed, the remaining deferred revenue is recognized in full in the Statement of Comprehensive Income (Loss).

**(g) Borrowing Costs:**

The company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

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For the year ended 31 December 2015

(h) Intangible Assets:

Computer Software:

Computer software that is acquired or developed by the company, including software that is not integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Easements:

Payments to obtain rights to access land ("easements") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Easements	20 years
Computer software	5 years

(i) Impairment of Non-Financial Assets:

The company conducts annual internal assessments of the values of PP&E, intangible assets and regulatory deferral account debit balances to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ('CGU'), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statement of Comprehensive Income (Loss), except to the extent it reverses gains previously recognized in other comprehensive income.

(j) Employee Future Benefits:

Defined Contribution Plan:

The employees of the company participate in the Ontario Municipal Employees Retirement System ("OMERS"). The company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The company is only one of a number of employers that participates in the plan and the financial information provided to the company on the basis of the contractual agreements is usually insufficient to measure the company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

Defined Benefit Plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation on behalf of its retired employees unfunded extended medical and life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

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The calculation is performed by a qualified actuary using the projected unit credit method every third year or when there are significant changes to workforce. Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses. Service costs are recognized in the Statement of Comprehensive Income (Loss) in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in the Statement of Comprehensive Income (Loss) in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Statement of Comprehensive Income (Loss). Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

**Other Long-term Service Benefits:**

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

**(k) Payment in Lieu of Taxes Payable:**

**Tax Status:**

The company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an MEU, the company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). Under the Electricity Act, 1998, the company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFEC"), commencing 1 October 2001. 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 Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

**Current and Deferred Tax:**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 9). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date. Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities (assets) are settled (recovered). The company recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the company reassesses both recognized and unrecognized deferred tax assets. The company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) Leased Assets:

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized on the company's balance sheet. Payments made under operating leases are recognized in the Statement of Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

(m) Finance Income and Finance Costs:

Finance income comprises of interest income on funds invested such as cash and short-term investments. Interest income is recognized as it accrues in the Statement of Comprehensive Income (Loss), using the effective interest method.

Finance costs are comprised of interest payable on debt and impairment losses recognized on financial assets and net interest on employee future benefits.

(n) Inventory:

Cost of inventories comprise of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. The company classifies all major future components of its electricity distribution system infrastructure to PP&E. These items are not amortized until they are put into service. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Standards, Amendments and Interpretations Not Yet Effective:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the company.

Management anticipates that all of the relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is 1 January 2018. The company is in the process of evaluating the impact of the new standard.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2017. The company is in the process of evaluating the impact of the new standard.

- (p) Distribution revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Unbilled revenue at the beginning of the year	\$ 1,349,826
Unbilled revenue at the end of the year	1,404,337

The adjusting power bill received from Hydro One is recorded in the period to which it refers and not in the period in which it is received.

- (q) Financial Instruments:

All financial instruments are initially recorded at fair value. In future periods, all financial instruments are measured based on the classification adopted for the instrument: held to maturity, loans and receivables, fair value through profit or loss (FV), available for sale, fair value liabilities or other liabilities.

FV assets and liabilities are subsequently measured at fair value with the change recognized in net income or loss for the period.

Held to maturity assets, loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Available for sale assets are subsequently measured at fair value with the change recorded in other comprehensive income (loss), except for equity instruments without a quoted market price in an active market and whose FV cannot be reliably measured, which are measured at cost.

The company has classified its financial instruments as follows:

Financial instruments	Classification
Cash	FV
Accounts receivable	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Shareholder loan	Other liabilities

Fair values are determined applying the following hierarchy:

- Level 1 based on quoted prices in active markets for identical instruments
- Level 2 based on direct or indirect observable inputs
- Level 3 based on inputs that are not based on observable market data

#### 4. USE OF ESTIMATES AND JUDGMENTS

The company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

Employee Future Benefits:

The cost of post employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 13 Employee Future Benefits.

Payments in Lieu of Taxes Payable:

The company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounts Receivable Impairment:

In determining the allowance for doubtful accounts, the company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

5. ACCOUNTS RECEIVABLE	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 885,947	\$ 1,112,278
Allowance for doubtful accounts	<u>(37,970)</u>	<u>(26,195)</u>
Net accounts receivable	<u>\$ 847,977</u>	<u>\$ 1,086,083</u>

Due to its short term nature, the carrying amount of the accounts receivable and other accounts receivable approximates its fair value.

6. INVENTORY

Materials purchased for use at later date is currently shown at lower of cost (using average cost method) or net realizable value. The amount of inventory consumed by the company and recognized as an expense was \$ 100,586 (2014 - \$ 136,231).

Renfrew Hydro Inc.

Notes to the Financial Statements

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7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Land	\$ 22,895		\$ 22,895	\$ 22,895
Buildings, transmission and distribution system	5,285,733	\$ 310,949	4,974,784	4,814,493
Easements and improvements	9,948	889	9,059	5,237
Office equipment	34,988	6,920	28,068	9,335
Computer software	41,350	5,875	35,475	
Trucks, tools and equipment	189,726	104,526	85,200	136,160
Leasehold improvements	116,088	5,804	110,284	
Construction work in progress	<u>95,376</u>		<u>95,376</u>	<u>92,249</u>
	<u>\$ 5,796,104</u>	<u>\$ 434,963</u>	<u>\$ 5,361,141</u>	<u>\$ 5,080,369</u>

Reconciliation of changes to property plant and equipment:

Net book value, 31 December 2013	\$ 4,878,211
Additions	424,081
Amortization	(213,223)
Disposals	<u>(8,700)</u>
Net book value, 31 December 2014	\$ 5,080,369
Additions	514,118
Amortization	(222,240)
Disposals	<u>(11,106)</u>
Net book value, 31 December 2015	<u>\$ 5,361,141</u>

8. PAYMENT IN LIEU OF TAXES (PILs) AND DEFERRED TAX ASSET

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

	<u>2015</u>	<u>2014</u>
Income before payment in lieu of taxes and deferred taxes	\$ <u>42,028</u>	\$ <u>130,647</u>
Expected PILs at the combined tax rate of 26.50% (2014 - 21.36%)	\$ 11,137	\$ 27,906
Taxation affect of:		
Difference in capital cost allowance and amortization	7,918	8,978
Ontario Apprenticeship Training Tax Credit (net)	51	2,136
Loss on disposal of assets	2,837	2,621
Cumulative eligible capital	(332)	(67)
Non-taxable difference in employee future benefits	<u>(5,498)</u>	
Payment in lieu of taxes	<u>\$ 16,113</u>	<u>\$ 41,574</u>

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Notes to the Financial Statements

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The 2015 deferred tax asset consists of the following:

	<u>2015</u>	<u>2014</u>
Property, plant, equipment and intangible assets	\$ 167,436	\$ 204,338
Employee future benefits	44,632	50,130
Cumulative eligible capital	<u>1,849</u>	<u>1,129</u>
Total deferred tax asset	<u>\$ 213,917</u>	<u>\$ 255,597</u>

At 31 December 2015, the above deferred tax asset has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The company believes that this asset should be recognized as it will be recovered through future rates.

9. REGULATORY DEFERRAL ACCOUNT BALANCES

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the company has amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges. The regulatory deferral account balances are comprised of:

Regulatory Deferral Account Debit	<u>2014</u>	Dispositions <u>1 May 2015</u>	Balances Arising in <u>the Year</u>	Recovered from <u>Customer</u>	<u>2015</u>
Low voltage variance	\$ 103,026	\$ (198,614)	\$ 100,074	\$ -	\$ 4,486
Smart meters	470,427		5,276		475,703
Other deferral accounts	61,753		1,178		62,931
Retail Settlement variance	<u>149,484</u>	<u>133,952</u>	<u>(33,453)</u>		<u>249,983</u>
	<u>\$ 784,690</u>	<u>\$ (64,662)</u>	<u>\$ 73,075</u>	<u>\$ -</u>	<u>\$ 793,103</u>

Regulatory Deferral Account Credit	<u>2014</u>	Dispositions <u>1 May 2015</u>	Balances Arising in <u>the Year</u>	Returned to <u>Customer</u>	<u>2015</u>
Change in asset useful lives	\$ (347,466)		\$ (172,388)		\$ (519,854)
Other deferral accounts	(7,045)		(1,545)		(8,590)
Regulatory balances (prior years)	(175,621)	\$ 163,071	(389)		(12,939)
Regulatory balances (one year)	<u></u>	<u>(98,409)</u>	<u>(2,987)</u>	<u>\$ 51,001</u>	<u>(50,395)</u>
	<u>\$ (530,132)</u>	<u>\$ 64,662</u>	<u>\$ (177,309)</u>	<u>\$ 51,001</u>	<u>\$ (591,778)</u>

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Carrying Charges:

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB.

Low Voltage Variance:

This account is used to record the variance arising from low voltage transactions which are not part of the wholesale market. The account is used to record the net of the amount charged by a host distributor to an embedded distributor for transmission or low voltage services and the amount billed to the embedded distributor's customers based on the embedded distributor's approved rates.

Smart Meters:

The smart meters regulatory asset account relates to the Province of Ontario's decision to install smart meters throughout Ontario by 2011. The OEB established variance accounts to track revenues collected with respect to smart meters and associated costs of the initiatives. Carrying charges are recorded monthly on the opening principal amount.

Retail Settlement Variances:

Retail settlement variance accounts are comprised of the variances between amounts charged by the company to its customers, based on regulated rates and the corresponding cost of non-competitive electricity service incurred by the company. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the company has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the account principles prescribed by the OEB. Carrying charges are recorded monthly on the opening principal balances.

Change in Asset Useful Lives:

In 2013, the company changed their useful lives for some of the property, plant and equipment assets. The OEB required these differences be recorded in regulatory accounts with the other side being recorded in other (expenses) revenue. The company has recognized a change in asset useful lives liability arising from the recognition of regulatory deferral account balances. The change in asset useful lives liability balance is presented within the total regulatory deferral account credit balances presented in the Statement of Financial Position.

Regulatory Balances:

This control account is used to record the disposition of deferral and variance account balances for electricity distributors receiving approval to recover (refund) account balances in rates as part of the regulatory process.

Other Deferral Accounts:

Other deferral accounts include debit and credit balances in other regulatory assets, retail cost variance accounts, miscellaneous deferred debits and smart metering entity charges. Carrying charges are recorded monthly on the opening balances.

10. DEFERRED REVENUE

There has not been any non-cash contributions of PP&E during the year.

	<u>2015</u>	<u>2014</u>
Deferred revenue, net, beginning of year	\$ 23,765	\$ 24,600
Add: deferred revenue received	18,267	
Less: deferred revenue recognized as distribution revenue	<u>(818)</u>	<u>(835)</u>
Deferred revenue, net, end of year	<u>\$ 41,214</u>	<u>\$ 23,765</u>

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

11. CUSTOMER DEPOSITS

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the company in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

12. PROMISSORY NOTE

The promissory note of \$ 2,705,168 is payable to the Town of Renfrew with an interest rate of 7.25% and no fixed terms of repayment. Interest paid to the Town of Renfrew on the promissory note annually is \$ 196,125. The fair value of this note is the face amount of the liability.

13. EMPLOYEE FUTURE BENEFITS

a) Defined Contribution Plan:

The employees of the company participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was \$ 76,699 (2014 - \$ 75,372). The contributions were made for current service and these have been recognized in net comprehensive income (loss).

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at 31 December 2014. The results of this valuation disclosed total actuarial liabilities of \$ 77.3 (2013 - \$ 73.3) billion in respect of benefits accrued for service with actuarial assets at that date of \$ 70.2 (2013 - \$ 64.6) billion, indicating an actuarial deficit of \$ 7.1 (2013 - \$ 8.6) billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the company does not recognize any share of the OMERS pension surplus or deficit. The contribution rates for normal retirement age 65 members were 9.0% (2014 - 9.0%) for employees earning up to \$ 53,600 (2014 - \$ 52,500) and 14.6% (2014 - 14.6%) thereafter.

b) Defined Benefit Plan:

The company provides certain unfunded health and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The company has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the years ended 31 December 2015 and 2014 were based on results and assumptions determined by actuarial valuation as at 31 December 2015.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health and life insurance benefits.

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

14. SHARE CAPITAL

a) Ordinary Shares:

All shares are ranked equally with regards to the company's residual assets.

b) Movement in Ordinary Share Capital:

No movement in ordinary share capital has occurred during 2015 and 2014.

c) Nature and Purpose of Equity:

The reserves recorded in equity on the company's Statement of Financial Position include 'Share capital' and 'Retained earnings'. Share capital is used to record the issuance of equity. Retained earnings is used to record the company's change in retained income from year to year.

15. RELATED PARTY TRANSACTIONS

The Ultimate Parent:

The common shares of Renfrew Hydro Inc. are owned by the Town of Renfrew, the ultimate parent, which constitutes a local government. Consequently, the company is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements. Renfrew Hydro Inc. is related to Renfrew Power Generation Inc. by common ownership. During the year, Renfrew Hydro Inc. purchased \$ 290,512 of hydro electric power, paid building rent of \$ 4,680 to Renfrew Power Generation Inc. and received \$ 16,538 for work done for the Thomas Low Project from Renfrew Power Generation Inc. There was no formal lease agreement. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the associated parties), which approximates the arm's length equivalent value for sales of product.

Due from (to) Associated Company:

As required by the Energy Competitions Act, 1998 (Bill 35), the Renfrew Hydro Electric Commission was split into two separate companies as of 1 November 2000. The two companies are called Renfrew Hydro Inc. and Renfrew Power Generation Inc. Due to associated company represents power sales and contracted services payable to Renfrew Power Generation Inc.

Key Management Remuneration:

For the year ended 31 December 2015, short-term employee benefits paid to key management personnel were \$ 442,337 (2014 - \$ 429,043). There are no other types of compensation paid to key management personnel.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Cash and cash equivalents are measured at fair value. The carrying values of receivables, accounts payable and accrued liabilities, customer deposits and due to associated company approximates fair value because of the short maturity of these instruments. The carrying value of the term bank loans approximates its' fair value due to the fact that the interest rate on the loans approximates the current fair value rate.

The fair value of the promissory note and long term customer deposits are not readily determinable and therefore, the amounts are carried at cost.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

- i) Credit risk:  
Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the company, such as accounts receivable, expose it to credit risk. The company earns its revenue from a broad base of customers located in the Town. No single customer accounts for revenue in excess of 10% of total revenue. The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income (Loss). Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income (Loss). The balance of the allowance for impairment at 31 December 2015 is \$ 37,970 (2014 - \$ 26,195). The company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The company has approximately 4,260 customers, the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. The company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.
- ii) Market risk:  
The company is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.
- iii) Liquidity risk:  
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they come due. The company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial assets and liabilities:

<u>31 December 2015</u>	<u>Under 90 days</u>	<u>90 days - 1 year</u>	<u>1 - 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Accounts receivable	\$ 805,668	\$ 42,309			\$ 847,977
Accounts payable and accrued liabilities	778,870				778,870
Customer credits		147,211			147,211
Customer deposits	32,624			\$ 110,344	142,968
Term bank loans		40,017	\$ 8,482	10,110	58,609
Payable to the Town of Renfrew				2,705,168	2,705,168
Due to associated company	1,225,864				1,225,864
<u>31 December 2014</u>					
Accounts receivable	\$ 1,047,209	\$ 38,874			\$ 1,086,083
Accounts payable and accrued liabilities	1,571,668				1,571,668
Customer credits		89,422			89,422
Customer deposits	35,026			\$ 110,037	145,063
Term bank loans		38,751	\$ 40,017	18,590	97,358
Payable to the Town of Renfrew				2,705,168	2,705,168
Due to associated company	132,488				132,488

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

17. CAPITAL MANAGEMENT

The main objectives of the company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns. The company's definition of capital is shareholder's equity.

18. SEGMENT DISCLOSURES

Based on the company's internal management structure, it only has one operating segment.

19. OTHER OPERATING REVENUE

	<u>2015</u>	<u>2014</u>
Late payment charges	\$ 18,986	\$ 21,456
Conservation Demand Management	17,302	
Pole rentals	37,492	38,709
Change of occupancy charges	16,380	15,930
Collection reconnection charges	585	715
Sale of scrap material	3,615	3,500
Microfit administration	648	702
Deferred credit	818	556
Miscellaneous revenue	<u>11,758</u>	<u>21,434</u>
	<u>\$ 107,584</u>	<u>\$ 103,002</u>

20. OPERATING AND MAINTENANCE

	<u>2015</u>	<u>2014</u>
Distribution, operation and maintenance:		
Distribution station equipment and maintenance	\$ 35,727	\$ 36,590
Overhead distribution lines and feeders	296,412	318,696
Underground distribution lines and feeders	9,598	3,153
Distribution transformers	51,081	15,281
Distribution meters	30,056	26,681
Health and Safety	32,095	36,790
Customer premises	<u>29,257</u>	<u>28,588</u>
	<u>\$ 484,226</u>	<u>\$ 465,779</u>

21. TERM BANK LOANS

- (a) A term bank loan of \$ 39,077 is payable to the Royal Bank with an interest rate of 3.18%. The loan is repayable in monthly blended principal and interest payments of \$ 3,009. Collateral for the loan is a security agreement chattel mortgage covering the 2009 International 4300 truck.
- (b) A term bank loan of \$ 19,532 is payable to the Royal Bank with an interest rate of 3.53%. The loan is repayable in monthly blended principal and interest payments of \$ 437. Collateral for the loan is a security agreement chattel mortgage covering the 2015 Dodge Journey.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

(c) Principal and interest payments owing over the next four years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 40,017	\$ 1,345	\$ 41,362
2017	8,482	459	8,941
2018	4,966	277	5,243
2019	<u>5,144</u>	<u>98</u>	<u>5,242</u>
	\$ 58,609	\$ 2,179	\$ 60,788
Less current portion	<u>40,017</u>	<u>1,345</u>	<u>41,362</u>
	<u>\$ 18,592</u>	<u>\$ 834</u>	<u>\$ 19,426</u>

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

23. COMMITMENTS

Renfrew Hydro Inc. is a member of Cornerstone Hydro Electric Concepts (CHEC). Renfrew Hydro Inc. may terminate its membership at any time giving 60 days notice of termination and by making a pre-payment in full of the balance of its remaining contract service costs. The current contract is a three year term ending 31 December 2017. At 31 December 2015 the obligation to CHEC includes 2016 membership dues of \$ 13,237.

Renfrew Hydro Inc. has the right to redeem its shares in Utility Collaborative Services Inc. (UCS) by retraction upon the following terms, notice of such retraction must be given 120 days prior to the effective date and an early cancellation charge shall be paid equal to the previous three years worth of the average purchases from UCS for services or products; or providing three years notice and continue receiving services at the same or greater average volume as those received at the time the notice was given.

In 2015, Renfrew Hydro Inc. entered into a ten year lease with an option to renew for a second term of five years with 119871 Canada Inc. for office, stores and garage space. Annual charges are based on a fixed rate for the square footage. For 2015 the total charges were \$ 27,600.

24. STAFF COSTS

	<u>2015</u>	<u>2014</u>
Wages and short-term employee benefits	\$ 965,549	\$ 969,641
Mearie retiree benefits	16,716	19,214
Change in post employment benefits	<u>(20,748)</u>	<u></u>
	<u>\$ 961,517</u>	<u>\$ 988,855</u>

25. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the company has applied IFRS was 1 January 2014 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the company will be 31 December 2015.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, the company prepared its financial statement in accordance with Canadian generally accepted accounting principles ("pre-changeover Canadian GAAP"). The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

**Mandatory Exceptions:**

**Derecognition of financial assets and liabilities:**

The company has applied the derecognition requirements in IAS 39 prospectively for transactions occurring on or after 1 January 2014. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized in accordance with pre-changeover Canadian GAAP as a result of a transaction that occurred before 1 January 2014, have not been recognized in accordance with IFRS unless they qualify for recognition as a result of a later transaction or event.

**Estimates:**

The estimates previously made by the company under pre-changeover Canadian GAAP were not revised for the application of IFRS, except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the company has not used hindsight to revise estimates.

**Government Loans:**

The company classifies government loans received as financial liabilities or equity instruments in accordance with IAS 32 Financial Instruments: Presentation. At the date of transition, these loans are measured at the pre-changeover Canadian GAAP carrying amount as a government loan. No benefit element is recognized for below market interest rate loans.

**Optional Elections:**

**Business Combinations:**

The company has elected not to retrospectively apply IFRS 3, Business Combinations, to business combinations that occurred prior to its Transition Date and such business combinations have not been restated.

**Borrowing Costs:**

The company has elected to apply the transitional provisions of IAS 23 Borrowing Costs which permits prospective capitalization of borrowing costs on qualifying assets from the Transition Date.

**Deemed Cost for Operations Subject to Rate Regulation:**

The company has elected the deemed cost exemption applicable to entities subject to rate regulation as described under IFRS 1. The election permits the company, at the date of transition to IFRS, to use the previous Canadian GAAP carrying amount of items of PP&E and intangible assets as deemed cost (thereby eliminating any accumulated depreciation balances existing at the date of transition); hence there will be no impact on retained earnings for opening balances of PP&E and intangible assets at the date of transition. In accordance with the election, the company has tested these items of PP&E and intangible assets at the date of transition to IFRS. No impairment losses were recognized.

**Transfers of Assets from Customers:**

The company has elected to apply the IFRS 1 election to only apply IFRIC 18 prospectively from the date of transition to non-repayable supply contribution made by customers.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

Reconciliations of pre-changeover Canadian GAAP equity and comprehensive income to IFRS  
IFRS 1 requires an entity to reconcile cash flows, equity and comprehensive income for prior periods as shown below.

In the Statement of Cash Flows, there is a reclassification from the movement in regulatory assets and regulatory liabilities to a movement in the regulatory deferral account balance. These are both shown as movements within investing activities and as such, do not result in material adjustments to the net cash flow balance.

The explanations for the impact of the transition to IFRS on the specific accounts is described below. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS are provided below. The changes to the employee future benefits and the related deferred taxes are a result of prior year mistatements under Canadian GAAP and all other items have no impact on Equity or Comprehensive Income as they are reclassifications within the relevant statements.

Equity:	<u>Note</u>	<u>31 December 2014</u>	<u>1 January 2014</u>
Equity as previously reported under Canadian GAAP		\$ 939,241	\$ 878,398
Adjustments to retained earnings:			
Employee future benefits	ii		(189,170)
Deferred taxes	v	<u>(46,640)</u>	<u>302,237</u>
Equity as restated under IFRS		<u>\$ 892,601</u>	<u>\$ 991,465</u>
Comprehensive income:	<u>Note</u>	<u>Year ended 31 December 2014</u>	
Comprehensive income as reported under Canadian GAAP		\$ 89,073	
Adjustments to comprehensive income:			
Employee future benefit	ii		
Deferred taxes	v	<u>(46,640)</u>	
Comprehensive income as restated under IFRS		<u>\$ 42,433</u>	

i) Regulatory Assets and Liabilities:

Regulatory assets and liabilities that were recognized under pre-changeover Canadian GAAP have been reclassified to the regulatory deferral account balance as either a debit balance or a credit balance. This transitional adjustment is a reclassification on the Statement of Financial Position and has no impact on the Statement of Changes in Shareholder's Equity or the Statement of Comprehensive Income (Loss).

ii) Employee Future Benefits:

Under IFRS, the company recognizes remeasurements in other comprehensive income. These amounts are not reclassified in subsequent periods. Employee benefits expected to be settled wholly within 12 months after the end of the reporting period are short-term benefits, and are not discounted. At the date of transition, all previously unamortized actuarial gains or losses were recognized in retained earnings.

Renfrew Hydro Inc.

Notes to the Financial Statements

For the year ended 31 December 2015

The transitional adjustment for employee future benefits results in a decrease in operating and increase in finance expenses and a decrease in other comprehensive income on the Statement of Comprehensive Income (Loss).

iii) Deferred Revenue:

Under IFRS Contributions in deferred revenue is amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset in the Statement of Comprehensive Income (Loss). The impact of this transitional adjustment related to deferred revenue is an increase in assets and an increase in liabilities on the Statement of Financial Position.

iv) Borrowing Costs:

Borrowing costs that were not recognized as a regulatory asset or liability were previously expensed under pre-changeover Canadian GAAP. Under IFRS, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Since the company has elected to take the borrowing costs exemption, there is no transitional adjustment.

v) Deferred Taxes:

The recognition of deferred taxes has increased the deferred tax asset and retained earnings.

26. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>2015</u>	<u>2014</u>
Accounts payable and accrued liabilities	\$ 230,017	\$ 250,940
Payable to Hydro One	<u>548,853</u>	<u>1,320,728</u>
Accounts payable and accrued liabilities	<u>\$ 778,870</u>	<u>\$ 1,571,668</u>

1 **Ex.1/Tab 4/Sch.2 - Reconciliation between Financial Statements and**  
2 **Results Field**

3 A detailed reconciliation of RHI's Audited Financial Statements and regulatory financial results,  
4 as presented in RHI's RRR filings are presented at the next page.

1  
2

**RRR 2.1.13 2011**

## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
<b>Assets</b>					
1005	Current Asset	Cash on hand and in bank	Cash	1,779,885.20	1,779,885
1100	Current Asset	Accounts Receivable(net)	Customer Accounts Receivable	835,729.30	
1104	Current Asset	Accounts Receivable(net)	Accounts Receivable - Recoverable	10,255.02	
1110	Current Asset	Accounts Receivable(net)	Accounts Receivable - Sundry	9,331.55	
1130	Current Asset	Accounts Receivable(net)	Provison for uncollectable accounts	- 44,112.31	811,204
1180	Current Asset	Prepaid Expenses	Prepaid	74,270.08	74,270
1460	Current Asset	Rate Rebasing	Other Non-current Assets Rate Rebasing	65,000.00	65,000
2296	Current Asset	Hydro PIL recoverable	Income Taxes Payable	22,407.00	22,407
1120	Current Asset	Unbilled Revenue	Unbilled Revenue	1,106,760.00	1,106,760
1330	Current Asset	Inventory at cost	Inventory-Stores	294,452.27	294,452
					4,153,978
1805	Asset	Property, plant and equipment	Land	22,895.33	
1806	Asset	Property, plant and equipment	Easements	23,980.67	
1808	Asset	Property, plant and equipment	Brick Building	201,834.33	
1820	Asset	Property, plant and equipment	Substations	1,288,197.03	
1830	Asset	Property, plant and equipment	Poles, Towers & Fixtures	2,322,582.79	
1835	Asset	Property, plant and equipment	Dist. Lines O/H Conductors	3,826,390.37	
1840	Asset	Property, plant and equipment	Dist. Lines U/G Conduit	54,570.40	
1845	Asset	Property, plant and equipment	Dist. Lines U/G Conductors	389,514.18	
1850	Asset	Property, plant and equipment	Dist. Line Transformers	1,605,215.38	
1855	Asset	Property, plant and equipment	Dist. Services	1,519,842.58	
1860	Asset	Property, plant and equipment	Dist. Meters	594,329.39	
1915	Asset	Property, plant and equipment	Office Equipment	30,841.31	
1920	Asset	Property, plant and equipment	Computer Equipment	88,918.90	
1925	Asset	Property, plant and equipment	Computer Software	120,704.76	
1930	Asset	Property, plant and equipment	Transportation Equipment	949,609.93	
1935	Asset	Property, plant and equipment	Stores	3,559.10	
1940	Asset	Property, plant and equipment	Tools, Shop & Garage Equipment	186,853.67	
2105	Asset	Property, plant and equipment	Accumulated Depreciation Property & Equipment	- 8,580,105.69	4,649,734
					<b>8,803,712.54</b>

## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Liabilities and Shareholder's Equity					
1102	Current Liability	Accounts payable and accrued liabilities	Accounts Rec.Services Retailer	-	22,344.12
2205	Current Liability	Accounts payable and accrued liabilities	Accounts Payable	-	1,379,376.10
2220	Current Liability	Accounts payable and accrued liabilities	Misc. Current Accrued Liabilities	-	111,770.81
2290	Current Liability	Accounts payable and accrued liabilities	Commodity Taxes	19,750.41	- 1,493,741
2208	Current Liability	Current Customer Credits	Customer Credit Balances	-	69,895.41 - 69,895.41
2210	Current Liability	Current Portion of Customer Credits	Customer Dep. Current Portion	-	78,051.00 - 78,051.00
2525	Current Liability	Bank Loan	Term Bank Loan	-	29,282.00 - 29,282.00
2240	Current Liability	Due to Associated Company	Accounts Payable Associated Co.	-	173,948.71
1200	Current Liability	Due to Associated Company	Due from Associated Company	16,693.36	- 157,255
					- 1,828,224
2525	Long Term Liabilities	Bank Loan	Term Bank Loan	-	136,952.16 - 136,952
2225	Long Term Liabilities	Promissory Note	Notes & Loans Payable	-	2,705,168.48 - 2,705,168
					- 2,842,121
2335	Other liabilities	Long term customer deposits	Customer Deposits	-78723.93	- 78,724
1508	Other liabilities	Regulated Liabilities	Other Reg. Assets	54973.44	
1518	Other liabilities	Regulated Liabilities	RCVA retail- variance	-3262.00	
1521	Other liabilities	Regulated Liabilities	2010 SPC Assessment variance	-305.07	
1525	Other liabilities	Regulated Liabilities	Misc. Deferred Credits	22006.32	
1548	Other liabilities	Regulated Liabilities	RCVA Str variance	16297.08	
1550	Other liabilities	Regulated Liabilities	Low Voltage Variance Account	15263.73	
1555	Other liabilities	Regulated Liabilities	Smart Meters Capital & Recovery Variance	345613.98	
1556	Other liabilities	Regulated Liabilities	Smart Meters O & M Variance	139618.97	
1562	Other liabilities	Regulated Liabilities	Deferred Payments - PILS	-66323.10	
1565	Other liabilities	Regulated Liabilities	Conservation & Demand Management Recovery	-2726.63	
1566	Other liabilities	Regulated Liabilities	CDM contra account	2726.63	
1580	Other liabilities	Regulated Liabilities	RSVA WMS Variance	-392760.15	
1584	Other liabilities	Regulated Liabilities	RSVA NW Variance	17029.06	
1586	Other liabilities	Regulated Liabilities	RSVA CN Variance	16778.47	
1588	Other liabilities	Regulated Liabilities	RSVA Power Variance	2005.19	
1595	Other liabilities	Regulated Liabilities	Dispositon & Recovery Regulatory Balances	-791469.96	
4006	Other liabilities	Regulated Liabilities	Revenue Residential	-2128570.92	
4025	Other liabilities	Regulated Liabilities	Revenue Street Lighting	-35123.34	
4035	Other liabilities	Regulated Liabilities	Revenue GS Sales	-4242376.72	
4055	Other liabilities	Regulated Liabilities	Revenue Retailer Sales	-433634.32	
4062	Other liabilities	Regulated Liabilities	Billed Wholesale Market Service Chgs	-630858.52	

Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Liabilities and Shareholder's Equity					
4066	Other liabilities	Regulated Liabilities	Billed NW	-461301.40	
4068	Other liabilities	Regulated Liabilities	Billed CN	-261114.00	
4075	Other liabilities	Regulated Liabilities	Billed LV	-93004.69	
4705	Other liabilities	Regulated Liabilities	Power Purchased	6839705.30	
4708	Other liabilities	Regulated Liabilities	Wholesale Service Charges	630858.52	
4714	Other liabilities	Regulated Liabilities	Network Charges	461301.40	
4715	Other liabilities	Regulated Liabilities	Connection Charges	261114.00	
4750	Other liabilities	Regulated Liabilities	Low Voltage Embedded Charges	93004.69	- 624,534
					- 703,258
3005	Shareholder's equity	Common Shares	Common Shares Issued	- 2,705,168.47	
3045	Shareholder's equity	Retained Earnings	Retained Earnings	- 724,941.08	- 3,430,110
					- 8,803,712.54
Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
<b>Revenue</b>					
4080	Distribution Revenue	Fixed Charge	Rev. Dist Monthly Fixed Residential	- 920,063.50	- 920,064
4080	Distribution Revenue	Variable Charge	Rev. Dist Variable Charges	- 889,920.87	- 889,921
4080	Distribution Revenue	SSS Administration	SSS Admin Chg	- 11,706.99	- 11,707
4080	Distribution Revenue	Microfit Administration	Admin Chg. Microfit	- 242.50	- 243
4080	Distribution Revenue	PILS Recovery	Dist. Revenue PILS recovery	- 13,783.07	- 13,783
4080	Distribution Revenue	Dist. Revenue Adjustment	Dist. Revenue Unbilled Adjustment	- 26,480.47	- 26,480
4080	Distribution Revenue	Transformer Discount	Dist. Transformer Discount	43,427.54	43,428
					- 1,818,770
4210	Distribution Revenue	Other Operating Revenue	Revenue Pole Rentals	- 35,033.21	
4225	Distribution Revenue	Other Operating Revenue	Revenue Late Payment Charges	- 28,301.15	
4235	Distribution Revenue	Other Operating Revenue	Revenue Occupancy Charges	- 17,970.00	
4235	Distribution Revenue	Other Operating Revenue	Revenue Returned Cheque Chgs	- 630.00	
4235	Distribution Revenue	Other Operating Revenue	Revenue Lawyers Letter Chg	- 40.00	
4235	Distribution Revenue	Other Operating Revenue	Revenue LLP Recovery	- 7,682.99	
4325	Distribution Revenue	Other Operating Revenue	Revenue Other	- 8,598.53	
4375	Distribution Revenue	Other Operating Revenue	Revenue Non-Utility Operations	- 10,379.98	
4390	Distribution Revenue	Other Operating Revenue	Revenue Sale of Scrap	- 4,989.76	
4405	Distribution Revenue	Other Operating Revenue	Revenue Interest Earned	- 20,983.59	- 134,609

4405	Distribution Revenue	Interest Rev. Retail Service Variance	Revenue Earned RRR variances	- 14,129.75	- 14,130
					- <b>1,967,508.82</b>
5016	Operating and Maintenance	Distribution	Substation Operation Labour	4,686.69	
5017	Operating and Maintenance	Distribution	Substation Operation Expenses	30,795.50	
5020	Operating and Maintenance	Distribution	Dist. System Operation Labour	19,165.62	
5025	Operating and Maintenance	Distribution	Dist. System Operation Other Expense	53,037.45	
5035	Operating and Maintenance	Distribution	Dist. Transformers Operation Expense	10,893.54	
5040	Operating and Maintenance	Distribution	Dist. System U/G Operation Labour	9,926.57	
5045	Operating and Maintenance	Distribution	Dist. System U/G Operation Other Expense	1,550.38	
5065	Operating and Maintenance	Distribution	Dist. System Meter Operation Expense	29,690.71	
5085	Operating and Maintenance	Distribution	Dist. System Operation Misc. Expense	37,491.49	

Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
5095	Operating and Maintenance	Distribution	Dist. System Operation O/H Lines Rent	16,376.74	
5114	Operating and Maintenance	Distribution	Dist. System Main. Substation	1,581.56	
5120	Operating and Maintenance	Distribution	Dist. System Main. Poles, Tower Fix Labour	3,747.74	
5125	Operating and Maintenance	Distribution	Dist. System Main. O/H Conductors	29,158.26	
5130	Operating and Maintenance	Distribution	Dist. System Main O/H Services	11,591.28	
5135	Operating and Maintenance	Distribution	Dist. System Tree Trimming	92,884.17	
5050	Operating and Maintenance	Distribution	Dist. System U/G Conduit	1,007.32	
5150	Operating and Maintenance	Distribution	Dist. System U/G Conductor	116.55	
5160	Operating and Maintenance	Distribution	Dist. System Main Transformers	10,174.35	
5175	Operating and Maintenance	Distribution	Dist. System Main Meters	5,816.07	369,692
5070	Operating and Maintenance	Utilization	Dist. Customers Premises labour	285.49	
5075	Operating and Maintenance	Utilization	Dist. Customers Premises other	7.50	
5410	Operating and Maintenance	Utilization	Community Relations	3,338.75	3,632
<b>Expenses</b>					
5705	Operating and Maintenance	Amortization	Depreciation Expense	380,545.46	380,545
5310	Operating and Maintenance	Billing and Collecting	Meter Reading Expense	18,184.69	
5315	Operating and Maintenance	Billing and Collecting	Billing Expense	204,372.19	
5320	Operating and Maintenance	Billing and Collecting	Collecting Expense	72,166.61	
5320	Operating and Maintenance	Billing and Collecting	Cash over/short	6.85	
5325	Operating and Maintenance	Billing and Collecting	Collection Charges	- 1,830.00	
5330	Operating and Maintenance	Billing and Collecting	Billing & Collecting Write-off	42,186.87	335,087
5605	Operating and Maintenance	General Administration	Admin. Exec. Labour Ex.	90,934.79	
5610	Operating and Maintenance	General Administration	Admin. Management Labour Expense	75,384.73	
5615	Operating and Maintenance	General Administration	Admin. Gen Admin Labour Expense	18,151.75	
5620	Operating and Maintenance	General Administration	Admin. Gen. Admin Other Expense	58,802.35	
5630	Operating and Maintenance	General Administration	Admin. Outside Services Expense	27,250.00	
5635	Operating and Maintenance	General Administration	Admin. Property Insurance	1,264.34	
5640	Operating and Maintenance	General Administration	Admin. Injuries and Damages Insurance	8,378.85	
5645	Operating and Maintenance	General Administration	Admin. Employee Benefits - retired	22,599.32	
5665	Operating and Maintenance	General Administration	Admin. Regulatory Costs	57,566.20	
5660	Operating and Maintenance	General Administration	Admin. Advertising	756.00	
5665	Operating and Maintenance	General Administration	Admin. Misc. Directors Expense	9,300.00	
5680	Operating and Maintenance	General Administration	Electrical Safety Authority Fees	2,728.55	
6205	Operating and Maintenance	General Administration	Donations Leap Funings	2,500.00	375,617
5675	Operating and Maintenance	Office Building Maintenance	Office Building O & M Expense	45,231.43	45,231
					<b>1,509,804.71</b>

Renfrew Hydro Inc.Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
6035	Financial Expenses	Interest on Debt Obligations	Interest Expense	205,655.78	
6215	Financial Expenses	Interest on Debt Obligations	Penalties- Late Payment LLP	14,453.29	220,109
6035	Financial Expenses	Interest Expense Retail Service Var.	Interst Expense RRR	25,593.96	25,594
					245,703
6110	Financial Expenses	Provision for payment in lieu of taxes	Provision for income taxes	32,633.00	32,633
				-	<b>179,368.08</b>

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## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

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## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
<b>Liabilities and Shareholder's Equity</b>					
1102	Current Liability	Accounts payable and accrued liabilities	Accounts Rec.Services Retailer	-17,862.50	
2205	Current Liability	Accounts payable and accrued liabilities	Accounts Payable	-1,273,943.88	
2220	Current Liability	Accounts payable and accrued liabilities	Misc. Current Accrued Liabilities	-41,822.27	
2290	Current Liability	Accounts payable and accrued liabilities	Commodity Taxes	22,821.51	
2292	Current Liability	Accounts payable and accrued liabilities	Payroll Deductions/Expenses Payable	-2,416.85	-1,313,223.99
2208	Current Liability	Current Customer Credits	Customer Credit Balances	-55,007.80	-55,007.80
2210	Current Liability	Current Portion of Customer Credits	Customer Dep. Current Portion	-68,806.00	-68,806.00
2525	Current Liability	Bank Loan	Term Bank Loan	-30,598.00	-30,598.00
2240	Current Liability	Due to Associated Company	Accounts Payable Associated Co.	-200,466.55	
1200	Current Liability	Due to Associated Company	Due from Associated Company	2,540.89	-197,925.66
					-1,665,561.45
2525	Long Term Liabilities	Bank Loan	Term Bank Loan-Long Term Portion	-106,333.22	-106,333.22
2550	Long Term Liabilities	Promissory Note	Advances from Associated Companies	-2,705,168.48	-2,705,168.48
					-2,811,501.70
2335	Other liabilities	Long term customer deposits	Customer Deposits	-74,223.97	-74,223.97
1508	Other liabilities	Regulated Liabilities	Other Reg. Assets	53,995.09	
1518	Other liabilities	Regulated Liabilities	RCVA retail- variance	-4,124.96	
1525	Other liabilities	Regulated Liabilities	Misc. Deferred Credits	22,325.99	
1548	Other liabilities	Regulated Liabilities	RCVA Str variance	26,003.69	
1550	Other liabilities	Regulated Liabilities	Low Voltage Variance Account	90,813.53	
1555	Other liabilities	Regulated Liabilities	Smart Meters Capital & Recovery Variance	278,755.19	
1556	Other liabilities	Regulated Liabilities	Smart Meters O & M Variance	178,649.52	
1565	Other liabilities	Regulated Liabilities	Conservation & Demand Management Recovery	-2,726.63	
1566	Other liabilities	Regulated Liabilities	CDM contra account	2,726.63	
1580	Other liabilities	Regulated Liabilities	RSVA WMS Variance	-228,985.06	
1584	Other liabilities	Regulated Liabilities	RSVA NW Variance	1,863.60	
1586	Other liabilities	Regulated Liabilities	RSVA CN Variance	15,558.92	
1588	Other liabilities	Regulated Liabilities	RSVA Power Variance	36,164.91	
1589	Other liabilities	Regulated Liabilities	RSVAGA	103,647.40	
1595	Other liabilities	Regulated Liabilities	Dispositon & Recovery Regulatory Balances	-734,708.25	
4006	Other liabilities	Regulated Liabilities	Revenue Residential	-2,435,820.03	
4025	Other liabilities	Regulated Liabilities	Revenue Street Lighting	-25,252.78	
4035	Other liabilities	Regulated Liabilities	Revenue GS Sales	-4,379,874.53	
4055	Other liabilities	Regulated Liabilities	Revenue Retailer Sales	-308,223.37	
4062	Other liabilities	Regulated Liabilities	Billed Wholesale Market Service Chgs	-531,494.21	

**Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET**

Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
4066	Other liabilities	Regulated Liabilities	Billed NW	-459,612.43	
4068	Other liabilities	Regulated Liabilities	Billed CN	-256,974.64	
4075	Other liabilities	Regulated Liabilities	Billed LV	-88,827.06	
4705	Other liabilities	Regulated Liabilities	Power Purchased	7,149,170.71	
4708	Other liabilities	Regulated Liabilities	Wholesale Service Charges	531,494.21	
4714	Other liabilities	Regulated Liabilities	Network Charges	459,612.43	
4716	Other liabilities	Regulated Liabilities	Connection Charges	256,974.64	
4750	Other liabilities	Regulated Liabilities	Low Voltage Embedded Charges	88,827.06	-160,040.43
					-234,264.40
3005	Shareholder's equity	Common Shares	Common Shares Issued	-2,705,168.47	-2,705,168.47
3045	Shareholder's equity	Retained Earnings	Retained Earnings	-680,098.83	
3046	Shareholder's equity	Retained Earnings	Balance Transferred From Income	-113,839.06	-793,937.89
					<b>-8,210,433.91</b>
					0.00

**Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME**

Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
<b>Revenue</b>					
4080	Distribution Revenue	Fixed Charge	Rev. Dist Monthly Fixed Residential	-931,285.11	-931,285.11
4080	Distribution Revenue	Variable Charge	Rev. Dist Variable Charges	-884,656.09	-884,656.09
4080	Distribution Revenue	SSS Administration	SSS Admin Chg	-12,039.76	-12,039.76
4080	Distribution Revenue	Microfit Administration	Admin Chg. Microfit	-519.55	-519.55
4080	Distribution Revenue	PILS Recovery	Dist. Revenue PILS recovery	-19,989.74	-19,989.74
4080	Distribution Revenue	Transformer Discount	Dist. Transformer Discount	36,197.38	36,197.38
4080	Distribution Revenue	Dist. Revenue Adjustment	Dist. Revenue Unbilled Adjustment	-3,134.35	-3,134.35
					-1,815,427.22
4210	Other Operating Revenue	Other Operating Revenue	Rent from Electric Property	-38,033.21	
4225	Other Operating Revenue	Other Operating Revenue	Revenue Late Payment Charges	-20,987.98	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Reconnection Charges	-180.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue -Revenue Occupancy Charges	-17,760.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Revenue Returned Cheque Chgs	-465.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Revenue Lawyers Letter Chg	-30.00	
4235	Other Operating Revenue	Other Operating Revenue	Revenue Account Statements	-10.00	

## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME

Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Revenue LLP Recovery	-6,076.82	
4325	Other Operating Revenue	Other Operating Revenue	Revenues from Merchandise Jobbing Etc.	-7,568.81	
4375	Other Operating Revenue	Other Operating Revenue	Revenue Non-Utility Operations	-7,673.30	
4390	Other Operating Revenue	Other Operating Revenue	Miscellaneous Non- Operating Income - Sale of Scrap	-3,685.17	
4405	Other Operating Revenue	Other Operating Revenue	Interest and Dividend Income - Bank Interest	-17,511.98	-119,982.27
4405	Interest Rev. Retail Service Va	Interest Rev. Retail Service Variance	Interest and Dividend Income - Variance Accounts	-16,210.49	-16,210.49
					<b>-1,951,619.98</b>
<b>Expenses</b>					
5016	Operating and Maintenance	Distribution	Substation Operation Labour	2,352.20	
5017	Operating and Maintenance	Distribution	Substation Operation Expenses	31,486.02	
5020	Operating and Maintenance	Distribution	Dist. System Operation Labour	42,375.44	
5025	Operating and Maintenance	Distribution	Dist. System Operation Other Expense	28,152.53	
5035	Operating and Maintenance	Distribution	Dist. Transformers Operation Expense	10,522.89	
5040	Operating and Maintenance	Distribution	Dist. System U/G Operation Labour	9,731.52	
5045	Operating and Maintenance	Distribution	Dist. System U/G Operation Other Expense	747.40	
5065	Operating and Maintenance	Distribution	Dist. System Meter Operation Expense	17,725.03	
5085	Operating and Maintenance	Distribution	Dist. System Operation Misc. Expense	62,928.74	
5095	Operating and Maintenance	Distribution	Dist. System Operation O/H Lines Rent	16,446.74	
5114	Operating and Maintenance	Distribution	Dist. System Main. Substation	60.44	
5120	Operating and Maintenance	Distribution	Dist. System Main. Poles, Tower Fix Labour	3,858.30	
5125	Operating and Maintenance	Distribution	Dist. System Main. O/H Conductors	19,959.55	
5130	Operating and Maintenance	Distribution	Dist. System Main O/H Services	6,756.60	
5135	Operating and Maintenance	Distribution	Dist. System Tree Trimming	119,067.95	
5145	Operating and Maintenance	Distribution	Maintenance of Underground Conduit	291.77	
5150	Operating and Maintenance	Distribution	Dist. System U/G Conductor	1,373.65	
5160	Operating and Maintenance	Distribution	Dist. System Main Transformers	1,377.01	
5175	Operating and Maintenance	Distribution	Dist. System Main Meters	7,947.12	383,160.90
5070	Operating and Maintenance	Utilization	Dist. Customers Premises labour	263.76	
5075	Operating and Maintenance	Utilization	Dist. Customers Premises other	22.50	
5410	Operating and Maintenance	Utilization	Community Relations	1,684.35	1,970.61
5705	Amortization	Amortization	Depreciation Expense	388,360.95	388,360.95
5310	Billing and collecting	Billing and Collecting	Meter Reading Expense	26,501.42	
5315	Billing and collecting	Billing and Collecting	Billing Expense	229,730.08	
5320	Billing and collecting	Billing and Collecting	Collecting Expense	82,733.98	
5325	Billing and collecting	Billing and Collecting	Cash over/short	8.83	
5330	Billing and collecting	Billing and Collecting	Collection Charges	-1,050.00	
5335	Billing and collecting	Billing and Collecting	Billing & Collecting Write-off	21,394.57	
4082	Billing and collecting	Billing and Collecting	Retail Services Revenues	-4,446.02	
4084	Billing and collecting	Billing and Collecting	Service Transaction Requests STR Revenues	-58.25	354,814.61

Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
5605	General Administration	General Administration	Admin. Exec. Labour Ex.	99,241.91	
5610	General Administration	General Administration	Admin. Management Labour Expense	105,441.19	
5615	General Administration	General Administration	Admin. Gen Admin Labour Expense	13,796.52	
5620	General Administration	General Administration	Admin. Gen. Admin Other Expense	58,824.02	
5630	General Administration	General Administration	Admin. Outside Services Expense	43,015.00	
5635	General Administration	General Administration	Admin. Property Insurance	1,305.19	
5640	General Administration	General Administration	Admin. Injuries and Damages Insurance	5,744.52	
5645	General Administration	General Administration	Admin. Employee Benefits - retired	26,366.72	
5655	General Administration	General Administration	Admin. Regulatory Costs	46,106.42	
5660	General Administration	General Administration	Admin. Advertising	9,413.52	
5665	General Administration	General Administration	Admin. Misc. Directors Expense	9,800.00	
5680	General Administration	General Administration	Electrical Safety Authority Fees	2,709.66	
6205	General Administration	General Administration	Donations Leap Funings	2,500.00	424,264.67
5675	Office Building Maintenance	Office Building Maintenance	Office Building O & M Expense	33,323.86	33,323.86
					<b>1,585,895.60</b>
6035	Financial Expenses	Interest on Debt Obligations	Other Interest Expense	204,290.43	204,290.43
6035	Financial Expenses	Interest Expense Retail Service Var.	Other Interest Expense - RRR Accounts	19,600.89	19,600.89
					223,891.32
6110	Provision for payment in lieu of	Provision for payment in lieu of taxes	Provision for income taxes	27,994.00	27,994.00
					<b>-113,839.06</b>

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## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
<b>Assets</b>					
1005	Current Asset	Cash on hand and in bank	Cash	593,854.60	593,854.60
1100	Current Asset	Accounts Receivable(net)	Customer Accounts Receivable	966,322.41	
1104	Current Asset	Accounts Receivable(net)	Accounts Receivable - Recoverable	26,969.41	
1110	Current Asset	Accounts Receivable(net)	Other Accounts Receivable	68,365.00	
1130	Current Asset	Accounts Receivable(net)	Provision for uncollectible accounts	-23,849.62	
					1,037,807.20
1200	Current Asset	Due from associated company	Account Rec. Associated Group	32,133.28	
2240	Current Asset	Due from associated company	Acct. Payable Associated Co.	-1,762.80	
					30,370.48
1180	Current Asset	Prepaid Expenses	Prepaid Expenses	94,154.55	94,154.55
2296	Current Asset	Hydro PILs recoverable	Income Taxes Payable	10,089.00	10,089.00
1120	Current Asset	Unbilled Revenue	Accrued Utility Revenues/Unbilled Revenue	1,434,659.73	1,434,659.73
1330	Current Asset	Inventory at cost	Inventory-Stores	294,184.71	294,184.71
					<b>3,495,120.27</b>
1508	Other Assets	Regulated assets	Other Reg. Assets	3,007.95	
1518	Other Assets	Regulated assets	RCVA retail- variance	-5,233.29	
1525	Other Assets	Regulated assets	Misc. Deferred Debits	22,644.14	
1548	Other Assets	Regulated assets	RCVA Str variance	33,427.00	
1550	Other Assets	Regulated assets	Low Voltage Variance Account	194,866.20	
1551	Other Assets	Regulated assets	Smart Metering Entity Charge	-590.14	
1555	Other Assets	Regulated assets	Smart Meters Capital & Recovery Variance	245,419.95	
1556	Other Assets	Regulated assets	Smart Meters O & M Variance	218,495.76	
1576	Other Assets	Regulated assets	Accounting Changes Under CGAAP	-183,938.06	
1580	Other Assets	Regulated assets	RSVA WMS Variance	-396,038.55	
1584	Other Assets	Regulated assets	RSVA NW Variance	59,795.64	
1586	Other Assets	Regulated assets	RSVA CN Variance	36,821.00	
1588	Other Assets	Regulated assets	RSVA Power Variance	27,503.07	
1589	Other Assets	Regulated assets	RSVAGA	140,770.82	
1595	Other Assets	Regulated assets	Dispositon & Recovery Regulatory Balances	-286,924.67	
4006	Other Assets	Regulated assets	Revenue Residential	-2,644,365.29	
4025	Other Assets	Regulated assets	Revenue Street Lighting	-27,450.33	
4035	Other Assets	Regulated assets	Revenue GS Sales	-5,010,361.24	
4055	Other Assets	Regulated assets	Revenue Retailer Sales	-338,898.45	
4062	Other Assets	Regulated assets	Billed Wholesale Market Service Chgs	-391,279.95	
4066	Other Assets	Regulated assets	Billed NW	-497,521.15	
4068	Other Assets	Regulated assets	Billed CN	-263,552.45	
4075	Other Assets	Regulated assets	Billed LV	-87,511.28	
4076	Other Assets	Regulated assets	Billed - Smart Metering Entity Charge	-25,997.68	

## Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET

Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
4705	Other Assets	Regulated assets	Power Purchased	4,941,900.04	
4706	Other Assets	Regulated assets	Charges - Global Adjustment	3,079,175.27	
4708	Other Assets	Regulated assets	Wholesale Service Charges	391,279.95	
4714	Other Assets	Regulated assets	Network Charges	497,521.15	
4716	Other Assets	Regulated assets	Connection Charges	263,552.45	
4750	Other Assets	Regulated assets	Low Voltage Embedded Charges	87,511.28	
4751	Other Assets	Regulated assets	Charges - Smart Metering Entity Charge	25,997.68	
					<b>110,026.82</b>
1805	Assets	Property, plant and equipment	Land	22,895.33	
1806	Assets	Property, plant and equipment	Easements/Land Rights	23,980.67	
1808	Assets	Property, plant and equipment	Buildings & Fixtures	201,834.33	
1820	Assets	Property, plant and equipment	Substations	1,288,197.03	
1830	Assets	Property, plant and equipment	Poles, Towers & Fixtures	2,571,042.89	
1835	Assets	Property, plant and equipment	Dist. Lines O/H Conductors	4,028,206.99	
1840	Assets	Property, plant and equipment	Dist. Lines U/G Conduit	67,590.83	
1845	Assets	Property, plant and equipment	Dist. Lines U/G Conductors	498,179.60	
1850	Assets	Property, plant and equipment	Dist. Line Transformers	1,663,239.25	
1855	Assets	Property, plant and equipment	Dist. Services	1,569,005.91	
1860	Assets	Property, plant and equipment	Dist. Meters	608,819.99	
1915	Assets	Property, plant and equipment	Office Equipment	30,841.31	
1920	Assets	Property, plant and equipment	Computer Equipment	95,623.90	
1925	Assets	Property, plant and equipment	Computer Software	120,704.76	
1930	Assets	Property, plant and equipment	Transportation Equipment	999,374.11	
1935	Assets	Property, plant and equipment	Stores	3,559.10	
1940	Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	186,853.67	
2055	Assets	Property, plant and equipment	Construction Work in Progress	25,803.74	
2105	Assets	Property, plant and equipment	Accumulated Depreciation Property & Equipment	-9,120,403.89	
					<b>4,885,349.52</b>
					<b>8,490,496.61</b>
<b>Liabilities and Shareholder's Equity</b>					
1102	Current Liability	Accounts payable and accrued liabilities	Accounts Rec.Services Retailer	-28,307.74	
2205	Current Liability	Accounts payable and accrued liabilities	Accounts Payable	-1,837,945.31	
2220	Current Liability	Accounts payable and accrued liabilities	Misc. Current Accrued Liabilities	-51,830.34	
2250	Current Liability	Accounts payable and accrued liabilities	Debt Retirement Chg. Payable	-43,976.29	
2290	Current Liability	Accounts payable and accrued liabilities	Commodity Taxes	114,504.43	
2292	Current Liability	Accounts payable and accrued liabilities	Payroll Deductions/Expenses Payable	-2,352.95	
					<b>-1,849,908.20</b>
2208	Current Liability	Current Customer Credits	Customer Credit Balances	-72,709.92	<b>-72,709.92</b>
2210	Current Liability	Current Portion of Customer Credits	Customer Dep. Current Portion	-58,472.00	<b>-58,472.00</b>
2260	Current Liability	Bank Loan	Current Portion of Long Term Debt	-31,972.00	<b>-31,972.00</b>
					<b>-2,013,062.12</b>

Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: BALANCE SHEET					
Account	B/S Section	B/S Line Grouping	GL Account Description	Current Year	Balance Sheet
2525	Long Term Liabilities	Bank Loan	Term Bank Loan-Long Term Portion	-74,362.25	-74,362.25
2550	Long Term Liabilities	Promissory Note	Advances from Associated Companies	-2,705,168.48	-2,705,168.48
1995	Long Term Liabilities	Deferred Revenue	Deferred Revenue/Contributions and Grants/Contributed Capital	-24,321.80	-24,321.80
					<b>-2,803,852.53</b>
2335	Other liabilities	Long term customer deposits	Customer Deposits	-90,016.17	-90,016.17
		<b>TOTAL LIABILITIES</b>			<b>-4,906,930.82</b>
3005	Shareholder's equity	Common Shares	Common Shares Issued	-2,705,168.47	-2,705,168.47
3045	Shareholder's equity	Retained Earnings	Retained Earnings	-793,937.89	
3046	Shareholder's equity	Retained Earnings	Balance Transferred From Income	-112,919.18	
3049	Shareholder's equity	Retained Earnings	Dividends Paid during the year	28,459.75	
					-878,397.32
					<b>-3,583,565.79</b>
					<b>-8,490,496.61</b>
					0.00
Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
Account	Income Section	Income Line Grouping	GL Account Description	Current Year	Statement of Income
<b>Revenue</b>					
4080	Distribution Revenue	Fixed Charge	Rev. Dist Monthly Fixed Residential	-942,128.47	-942,128.47
4080	Distribution Revenue	Variable Charge	Rev. Dist Variable Charges	-890,605.18	-890,605.18
4080	Distribution Revenue	SSS Administration	SSS Admin Chg	-12,191.41	-12,191.41
4080	Distribution Revenue	Microfit Administration	Admin Chg. Microfit	-612.75	-612.75
4080	Distribution Revenue	PILS Recovery	Dist. Revenue PILS recovery	-35,590.03	-35,590.03
4080	Distribution Revenue	Transformer Discount	Dist. Transformer Discount	34,209.10	34,209.10

4080	Distribution Revenue	Dist. Revenue Adjustment	Dist. Revenue Unbilled Adjustment	-6,652.32	-6,652.32
					-1,853,571.06
4210	Other Operating Revenue	Other Operating Revenue	Rent from Electric Property	-35,033.21	
4225	Other Operating Revenue	Other Operating Revenue	Revenue Late Payment Charges	-21,437.09	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Reconnection Charges	-650.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue -Revenue Occupancy Charges	-17,880.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Revenue Returned Cheque Chgs	-540.00	
4235	Other Operating Revenue	Other Operating Revenue	Misc Service Revenue - Revenue Lawyers Letter Chg	-10.00	
4245	Other Operating Revenue	Other Operating Revenue	Government and Other Assistance (Amort of Deferred Rev)	-278.20	
4325	Other Operating Revenue	Other Operating Revenue	Revenues from Merchandise Jobbing Etc.	-6,725.99	
4375	Other Operating Revenue	Other Operating Revenue	Revenue Non-Utility Operations	-10,538.56	
4390	Other Operating Revenue	Other Operating Revenue	Miscellaneous Non- Operating Income - Sale of Scrap	-3,335.64	
4405	Other Operating Revenue	Other Operating Revenue	Interest and Dividend Income - Bank Interest	-11,949.87	
					-108,378.56
4405	Interest Rev. Retail Service Va	Interest Rev. Retail Service Variance	Interest - Variance Accounts	-17,117.39	-17,117.39
					-1,979,067.01
<b>Expenses</b>					
5016	Operating and Maintenance	Distribution	Substation Operation	1,141.53	
5017	Operating and Maintenance	Distribution	Substation Operation Expenses	32,620.81	
5020	Operating and Maintenance	Distribution	Dist. System Operation Labour	15,023.59	
5025	Operating and Maintenance	Distribution	Dist. System Operation Other Expense	43,077.91	
5035	Operating and Maintenance	Distribution	Dist. Transformers Operation Expense	5,460.02	
5040	Operating and Maintenance	Distribution	Dist. System U/G Operation Labour	5,850.80	
5045	Operating and Maintenance	Distribution	Dist. System U/G Operation Other Expense	963.78	
5065	Operating and Maintenance	Distribution	Dist. System Meter Operation Expense	27,892.73	
5085	Operating and Maintenance	Distribution	Dist. System Operation Misc. Expense	56,206.98	
5095	Operating and Maintenance	Distribution	Dist. System Operation O/H Lines Rent	16,520.32	
5114	Operating and Maintenance	Distribution	Dist. System Main. Substation	245.41	
5120	Operating and Maintenance	Distribution	Dist. System Main. Poles, Tower Fix	11,021.50	
5125	Operating and Maintenance	Distribution	Dist. System Main. O/H Conductors	29,000.46	
Renfrew Hydro Inc. Trial Balance Mapped to Financial Statement Grouping: STATEMENT OF INCOME					
<b>Account</b>	<b>Income Section</b>	<b>Income Line Grouping</b>	<b>GL Account Description</b>	<b>Current Year</b>	<b>Statement of Income</b>
5130	Operating and Maintenance	Distribution	Dist. System Main O/H Services	15,685.02	
5135	Operating and Maintenance	Distribution	Dist. System Tree Trimming	124,177.81	
5145	Operating and Maintenance	Distribution	Maintenance of Underground Conduit	1,684.80	
5150	Operating and Maintenance	Distribution	Dist. System U/G Conductor	2,211.89	
5155	Operating and Maintenance	Distribution	Maintenance of U/G Services	883.04	
5160	Operating and Maintenance	Distribution	Dist. System Main Transformers	9,250.24	
5175	Operating and Maintenance	Distribution	Dist. System Main Meters	4,747.54	
					403,666.18
5070	Operating and Maintenance	Utilization	Cust. Premises Oper. Labour	11,907.55	
5075	Operating and Maintenance	Utilization	Cust. Premises Oper. Other	2,923.59	
5410	Operating and Maintenance	Utilization	Community Relations	1,285.87	
					16,117.01



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<b>Renfrew Hydro Inc.</b>						
<b>Trial Balance Mapped to Financial Statements</b>						
<b>For the year ending December 31, 2014</b>						
<b>Account</b>	<b>Statement</b>	<b>F/S Section</b>	<b>F/S Grouping</b>	<b>GL Account Description</b>	<b>Balance</b>	<b>Totals</b>
<b>Assets</b>						
1005	Balance Sheet	Current Asset	Cash on hand and in bank	Cash	342,775.20	342,775.20
1100	Balance Sheet	Current Asset	Accounts receivable	Customer Accounts Receivable	911,209.70	
1102	Balance Sheet	Current Asset	Accounts receivable	Accounts Receivable - Services	19.91	
1104	Balance Sheet	Current Asset	Accounts receivable	Accounts Receivable - Recoverable	26,889.98	
1110	Balance Sheet	Current Asset	Accounts receivable	Other Accounts Receivable	174,157.87	
1130	Balance Sheet	Current Asset	Accounts receivable	Accumulated Provision for uncollectible accounts-Credit	(26,194.64)	
						1,086,082.82
1180	Balance Sheet	Current Asset	Prepaid Expenses	Prepayments	59,915.19	59,915.19
1120	Balance Sheet	Current Asset	Unbilled Revenue	Accrued Utility Revenues/Unbilled Revenue	1,349,826.31	1,349,826.31
1330	Balance Sheet	Current Asset	Inventory at cost	Plant Materials and Operating Supplies	296,154.83	296,154.83
						<b>3,134,754.35</b>
1508	Balance Sheet	Other Assets	Regulated assets	Other Regulatory Assets	3,025.13	
1518	Balance Sheet	Other Assets	Regulated assets	RCVARetail	(5,806.27)	
1525	Balance Sheet	Other Assets	Regulated assets	Misc. Deferred Debits	24,043.61	
1548	Balance Sheet	Other Assets	Regulated assets	RCVASTR	34,684.59	
1550	Balance Sheet	Other Assets	Regulated assets	LV Variance Account	103,026.09	
1551	Balance Sheet	Other Assets	Regulated assets	Smart Metering Entity Charge Variance Account	(1,238.81)	
1555	Balance Sheet	Other Assets	Regulated assets	Smart Meter Capital & Recovery Offset Variance Account	211,536.97	
1556	Balance Sheet	Other Assets	Regulated assets	Smart Meters O & M Variance	258,889.74	
1576	Balance Sheet	Other Assets	Regulated assets	CGAAP Accounting Changes	(347,465.75)	
1580	Balance Sheet	Other Assets	Regulated assets	RSVA Wholesale Market Service Charge	(344,874.07)	
1584	Balance Sheet	Other Assets	Regulated assets	RSVA - Retail Transmission Network Charge	96,036.28	
1586	Balance Sheet	Other Assets	Regulated assets	RSVA - Retail Transmission Connection Charge	114,511.17	
1588	Balance Sheet	Other Assets	Regulated assets	RSVA - Power (excluding Global Adjustment)	(7,621.71)	
1589	Balance Sheet	Other Assets	Regulated assets	RSVA - Global Adjustment	291,432.16	
1595	Balance Sheet	Other Assets	Regulated assets	Disposition & Recovery/Refund of Regulatory Balances	(175,620.69)	
						<b>254,558.44</b>
1805	Balance Sheet	Assets	Property, plant and equipment	Land	22,895.33	
1806	Balance Sheet	Assets	Property, plant and equipment	Land Rights	23,980.67	
1808	Balance Sheet	Assets	Property, plant and equipment	Buildings & Fixtures	201,834.33	
1820	Balance Sheet	Assets	Property, plant and equipment	Distribution Station Equipment - Normally Primary below 50 kV	1,288,197.03	
1830	Balance Sheet	Assets	Property, plant and equipment	Poles, Towers & Fixtures	2,667,473.76	
1835	Balance Sheet	Assets	Property, plant and equipment	Overhead Conductor and Devices	4,128,084.10	
1840	Balance Sheet	Assets	Property, plant and equipment	Underground Conduit	77,704.91	
1845	Balance Sheet	Assets	Property, plant and equipment	Underground Conductors and Devices	522,896.31	
1850	Balance Sheet	Assets	Property, plant and equipment	Line Transformers	1,686,315.90	
1855	Balance Sheet	Assets	Property, plant and equipment	Services	1,575,173.39	
1860	Balance Sheet	Assets	Property, plant and equipment	Meters	619,098.39	
1915	Balance Sheet	Assets	Property, plant and equipment	Office Furniture and Equipment	30,841.31	
1920	Balance Sheet	Assets	Property, plant and equipment	Computer Equipment - Hardware	101,061.15	
1925	Balance Sheet	Assets	Property, plant and equipment	Computer Software	120,704.76	
1930	Balance Sheet	Assets	Property, plant and equipment	Transportation Equipment	1,021,118.11	
1935	Balance Sheet	Assets	Property, plant and equipment	Stores Equipment	3,559.10	
1940	Balance Sheet	Assets	Property, plant and equipment	Tools, Shop & Garage Equipment	186,853.67	
2055	Balance Sheet	Assets	Property, plant and equipment	Construction Work in Progress - Electric	43,482.57	
2105	Balance Sheet	Assets	Property, plant and equipment	Accumulated Amortization of Electric Utility Plan - PP&E	(9,289,671.77)	
						<b>5,031,603.02</b>
						<b>8,420,915.81</b>

Renfrew Hydro Inc.						
Trial Balance Mapped to Financial Statements						
For the year ending December 31, 2014						
Account	Statement	F/S Section	F/S Grouping	GL Account Description	Balance	Totals
<b>Liabilities and Shareholder's Equity</b>						
2205	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Accounts Payable	(1,452,112.78)	
2220	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Miscellaneous Current Accrued Liabilities	(55,710.84)	
2250	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Debt Retirement Charges Payable	(42,256.52)	
2290	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Commodity Taxes	(21,552.69)	
2292	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Payroll Deductions/Expenses Payable	(35.00)	
						(1,571,667.83)
2294	Balance Sheet	Current liabilities	Hydro PILS payable	Accrual for Taxes Payments in Lieu of Taxes, Etc.	(11,574.00)	(11,574.00)
2208	Balance Sheet	Current liabilities	Current customer credits	Customer Credit Balances	(89,421.54)	(89,421.54)
2210	Balance Sheet	Current liabilities	Current portion of customer deposits	Current Portion of Customer Deposits	(35,026.00)	(35,026.00)
2260	Balance Sheet	Current liabilities	Bank demand loans (current portion)	Current Portion of Long Term Debt	(38,751.00)	(38,751.00)
1200	Balance Sheet	Current liabilities	Due to associated company	Accounts Receivable from Associated Companies	44,090.25	
2240	Balance Sheet	Current liabilities	Due to associated company	Accounts Payable to Associated Companies	(176,578.20)	
						(132,487.95)
						(1,878,928.32)
2525	Balance Sheet	Long term liabilities	Bank demand loans	Term Bank Loan-Long Term Portion	(58,607.29)	(58,607.29)
2550	Balance Sheet	Long term liabilities	Promissory note	Advances from Associated Companies	(2,705,168.48)	(2,705,168.48)
1995	Balance Sheet	Long term liabilities	Deferred revenue	Deferred Revenue/Contributions and Grants/Contributed Capital	(23,765.41)	(23,765.41)
						(2,787,541.18)
2335	Balance Sheet	Other liabilities	Long term customer deposits	Long Term Customer Deposits	(110,037.33)	(110,037.33)
			<b>TOTAL LIABILITIES</b>			<b>(4,776,506.83)</b>
3005	Balance Sheet	Shareholder's equity	Common Shares	Common Shares Issued	(2,705,168.47)	(2,705,168.47)
3045	Balance Sheet	Shareholder's equity	Retained Earnings	Unappropriated Retained Earnings	(878,397.32)	
3046	Balance Sheet	Shareholder's equity	Retained Earnings	Balance Transferred From Income	(89,072.94)	
3049	Balance Sheet	Shareholder's equity	Retained Earnings	Dividends Payable - Common Shares	28,229.75	
						(939,240.51)
						(3,644,408.98)
						(8,420,915.81)
						-



<b>Renfrew Hydro Inc.</b>						
<b>Trial Balance Mapped to Financial Statements</b>						
<b>For the year ending December 31, 2014</b>						
<b>Account</b>	<b>Statement</b>	<b>F/S Section</b>	<b>F/S Grouping</b>	<b>GL Account Description</b>	<b>Balance</b>	<b>Totals</b>
<b>Cost of Power and Expenses</b>						
4705	Statement of Income	Cost of power purchased	Cost of power purchased	Power Purchased	5,706,206.49	
4707	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - Global Adjustment	2,630,759.32	
4708	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - WMS	354,080.16	
4714	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - NW	556,815.30	
4716	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - CN	280,014.55	
4750	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - LV	85,641.03	
4751	Statement of Income	Cost of power purchased	Cost of power purchased	Charges - Smart Metering Entity Charge	39,299.16	
						<b>9,652,816.01</b>
						<b>(1,964,547.84)</b>
5016	Statement of Income	Operating and Maintenance	Distribution	Distribution Station Equipment - Operation Labour	8,080.41	
5017	Statement of Income	Operating and Maintenance	Distribution	Distribution Station Equipment - Operation Supplies and Expenses	28,341.94	
5020	Statement of Income	Operating and Maintenance	Distribution	Overhead Dist. Lines and Feeders - Operation Labour	19,764.89	
5025	Statement of Income	Operating and Maintenance	Distribution	Overhead Dist. Lines and Feeders - Operation Supplies and Expenses	59,989.17	
5035	Statement of Income	Operating and Maintenance	Distribution	Overhead Distribution Transformers - Operation	5,890.67	
5040	Statement of Income	Operating and Maintenance	Distribution	Underground Distribution Lines and Feeders - Operation Labour	144.63	
5045	Statement of Income	Operating and Maintenance	Distribution	Underground Distribution Lines and Feeders - Operation Supplies & Exp.	3.25	
5065	Statement of Income	Operating and Maintenance	Distribution	Meter Expense	21,160.81	
5085	Statement of Income	Operating and Maintenance	Distribution	Miscellaneous Distribution Expense	96,573.37	
5095	Statement of Income	Operating and Maintenance	Distribution	Overhead Distribution Lines and Feeders - Rental Paid	8,901.75	
5096	Statement of Income	Operating and Maintenance	Distribution	Other Rent	16,597.52	
5114	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Distribution Station Equipment	167.59	
5120	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Poles, Towers and Fixtures	10,553.25	
5125	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Overhead Conductors and Devices	20,441.54	
5130	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Overhead Services	13,293.65	
5135	Statement of Income	Operating and Maintenance	Distribution	Overhead Distribution Lines and Feeders - Right of Way	109,371.11	
5145	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Underground Conduit	338.65	
5150	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Underground Conductors and Devices	1,573.76	
5155	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Underground Services	1,092.60	
5160	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Line Transformers	9,390.52	
5175	Statement of Income	Operating and Maintenance	Distribution	Maintenance of Meters	5,520.00	
						437,191.08
5070	Statement of Income	Operating and Maintenance	Utilization	Customer Premises - Operation Labour	21,921.72	
5075	Statement of Income	Operating and Maintenance	Utilization	Customer Premises - Materials and Expenses	3,813.51	
5410	Statement of Income	Operating and Maintenance	Utilization	Community Relations	2,852.87	
						28,588.10
						<b>465,779.18</b>
5705	Statement of Income	Amortization	Amortization	Depreciation Expense	213,223.03	213,223.03
5310	Statement of Income	Billing and collecting	Billing and Collecting	Meter Reading Expense	27,627.04	
5315	Statement of Income	Billing and collecting	Billing and Collecting	Customer Billing	247,017.16	
5320	Statement of Income	Billing and collecting	Billing and Collecting	Collecting	79,681.04	
5325	Statement of Income	Billing and collecting	Billing and Collecting	Collecting - Cash Over and Short	(341.96)	
5330	Statement of Income	Billing and collecting	Billing and Collecting	Collection Charges	(95.00)	
5335	Statement of Income	Billing and collecting	Billing and Collecting	Bad Debt Expense	33,719.22	
4082	Statement of Income	Billing and collecting	Billing and Collecting	Retail Service Revenues	(4,591.97)	
4084	Statement of Income	Billing and collecting	Billing and Collecting	Service Transaction Requests (STR) Revenues	(38.75)	
						382,976.78

<b>Renfrew Hydro Inc.</b>						
<b>Trial Balance Mapped to Financial Statements</b>						
<b>For the year ending December 31, 2014</b>						
<b>Account</b>	<b>Statement</b>	<b>F/S Section</b>	<b>F/S Grouping</b>	<b>GL Account Description</b>	<b>Balance</b>	<b>Totals</b>
5605	Statement of Income	General Administration	General Administration	Executive Salaries and Expenses	103,934.66	
5610	Statement of Income	General Administration	General Administration	Management Salaries and Expenses	86,707.02	
5615	Statement of Income	General Administration	General Administration	General Administrative Salaries and Expenses	11,788.66	
5620	Statement of Income	General Administration	General Administration	Office Supplies and Expenses	56,820.87	
5630	Statement of Income	General Administration	General Administration	Outside Services Employed	30,235.00	
5635	Statement of Income	General Administration	General Administration	Property Insurance	1,477.44	
5640	Statement of Income	General Administration	General Administration	Injuries and Damages	9,164.88	
5645	Statement of Income	General Administration	General Administration	Employee Pensions and Benefits	25,714.96	
5655	Statement of Income	General Administration	General Administration	Regulatory Expenses	12,057.17	
5665	Statement of Income	General Administration	General Administration	Miscellaneous General Expenses	19,150.00	
5680	Statement of Income	General Administration	General Administration	Electrical Safety Authority Fees	2,843.75	
6205	Statement of Income	General Administration	General Administration	Donations Leap Funding	5,000.00	
						364,894.41
5675	Statement of Income	Office Building Maintenance	Office Building Maintenance	Maintenance of General Plant	21,878.33	21,878.33
4305	Statement of Income	Regulatory debit	Regulatory debit	Regulatory Debits	163,527.69	163,527.69
						<b>1,612,279.42</b>
						<b>(352,268.42)</b>
6005	Statement of Income	Financial Expenses	Interest on debt obligations	Interest on Long Term Debt	3,128.42	
6030	Statement of Income	Financial Expenses	Interest on debt obligations	Interest on Debt to Associated Companies	196,124.76	
6035	Statement of Income	Financial Expenses	Interest on debt obligations	Other Interest Expense (other) - 1 of 2	1,466.01	
						200,719.19
6035	Statement of Income	Financial Expenses	Interest Expense Retail Service Var.	Other Interest Expense - RRR Accounts	8,633.13	8,633.13
4360	Statement of Income	Other Expenses	Loss on retirement of assets	Loss on Disposition of Utility and Other Property	12,269.16	12,269.16
6110	Statement of Income	Provision for payment in lieu of taxes	Provision for payment in lieu of taxes	Income Taxes	41,574.00	41,574.00
						<b>(89,072.94)</b>

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<b>Renfrew Hydro Inc.</b>						
<b>Trial Balance Mapped to Financial Statements</b>						
<b>For the year ending December 31, 2015</b>						
Account	Statement	F/S Section	F/S Grouping	GL Account Description	Balance	Totals
<b>Assets</b>						
1005	Balance Sheet	Current Asset	Cash on hand and in bank	Cash	620,644.30	620,644.30
1100	Balance Sheet	Current Asset	Accounts receivable	Customer Accounts Receivable	775,185.64	
1102	Balance Sheet	Current Asset	Accounts receivable	Accounts Receivable - Services	41.43	
1104	Balance Sheet	Current Asset	Accounts receivable	Accounts Receivable - Recoverable	32,324.24	
1110	Balance Sheet	Current Asset	Accounts receivable	Other Accounts Receivable	78,396.51	
1130	Balance Sheet	Current Asset	Accounts receivable	Accumulated Provision for uncollectible accounts-Credit	(37,970.28)	
						847,977.54
1180	Balance Sheet	Current Asset	Prepaid Expenses	Prepayments	36,622.83	36,622.83
1460	Balance Sheet	Current Asset	Rate Rebasing	Other Non-Current Assets	15,920.66	15,920.66
2294	Balance Sheet	Current Asset	Hydro PILs recoverable	Accrual for Taxes payments in Lieu of Taxes	10,087.00	10,087.00
1120	Balance Sheet	Current Asset	Unbilled Revenue	Accrued Utility Revenues/Unbilled Revenue	1,404,336.65	1,404,336.65
1330	Balance Sheet	Current Asset	Inventory at cost	Plant Materials and Operating Supplies	324,432.69	
				Major Spare Parts - Reclassified to PP&E - WIP, from Inventory	(95,376.16)	
						229,056.53
						3,164,645.51
1805	Balance Sheet	Non-current assets	Property, plant and equipment	Land	22,895.33	
1806	Balance Sheet	Non-current assets	Property, plant and equipment	Land Rights	28,301.35	
1808	Balance Sheet	Non-current assets	Property, plant and equipment	Buildings & Fixtures	201,834.33	
1820	Balance Sheet	Non-current assets	Property, plant and equipment	Distribution Station Equipment - Normally Primary below 50 kV	1,288,197.03	
1830	Balance Sheet	Non-current assets	Property, plant and equipment	Poles, Towers & Fixtures	2,841,512.92	
1835	Balance Sheet	Non-current assets	Property, plant and equipment	Overhead Conductor and Devices	4,196,022.80	
1840	Balance Sheet	Non-current assets	Property, plant and equipment	Underground Conduit	77,704.91	
1845	Balance Sheet	Non-current assets	Property, plant and equipment	Underground Conductors and Devices	522,896.31	
1850	Balance Sheet	Non-current assets	Property, plant and equipment	Line Transformers	1,747,198.21	
1855	Balance Sheet	Non-current assets	Property, plant and equipment	Services	1,584,109.04	
1860	Balance Sheet	Non-current assets	Property, plant and equipment	Meters	620,982.57	
1910	Balance Sheet	Non-current assets	Property, plant and equipment	Leasehold Improvements	116,088.07	
1915	Balance Sheet	Non-current assets	Property, plant and equipment	Office Furniture and Equipment	52,445.74	
1920	Balance Sheet	Non-current assets	Property, plant and equipment	Computer Equipment - Hardware	102,979.14	
1925	Balance Sheet	Non-current assets	Property, plant and equipment	Computer Software	160,121.43	
1930	Balance Sheet	Non-current assets	Property, plant and equipment	Transportation Equipment	1,021,118.11	
1935	Balance Sheet	Non-current assets	Property, plant and equipment	Stores Equipment	5,290.35	
1940	Balance Sheet	Non-current assets	Property, plant and equipment	Tools, Shop & Garage Equipment	187,478.75	
				Major Spare Parts - Reclassified to PP&E - WIP, from Inventory	95,376.16	
2105	Balance Sheet	Non-current assets	Property, plant and equipment	Accumulated Amortization of Electric Utility Plan - PP&E	(9,511,411.97)	
						5,361,140.58
2350	Balance Sheet	Non-current assets	Deferred tax asset	Future Income Tax - Non-Current	213,916.00	213,916.00
1405	Balance Sheet	Non-current assets	Investment in UCS	Long Term Investments in Non-Associated Companies	100.00	100.00
			<b>TOTAL ASSETS</b>			<b>8,739,802.09</b>
1508	Balance Sheet	Regulatory deferral account balances	Other deferral accounts	Other Regulatory Assets	3,480.50	
1525	Balance Sheet	Regulatory deferral account balances	Other deferral accounts	Misc. Deferred Debits	23,220.12	
1548	Balance Sheet	Regulatory deferral account balances	Other deferral accounts	RCVASTR	36,230.67	
1550	Balance Sheet	Regulatory deferral account balances	LV variance	LV Variance Account	4,485.71	
1555	Balance Sheet	Regulatory deferral account balances	Smart meters	Smart Meter Capital & Recovery Offset Variance Account	176,615.80	
1556	Balance Sheet	Regulatory deferral account balances	Smart meters	Smart Meters O & M Variance	299,087.16	
1580	Balance Sheet	Regulatory deferral account balances	Retail settlement variances	RSVA Wholesale Market Service Charge	(22,731.11)	
1584	Balance Sheet	Regulatory deferral account balances	Retail settlement variances	RSVA - Retail Transmission Network Charge	32,825.08	
1586	Balance Sheet	Regulatory deferral account balances	Retail settlement variances	RSVA - Retail Transmission Connection Charge	94,363.00	
1588	Balance Sheet	Regulatory deferral account balances	Retail settlement variances	RSVA - Power (excluding Global Adjustment)	(31,628.18)	
1589	Balance Sheet	Regulatory deferral account balances	Retail settlement variances	RSVA - Global Adjustment	177,153.64	
						793,102.39
			<b>TOTAL ASSETS AND REGULATORY DEFERRAL ACCOUNT BALANCES</b>			<b>9,532,904.48</b>

Renfrew Hydro Inc.						
Trial Balance Mapped to Financial Statements						
For the year ending December 31, 2015						
Account	Statement	F/S Section	F/S Grouping	GL Account Description	Balance	Totals
Liabilities and Shareholder's Equity						
2205	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Accounts Payable	(663,904.04)	
2220	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Miscellaneous Current Accrued Liabilities	(73,373.24)	
2250	Balance Sheet	Current liabilities	Accounts payable and accrued liabilities	Debt Retirement Charges Payable	(41,592.30)	
						(778,869.58)
2208	Balance Sheet	Current liabilities	Current customer credits	Customer Credit Balances	(147,210.84)	(147,210.84)
2210	Balance Sheet	Current liabilities	Current portion of customer deposits	Current Portion of Customer Deposits	(32,624.00)	(32,624.00)
2260	Balance Sheet	Current liabilities	Bank demand loans (current portion)	Current Portion of Long Term Debt	(40,017.23)	(40,017.23)
1200	Balance Sheet	Current liabilities	Due to associated company	Accounts Receivable from Associated Companies	23,130.13	
2240	Balance Sheet	Current liabilities	Due to associated company	Accounts Payable to Associated Companies	(1,248,994.28)	
						(1,225,864.15)
						(2,224,585.80)
2525	Balance Sheet	Long term liabilities	Term bank loans	Term Bank Loan-Long Term Portion	(18,591.38)	(18,591.38)
1995	Balance Sheet	Long term liabilities	Deferred revenue	Deferred Revenue/Contributions and Grants/Contributed Capital	(41,213.58)	(41,213.58)
						(59,804.96)
2335	Balance Sheet	Other liabilities	Long term customer deposits	Long Term Customer Deposits	(110,344.33)	(110,344.33)
2306	Balance Sheet	Other liabilities	Employee future benefits	Employee Future Benefits	(168,422.00)	(168,422.00)
2550	Balance Sheet	Other liabilities	Promissory note	Advances from Associated Companies	(2,705,168.48)	(2,705,168.48)
						(2,983,934.81)
			TOTAL LIABILITIES			(5,268,325.57)
3005	Balance Sheet	Shareholder's equity	Common Shares	Common Shares Issued	(2,705,168.47)	(2,705,168.47)
3045	Balance Sheet	Shareholder's equity	Retained Earnings	Unappropriated Retained Earnings	(939,240.51)	
3046	Balance Sheet	Shareholder's equity	Retained Earnings	Balance Transferred From Income	15,766.66	
3049	Balance Sheet	Shareholder's equity	Retained Earnings	Dividends Payable - Common Shares	22,268.25	
3055	Balance Sheet	Shareholder's equity	Retained Earnings	Adjustment to Retained Earnings (Deferred tax/Employee future benefits)	(66,427.00)	
						(967,632.60)
						(3,672,801.07)
			TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			(8,941,126.64)
1518	Balance Sheet	Regulatory deferral account balances	Regulatory deferral account balances	RCV/Retail	(6,740.12)	
1551	Balance Sheet	Regulatory deferral account balances	Regulatory deferral account balances	Smart Metering Entity Charge Variance Account	(1,850.49)	
1576	Balance Sheet	Regulatory deferral account balances	Regulatory deferral account balances	CGAAP Accounting Changes	(519,853.85)	
1595	Balance Sheet	Regulatory deferral account balances	Regulatory deferral account balances	Disposition & Recovery/Refund of Regulatory Balances	(63,333.38)	
						(591,777.84)
			TOTAL LIABILITIES, SHAREHOLDER'S EQUITY AND REGULATORY DEFERRAL ACCOUNT BALANCES			(9,532,904.48)

Renfrew Hydro Inc.						
Trial Balance Mapped to Financial Statements						
For the year ending December 31, 2015						
Account	Statement	F/S Section	F/S Grouping	GL Account Description	Balance	Totals
Revenue						
4006	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Residential Energy Sales	(3,116,965.75)	
4025	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Street Lighting Energy Sales	(116,072.78)	
4035	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	General Energy Sales	(5,457,502.46)	
4055	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Energy Sales for Resale	(754,105.77)	
4062	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Billed WMS	(455,511.59)	
4066	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Billed NW	(548,747.61)	
4068	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Billed CN	(280,507.19)	
4075	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Billed LV	(84,969.44)	
4076	Statement of Comprehensive Income (Loss)	Revenue	Sale of Energy	Billed - Smart Metering Entity Charge	(39,393.72)	
						(10,853,776.31)
4080	Statement of Comprehensive Income (Loss)	Distribution Revenue	Fixed charge	Distribution Services Revenue - 1 of 3	(988,217.15)	(988,217.15)
4080	Statement of Comprehensive Income (Loss)	Distribution Revenue	Variable charge	Distribution Services Revenue - 2 of 3	(884,980.07)	(884,980.07)
4086	Statement of Comprehensive Income (Loss)	Distribution Revenue	SSS administration	SSS Administration Revenue	(12,351.89)	(12,351.89)
4080	Statement of Comprehensive Income (Loss)	Distribution Revenue	Transformer discount	Distribution Services Revenue - 3 of 3	32,947.41	32,947.41
						(1,852,601.70)
4210	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Rent from Electric Property	(37,491.74)	
4225	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Revenue Late Payment Charges	(18,985.64)	
4235	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Miscellaneous Service Revenues	(18,198.00)	
4245	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Government and Other Assistance (Amort of Deferred Rev)	(817.80)	
4325	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Revenues from Merchandise Jobbing Etc.	(5,195.32)	
4375	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Revenue Non-Utility Operations	(23,279.63)	
4390	Statement of Comprehensive Income (Loss)	Other Operating Revenue	Other Operating Revenue	Miscellaneous Non- Operating Income - Sale of Scrap	(3,615.46)	
						(107,583.59)
						(1,960,185.29)
						(12,813,961.60)
Cost of Power and Expenses						
4705	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Power Purchased	5,676,927.12	
4707	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - Global Adjustment	3,767,719.64	
4708	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - WMS	455,511.59	
4714	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - NW	548,747.61	
4716	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - CN	280,507.19	
4750	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - LV	84,969.44	
4751	Statement of Comprehensive Income (Loss)	Cost of power purchased	Cost of power purchased	Charges - Smart Metering Entity Charge	39,393.72	
						10,853,776.31
						(1,960,185.29)
5016	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Distribution Station Equipment - Operation Labour	1,802.98	
5017	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Distribution Station Equipment - Operation Supplies and Expenses	31,510.93	
5020	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Overhead Dist. Lines and Feeders - Operation Labour	19,150.39	
5025	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Overhead Dist. Lines and Feeders - Operation Supplies and Expenses	32,308.74	
5035	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Overhead Distribution Transformers - Operation	40,399.98	
5040	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Underground Distribution Lines and Feeders - Operation Labour	344.87	
5045	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Underground Distribution Lines and Feeders - Operation Supplies & Exp.	57.00	
5065	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Meter Expense	26,358.09	
5070	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Customer Premises - Operation Labour	23,167.85	
5075	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Customer Premises - Materials and Expenses	4,401.35	
5085	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Miscellaneous Distribution Expense	96,641.17	
5095	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Overhead Distribution Lines and Feeders - Rental Paid	9,187.85	
5096	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Other Rent	26,096.80	
5110	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Maintenance of Buildings and Fixtures - Distribution Stations	1,846.53	
5114	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Maintenance of Distribution Station Equipment	565.99	
5120	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Maintenance of Poles, Towers and Fixtures	10,927.77	
5125	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Maintenance of Overhead Conductors and Devices	9,327.84	
5130	Statement of Comprehensive Income (Loss)	Operating and Maintenance	Distribution	Maintenance of Overhead Services	17,875.62	



**Ex.1/Tab 4/Sch.3 - Annual Report**

RHI does not publish an annual report to its shareholder. Financial statements are presented yearly to the shareholder in a special meeting.

**Ex.1/Tab 4/Sch.4 - Prospectus and Recent Debt/Share Issuance Update**

RHI does not issue debt or shares nor do they publish any prospectus.

**Ex.1/Tab 4/Sch.5 - Other Relevant Information**

**Tax Status**

The utility is not seeking any changes in its tax status.

**Existing/Proposed Accounting Orders**

The Accounting Standards Board (“AcSB”) deferred mandatory adoption of IFRS for qualifying rate-regulated entities to January 1, 2016. However, per the Board’s letter of July 17, 2013, electricity distributors electing to remain on CGAAP were required to implement regulatory accounting changes for depreciation expenses and capitalization policies by January 1, 2013. RHI confirms the required regulatory accounting changes for depreciation and capitalization policies were in place for 2013.

RHI has prepared this 2017 Cost of Service rate application under MIFRS.

**Accounting Standards used in Application**

In accordance with the Board’s Filing Requirements, RHI has provided information for 2010, 2011, and 2012 under CGAAP and 2013 and 2014 under modified CGAAP. The 2015 actual, 2016 Bridge Year, and 2017 Test Year have been provided under MIFRS.

**Segregation of Rate Regulated Activities**

RHI is engaged in the delivery of the IESO’s Conservation and Demand Management Programs in collaboration with Hydro Ottawa. The accounting of these activities is segregated from RHI’s rate regulated activities in accordance with the Board’s Accounting Procedures Handbook for

- 1 Electricity Distributors. The Applicant is not seeking any changes to its tax status in this
- 2 application.

# Materiality Threshold

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## **Ex.1/Tab 5/Sch.1 - Materiality Threshold**

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement less than \$10 million must use \$50,000 as a materiality threshold. With a proposed base revenue requirement of \$2,148,518, RHI has used this amount as a materiality threshold throughout this application.

# 1 Administration

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## 2 **Ex.1/Tab 6/Sch.1 – Table of Contents**

3 A table of content is included at the start of every Exhibit

4

**Ex.1/Tab 6/Sch.2 – Contact Information**

Application contact information is as follows:

Bill Nippard – President Renfrew Hydro Inc.  
499 O'Brien Rd  
Renfrew, ON K7V 3Z3  
Phone: 613.432.4884  
Fax: 613.432.7463  
Email: Bnippard@renfrewhydro.com

**Ex.1/Tab 6/Sch.3 - Legal Application**

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended;  
and in the matter of; an Application by Renfrew Hydro Inc. ("RHI") for an Order or Orders  
approving or fixing just and reasonable distribution rates effective January 1, 2017.

Renfrew Hydro Inc. (or the "Company" or the "Applicant") is a distributor of electricity pursuant to  
a distribution license ED-2002-0577 issued by the Ontario Energy Board (the "Board") under the  
Ontario Energy Board Act, 1998 (the "Act").

Renfrew Hydro Inc. hereby applies to the Board pursuant to section 78 of the Act for an Order or  
Orders approving or fixing just and reasonable distribution rates effective January 1, 2017.

Renfrew Hydro Inc. accordingly applies to the Board for the following Order or Orders:

- An Order approving Renfrew Hydro's proposed distribution rates for the 2017 rate year,  
or such other rates as the Board may find to be just and reasonable, as the final rates  
effective January 1, 2017;
- an Order approving clearance of the balances recorded in certain deferral and variance  
accounts by means of rate riders effective January 1, 2017 for the 2017 rate year;

**Ex.1/Tab 6/Sch.4 – Alignment of Rate Year with Fiscal Year**

In this application, RHI is seeking a fiscal rate year alignment. RHI believes that an alignment with its fiscal year will yield benefits such as a reduction in administrative and accounting cost burdens, improved budget planning and improved alignment of rates with costs. Rate increases will be more transparent to consumers since they would occur on dates which differ from the current regulated price plan (RPP) changes.

**Ex.1/Tab 6/Sch.5 – Confirmation of Internet Address**

Renfrew Hydro's website address is [www.renfrewhydro.com](http://www.renfrewhydro.com).

**Ex.1/Tab 6/Sch.6 – Statement of Publication**

All of RHI's customers may be affected by this application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, RHI will immediately arrange to have the Notice of Application and Hearing for this proceeding published in the local community not-paid-for newspaper which has the highest circulation in its service area namely; "the Renfrew Mercury".

Once the Notice of Application and Hearing has been published in the above listed newspaper, RHI will immediately file an Affidavit of Publication together with proof.

**1 Ex.1/Tab 6/Sch.7 – Bill Impacts- Pending Final Review**

2 The 2017 distribution rates proposed by the Applicant will result in overall bill impacts for  
3 residential and GS<50 customer classes as detailed in Table: 1.11 below. A full list of the bill  
4 impacts applicable to all customer classes is found at Ex.8/Tab 1/Sch.14.

5

6

**Table: 1.11 – Bill Impacts**

Customer Class	TOU/RPP	2016 Distribution Charge	2017 Proposed Distribution Charge	Dollar Change	% Change	2016 Total Bill	2017 Total Bill	Dollar Change	% Change
Residential 286kWh	TOU	18.12	23.46	5.35	29.51%	56.564	63.52	4.96	8.47%
Residential 750kWh	TOU	24.85	29.95	5.10	20.54%	128.81	132.58	3.77	2.93%
GS<50	TOU	58.65	70.67	12.02	20.50%	334.02	340.51	6.50	1.94%
GS>50	RPP	442.58	524.90	82.32	18.60%	938.79	938.45	0.35	-0.04%
USL	RPP	47.23	55.58	8.35	17.69%	299.96	303.32	3.36	1.12%
Streetlights	RPP	7618.55	7282.35	336.21	-4.41%	8180.02	7753.89	-426.12	-5.21%

7

**Ex.1/Tab 6/Sch.8 - Statement as to the Form of Hearing Requested**

This Application is supported by written evidence. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on the Application.

RHI requests that, pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing.

**Ex.1/Tab 6/Sch.9 - Proposed Issues List**

In establishing the overall appropriateness of the proposed rates, RHI anticipates that the following issues will be addressed by the Board and interveners.

General (Exhibit 1) - The reasonableness/suitability of;

- The overall economic and business planning assumptions for the Test Year.
- The reasonableness of the proposed revenue requirement of \$2,148,518

Rate Base (Exhibit 2) - The reasonableness/suitability of;

- RHI's asset planning assumptions (e.g. asset knowledge, strategy and conditions, etc.)
- RHI's revised capitalization and depreciation policy.
- The overall capital expenditures.
- The working capital allowance.
- The proposed rate base for the test year.
- The accounting for stranded meters.
- The Distribution System Plan

Operating Revenues (Exhibit 3) - The reasonableness/suitability of;

- The load forecast methodology including weather normalization.
- The proposed customers/connections and load forecasts (both kWh and kW) for the test year
- The adjustment of CDM in the load forecast.
- The proposed revenue offsets.

1 Operating Costs (Exhibit 4) - The reasonableness/suitability of;

- 2 • The overall OM&A forecast for the test year.
- 3 • The methodologies used to allocate costs.
- 4 • The proposed level of depreciation/amortization expense for the test year.
- 5 • The compensation costs and employee levels.
- 6 • The test year forecast of PILs.
- 7 • RHI's service-quality results, based on the Board specified performance indicators

8  
9 Cost of Capital and Rate of Return (Exhibit 5) - The reasonableness/suitability of;

- 10 • The proposed capital structure.
- 11 • The cost of debt.
- 12 • The proposed return on equity.

13  
14 Calculation of Revenue Deficiency (Exhibit 6) - The reasonableness/suitability of;

- 15 • The calculation of Revenue Deficiency.

16  
17 Cost Allocation (Exhibit 7) - The reasonableness/suitability of;

- 18 • The appropriateness of RHI's cost allocation.
- 19 • The proposed revenue-to-cost ratios.

20  
21 Rate Design (Exhibit 8) - The reasonableness/suitability of;

- 22 • The proposed classes of customers.
- 23 • The customer charges and the fixed-variable splits for each class.
- 24 • The proposed Retail Transmission Service Rates.
- 25 • The proposed loss factors.
- 26 • RHI's proposed Tariff of Rates and Charges.
- 27 • RHI's rate mitigation plan.

28  
29 Deferral and Variance Accounts (Exhibit 9) - The reasonableness/suitability of;

- 30 • The account balances, cost allocation methodology and disposition plan.

**Ex.1/Tab 6/Sch.10 - Statement of Deviation of Filing Requirements**

Except where specifically identified in the Application, RHI followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated July 16, 2015 (the "Filing Requirements") in order to prepare this application. The excel version of the complete 2017 Cost of Service checklist is being filed in conjunction with this application.

**Ex.1/Tab 6/Sch.11 – Changes in Methodologies**

The pro-forma projections for the 2017 test year were prepared in accordance with RHI's usual process, with the following exceptions:

- Rates for Distribution and Sales of Electricity are assumed to be constant for the entire calendar year.
- Regulatory Costs have been normalized over the five year application period.

**Ex.1/Tab 6/Sch.12 - Board Directive from Previous Decisions**

In 2010 the Board issued the following directives in relation to RHI's previous Cost of Service application.

- 1.) The Board directs RHI to adhere in the future to the Board's policy on the half year rule.
  - a. RHI confirms it has met this directive. Details on the capitalization policy are contained in Exhibit 2/Tab 5/Schedule 3.
- 2.) The Board directs RHI to develop a service agreement by May 1, 2001, for services provided to the Town of Renfrew.
  - a. RHI confirms a service agreement with its affiliate RPG has been created which also covers services provided to the Town of Renfrew.
- 3.) The Board directs RHI to transfer to Account 1595 the balances approved for disposition as soon as possible but no later than December 31, 2010.
  - a. RHI confirms this has been completed as per directive.
- 4.) The Board directs RHI to file by letter to the Board by January 14, 2011, a progress report on meeting the recommendations contained in the Line Loss Study. The Board also directs Renfrew to meet its commitments just noted, not later than when it files its next cost of service rates application.
  - a. RHI has implemented many of the recommendations from its 2007 Study entitled System Analysis for Loss Optimization E1026. As a result its Total Loss Factor of 1.081 is less than it was in the 2010 application (1.0856) and less than the 2010 Board approved factor of 1.0898 .
  - b. RHIs Distribution Loss Factor is 1.0473 which is less than RHIs Distribution Loss Factor in 2009 of 1.0514 and less than the Board approved Distribution Loss Factor of 5%.
  - c. However as it will be 10 years in 2017 since the last system study in 2007 , RHI will undertake a new system study in 2017 to look for ways to reduce losses and improve upon its performance. New technology such as SmartMap which RHI are investigating also puts the power of a live distribution study on your computer in real time.

1    **Ex.1/Tab 6/Sch.13 - Conditions of Service**

2

3    RHI's conditions of services are found at [www.renfrewhydro.com](http://www.renfrewhydro.com).

4

**Ex.1/Tab 6/Sch.14 - Accounting Standards for Regulatory and Financial Reporting**

RHI is filing for a test year 2017 under MIFRS. The following table shows the accounting treatment for each year filed in this application.

Year	Accounting Standard
2010	CGAAP
2011	CGAAP
2012	CGAAP
2013	NewCGAAP
2014	NewCGAAP
2015	MIFRS
2016 Bridge	MIFRS
2017 Test	MIFRS

RHI implemented accounting changes on January 1, 2013 that were consistent with the Board's regulatory accounting policies as set out for modified IFRS as contained in the Report of the Board, Transition to International Financial Reporting Standards, EB-2008-0408, the Kinectrics Report, and the Revised 2012 Accounting Procedures Handbook for Electricity Distributors ("APH").

The useful lives proposed by RHI in this Application are consistent with the useful lives in the Kinectrics Report commissioned by the OEB dated July 8, 2010.

RHI attests that it does not and will continue not to capitalize administration and other general overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated February 24, 2010, and therefore experienced no material changes in adopting IFRS. RHI will continue to ensure that the company is comparable to other distribution utilities in the Province. RHI understands the need for comparability between distribution utilities. RHI has also adopted the various account changes prescribed by the Board in relation to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions).

Consistent with recent applications to the Board, RHI no longer includes PST in its OM&A cost estimates.

1  
2 Regulatory costs and the incremental one-time cost have been normalized by allocating one  
3 fifth of that total to the 2017 Test Year.

4  
5 RHI is not proposing other changes in methodology.

6  
7 **Ex.1/Tab 6/Sch.15 - Accounting Treatment of Non-Utility Related Business**

8 RHI confirms that it has not included any non-utility business the rate regulated business.

9

**Ex.1/Tab 6/Sch.16 - Operating Environment**

RHI is incorporated under the Ontario Business Corporations Act, and is 100% owned by the Town of Renfrew. RHI is managed by a Board of Directors appointed by the Town. RHI has 10 employees; a President, two customer service representatives, a Secretary Treasurer, a Billing Supervisor, a Crew Leader, a Working Foreman, and three linemen to address the outside plant matters.

RHI expects the status quo for the business conditions over the planning horizon of this report. There are no known commercial or industrial expansion plans and minor growth in residential segments of the economy. There are no known planned closures in the industrial or commercial segments of the economy. The lack of change in the economy means that there is little growth based capital work proposed by RHI.

An assessment of the age and condition of wood poles in the distribution system was carried out. This resulted in the pole replacement program which will replace 190 deteriorated poles over a 5 year period. Pole failures have not been a frequent occurrence so the savings are expected to be very low but this program will prevent the increase of these costs which will begin to occur if the poles are not replaced now. There is also a public safety aspect and reliability concern such that poles cannot knowingly be allowed to “run to failure”.

**Ex.1/Tab 6/Sch.17 - Corporate Organization**

The RHI organizational chart currently contains 10 employees, including:

- A President;
- A Crew Leader
- A Secretary Treasurer
- A Billing Supervisor
- 2 Customer Service Representatives
- 3 Linemen
- Working Foreman

The above relationships are shown in the Utility Organization Chart on the next page

The President is responsible for all aspects of the company including long term strategic planning; safety, environment and training; regulatory reporting; monthly settlements reporting; labour relations; review and approval of budgets and tracking the company's progress towards achieving approved financial targets and capital investments. He is the liaison with regulatory bodies including the OEB; accountants, purchasing and stores; Canada Revenue Agency, IESO and Hydro One, as well as conservation and demand management. The President also oversees the operation of the distribution system, customer service, billing and metering. The position is also responsible for human resources and succession planning; customer and shareholder relations; connection planning for new customers or generation; maintaining effective communications throughout the company; and ensuring that operations and office staff have access to the highest quality information and training to allow them to perform their work safely and efficiently.

The field Crew Leader is responsible for ensuring that employees, contractors and the public remain safe when interfacing with the distribution system; ensuring the reliable operation – including maintenance and repair – of the distribution system and general plant; and ensuring that customer requests for electricity service are provided promptly and according to code; and metering support.

The Secretary Treasurer is responsible for bookkeeping, payroll, government remittances, preparing the budget and many other financial and administrative tasks to support the President.

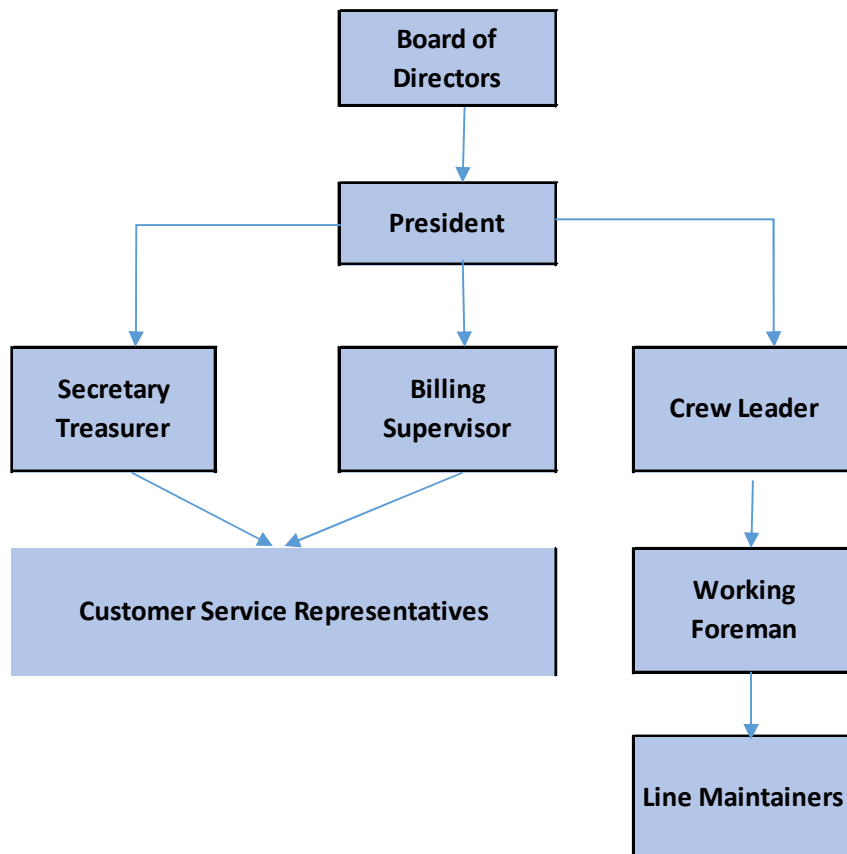
The Billing Supervisor is responsible for customer billing, collections, and external communications with customers

The linemen are responsible for building and maintaining the electrical power system from the point of generation all the way to the customer's meters. Lines may be on overhead structures or in underground vaults or trenches. This position typically requires trade certification or enrollment in an apprenticeship program.

The customer service representatives are responsible for external communications with customers, collections, as well as many other administrative tasks.

Table: 1.12 – Organizational Chart

**Renfrew Hydro Inc.  
Organizational Structure**



# Applicant Overview

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## Ex.1/Tab 7/Sch.1 – Applicant Overview

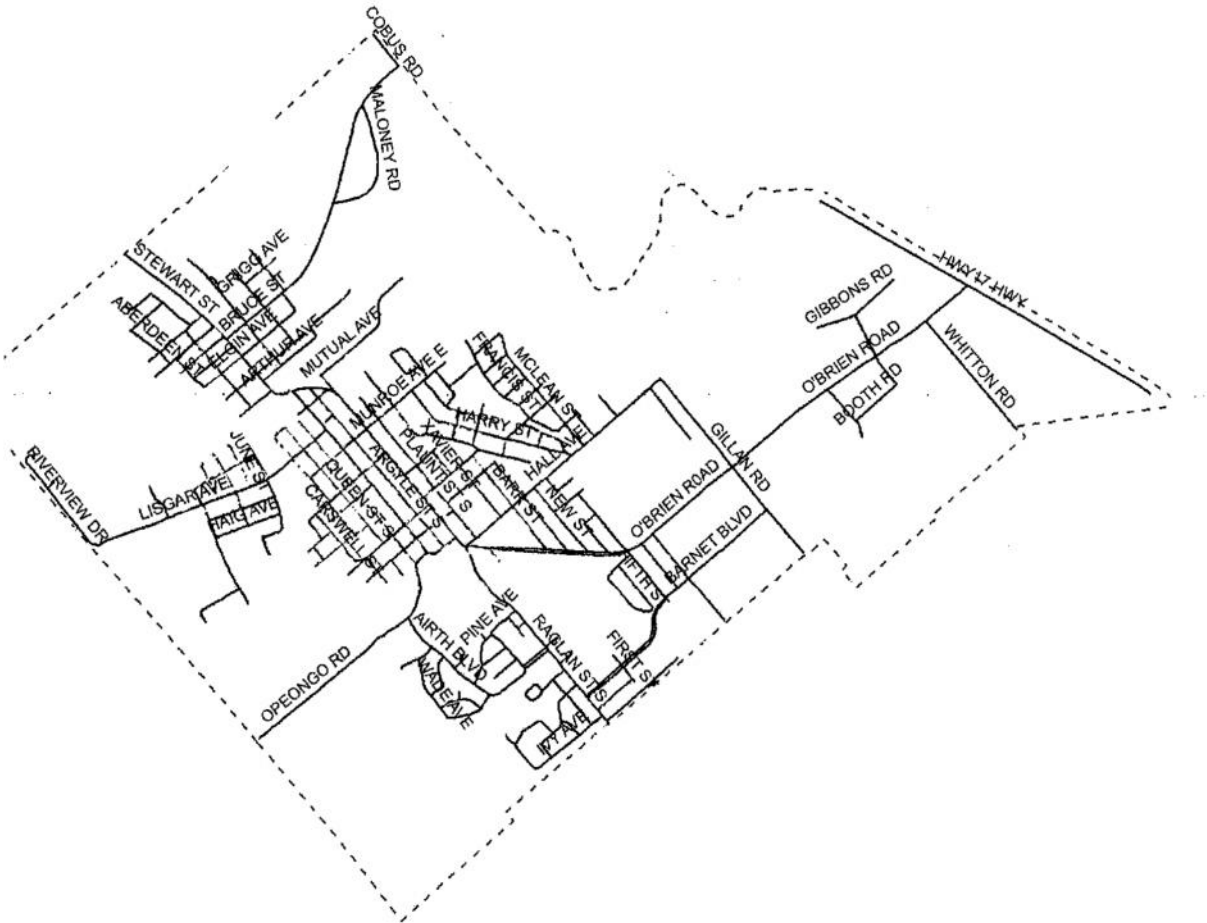
RHI's service area is completely contained within the municipal boundaries of the Town of Renfrew. The area is embedded within the service territory of Hydro One Networks Inc. A map of the service area served by RHI is found on the next page.

RHI provides electrical distribution services to approximately 4250 residential and commercial customers in its service area. RHI's service territory covers approximately 12.77 square kilometers. There are a total of 80 circuit kilometers of primary wire and underground cable installed of which 72 km or 96% is overhead. The overhead system includes 645 pole mounted transformers, 1750 RHI owned poles, 325 Bell joint use poles, and overhead switches. RHI's underground distribution system accounts for approximately 4% of its overall distribution system. This portion of the distribution system is comprised primarily of 8 km of underground conductors, all associated distribution transformers and protective devices.

RHI's distribution system is supplied by Hydro One Networks Inc. ("HONI") transmission system, primarily supplied from the Stewartville TS at a voltage level of 44 kV via the 10M3 feeder and 2 backup supply feeders (Stewartville 10M1 and Cobden 23M2). Sub-transmission feeders supply the distribution substations at a voltage of 44kV. The distribution system contains 5 distribution substations transforming voltage from 44 kV to 4.160 kV, where they supply feeders owned by RHI for wide-area distribution to residential and commercial customers.

1

**Service Area Map**



2

3

**Ex.1/Tab 7/Sch.2 – Host /Embedded Distributor**

RHI is an embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc. RHI does not have any embedded distributors within its territory.

**Ex.1/Tab 7/Sch.3 – Transmission or High Voltage Assets**

The Applicant does not have any transmission or high voltage assets deemed by the Board as distribution assets and as such are not seeking approvals from the Board in that regards.

# Corporate Governance

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## **Ex.1/Tab 8/Sch.1 - Corporate Governance Structure**

RHI presents its Shareholder Direction on the next page. This is the primary document that governs the Board of Director relationship between Renfrew Hydro and the Town of Renfrew. Below the Shareholder Direction is an organizational relationship chart that outlines the corporate entities relationships and the reporting relationships between utility management and the parent company officials. The name of the Directors, the schedule of meetings, and other pertinent information is discussed in more detail in subsequent sections. Full details relating to the conduct of the business and affairs of RHI can be found in By-Law No. 1 following the Shareholder's agreement.



## **Serving the Community of Renfrew**

499 O'Brien Road - Unit B,  
Renfrew, Ontario K7V 3Z3

Tel: 613-432-4884 Fax: 613-432-7463

[www.renfrewhydro.com](http://www.renfrewhydro.com)

### **POSITION INFORMATION PACKAGE BOARD OF DIRECTORS**

#### **A. THE COMPANY**

Renfrew Hydro Inc. delivers electricity to 4200 customers in the town of Renfrew. The total budget is approximately 11 million dollars, with 2 million used to operate the distribution company and the remainder used to purchase electricity for its customers. Renfrew Hydro Inc. has 10 employees. The Corporation operates in a regulated environment under the Ontario Energy Board's guidelines.

#### **B. OWNERSHIP**

The company is 100% owned by the Corporation of the Town of Renfrew with elected town council being the voting shareholders.

#### **C. DIRECTOR'S TERM OF OFFICE**

Currently, there is no fixed term of office and directors are appointed by the shareholder. In the case of a vacancy arising during a director's term, a new director will be appointed by the remaining directors to complete the term. In this case this term of office will end at the Annual General Meeting for the year end of December 31, 2015. This will likely be in May or June of 2016.

#### **D. DIRECTOR'S REMUNERATION**

The shareholder sets the remuneration for the directors. At present, there is an annual retainer of \$3000.00 plus a \$100.00 per meeting allowance for regular director's meetings.

#### **E. DIRECTOR'S WORKLOAD**

The workload is of an on-going nature requiring attendance at regular monthly meetings, the Annual General Meeting, plus any special meetings.

#### **F. SHAREHOLDER'S EXPECTATIONS**

The shareholder expects that the directors will have the capability to oversee the affairs of the corporation and they will be held responsible to meet performance objectives established by the shareholder.

#### **G. DIRECTOR'S CAPABILITIES**

Collectively the directors will have the capabilities to provide stewardship on:

- the adoption of a strategic planning process
- the identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks
- succession planning, including appointing, training and monitoring senior management
- the integrity of the corporation's internal control and management information systems
- fulfilling fiduciary and legal requirements

#### **H. ATTACHMENTS**

- 1) UNANIMOUS SHAREHOLDERS AGREEMENT**
- 2) SHAREHOLDERS DIRECTION TO THE DIRECTORS**
- 3) OUTLINE OF THE ROLE OF A DIRECTOR**

The deadline for submission of letters of interest is March 18, 2016.

If you wish, you may contact Mr. Bill Nippard, President at his office telephone number 613-432- 4884 to discuss this position further.

On behalf of the Board I thank you for your interest,

Bill Nippard - President

THIS UNANIMOUS SHAREHOLDER AGREEMENT made as of the     day of     , 20

BETWEEN:

THE CORPORATION OF THE TOWN OF RENFREW.,  
A CORPORATION INCORPORATED  
UNDER THE MUNICIPAL ACT OF ONTARIO  
(hereinafter referred to as "Shareholder")

-and-

Director Name

OF THE TOWN OF RENFREW, IN THE PROVINCE OF ONTARIO,  
(hereinafter referred to as "the Director")

**WHEREAS** Renfrew Hydro Inc. (hereinafter referred to as the "Corporation") is a Corporation to which the Business Corporations Act (Ontario), (hereinafter referred to as the "Act") applies;

**WHEREAS** the Shareholder is the registered owner of all of the issued and outstanding shares of the Corporation;

**WHEREAS** the Shareholder wishes to establish certain principals of governance relating to the Corporation and set forth those matters which may be undertaken by the Corporation only with the approval of the Shareholder.

**WHEREAS** the director has agreed to serve as a director of the Corporation at the request of the Shareholder and in consideration of the execution and delivery of the within Agreement by the Shareholder;

**WHEREAS** the Shareholder acting under authority contained in the Act, has agreed to enter into this Unanimous Shareholder Agreement in identical form with the other directors of the Corporation so as to restrict the rights, powers and discretion of the directors of the Corporation to manage the business and affairs of the Corporation as herein set out and so as to provide that the Shareholder shall assume the rights, powers and duties of such directors for the matters herein set out and thereby relieve such directors of their duties and liabilities for the matters herein;

**NOW THEREFORE** this indenture witnesseth as follows:

1. The powers of the directors to manage the business and affairs of the Corporation are restricted as hereinafter set out.

2. In accordance with the provisions of the Act no action of the Corporation shall be taken without the consent of the Shareholder on any of the following matters:

- (a) amend its articles or make, amend or repeal by-law;
- (b) amalgamate, apply to continue as a body corporate under the laws of another jurisdiction, merge, consolidate or reorganize, or approve or effect any plan or arrangement, in each case whether statutory or otherwise;
- (c) take or institute proceedings for any winding up, arrangement, reorganization or dissolution;
- (d) create new classes of shares or reorganize, consolidate, subdivide or otherwise changes its outstanding securities;
- (e) sell or otherwise dispose of, by conveyance, transfer, lease sale and leaseback, or other transaction, all or substantially all of its assets or undertaking;
- (f) change the Auditor;
- (g) make any change to the number of directors comprising the Board;
- (h) enter into any transaction or take any action that requires shareholder approval pursuant to the Act.

3. In addition, no action of the Corporation shall be taken without the consent of the Shareholder on any of the following matters:

- (a) The entering into of any agreement or the making of any offer or the granting of any right capable of becoming an agreement to allot or issue any shares of the Corporation;
- (b) Any action which may lead to or result in a material change in the nature of the business of the Corporation;
- (c) The borrowing of money under an operating line of credit with a Canadian chartered bank in excess of \$500,000.00;
- (d) Except as provided in paragraph 3(c) the borrowing of any money on the credit of the Corporation in excess of \$50,000.00;
- (e) The granting of any security or creation of any encumbrances on the assets of the Corporation ( other than as are necessary to secure operating lines of credit with Canadian chartered banks or in respect of purchase money security interests granted pursuant to the purchase of capital expenditures);

(f) Any sale, lease, exchange or disposition of any asset or assets of the Corporation having a value in excess of \$100,000.00;

(g) The making, directly or indirectly, of loans or advances in excess of \$3,000.00;

(h) the declaration or payment of any dividend;

(i) The taking, holding, subscribing for or agreeing to purchase or acquire shares in the capital of any body corporate;

(j) The entering into a partnership or any arrangement for the sharing of profits, union of interests, joint venture or reciprocal concession with any person;

(k) The fixing of the remuneration of directors;

(l) The investment of funds in publicly traded securities other than government debt, Canadian Chartered Bank or Canadian Corporate Securities rated less than A/R-1 (low)(or its equivalent) by CBRS Inc. or Dominion Bond Rating Services Limited;

(m) Any change in the fiscal year end of the Corporation;

(n) The giving of security for, or the guaranteeing of the debts of any person, business or corporation;

(o) The making or incurring of any single capital expenditure in excess of \$250,000.00 or any capital expenditures which, in the aggregate are in excess of \$500,000.00 in any financial year.

4. Before any sale, lease, exchange or disposition of land the directors shall first offer to sell, lease, exchange or dispose of the land to the Shareholder upon the same terms and conditions which the Corporation is prepared to accept from a third party.

5. In accordance with the Act and paragraph 3 hereof the Shareholder shall have, enjoy, exercise and perform all the rights powers and duties of the directors of the Corporation to manage the business and affairs of the Corporation as set out in the prior paragraph.

6. In the exercise of the rights, powers and duties granted and transferred hereunder, the Shareholder shall be subject to the same duties and liabilities to which the directors of the Corporation would have been subject in the exercise of such rights and powers had this Agreement not been made.

7. The rights, powers and duties granted or transferred hereby to the Shareholder shall be exercised or performed to the extent appropriate by instrument in writing executed by the

Shareholder. The Shareholder shall cause a reference to this Agreement to be noted conspicuously on any share certificates issued by the Corporation.

8. Except in accordance with the Act and as set out in paragraph 3 hereof, the director shall have, enjoy, exercise and perform all the rights, powers and duties of the directors of the Corporation to manage the business and affairs of the Corporation.

9. This Agreement shall continue in full force and effect until terminated by notice in writing given by either party to the other, provided that such termination shall not effect any obligation of either party arising prior to the date of termination, including any obligation to indemnify by reason of any matter which has arisen or any circumstances which have occurred prior to the termination.

10. This Agreement shall ensure to the benefit of and be binding upon the parties hereto and their personal representatives, successors and permitted assigns and shall be governed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

In witness whereof the parties hereto have duly executed this Agreement.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
NAME

THE CORPORATION OF THE TOWN  
OF RENFREW

Per:

\_\_\_\_\_  
Don Eady - Mayor

\_\_\_\_\_  
Kim R. Bulmer - Clerk

RENFREW HYDRO INC.

Per:

\_\_\_\_\_  
Bill Nippard-President

\_\_\_\_\_  
Cindy Marshall- Secretary-Treasurer

## SHAREHOLDER DIRECTION

WHEREAS Renfrew Hydro Inc. is a corporation existing under the Business Corporations Act (Ontario);

AND WHEREAS the Corporation of the Town of Renfrew (the "Shareholder") is the beneficial owner of all of the issued shares of the Corporation;

AND WHEREAS the Business is subject to the provisions of the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* being Schedules A and B, respectively, to the *Energy Competition Act, 1998, S.O., c.15*, as such statutes may be amended or reenacted from time to time;

AND WHEREAS the Shareholder wishes to establish certain expectations relative to the governance of the Corporation.

NOW THEREFORE THIS DIRECTION:

## ARTICLE 1 - EXPECTATIONS

### 1.1 Purpose

The purpose of this Direction is to provide the Board of Directors with the Shareholder's expectations regarding the Corporation.

This Direction is not intended to constitute a unanimous Shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the Board.

### 1.2 Shareholder Expectations

The shareholder expects that the Board of Directors to:

- (a) develop and maintain a prudent financial and capitalization structure for the Corporation consistent with industry norms and sound financial principles and established on the basis that the Corporation is intended to be a for-profit, self-financing business;
- (b) establish rates for the regulated Corporation which are;
  - (i) consistent with similar utilities in and as may be permitted by the Ontario Energy Board;
  - (ii) intended to preserve and enhance the value and assets of the Corporation; and
  - (iii) consistent with the encouragement of economic development and activity within the Town of Renfrew;

- (iv) specifically for the first generation (i.e. first 3 years) of Performance Based Rates, the market base rate of return to be achieved is 9.88%;
- (c) provide a reliable, effective and efficient electricity distribution system consistent with Ontario electric utility standards;
- (d) manage all risks related to the business conducted by the Corporation, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and
- (e) develop a long range strategic plan for the Corporation which is consistent with the maintenance of a viable, competitive business and preserves the value of the Corporation.
- (f) Operate the Corporation at all times to comply with licenses, codes, policies, rules, orders, interim orders, approvals, consents and other actions of any Regulator.
- (g) Provide its services with an emphasis on flexibility and customer satisfaction.
- (h) Operate in a safe and environmentally responsible manner.
- (i) Create and implement such cost reduction programs that ensure the efficient operation of the Corporation.
- (j) Be responsible for determining and implementing the appropriate balance among the foregoing expectations.

## ARTICLE 2 - BUSINESS OF THE CORPORATION

### 2.1 Business of the Corporation

The Corporation may engage in any of the following business activities:

- (i) selling directly, through a third party, or through a combination of the two, electricity to every person connected to the distribution system;
- (ii) distributing electricity;
- (iii) business activities, the principal purpose of which is to use more effectively the resources of the corporation;

# ARTICLE 3 - REPORTING

## 3.1 Business Plan

Not later than sixty (60) days prior to the end of each fiscal year, the Board will approve and submit to the Shareholder a business plan for the Corporation for the next five fiscal years. Business Plan will include:

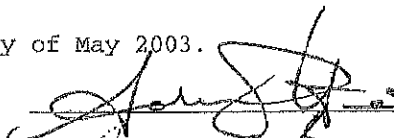
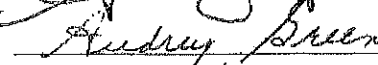
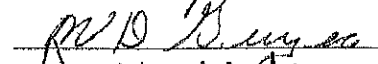
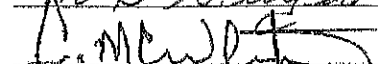
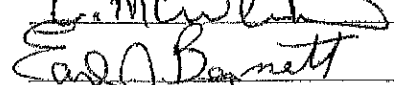
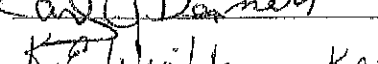
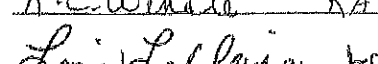
- (a) the strategic direction and any new business initiatives which the Corporation will undertake;
- (b) the projected annual profits and dividends for each fiscal year for the Corporation;
- (c) any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the Shareholder; and
- (d) any material variances from the Business Plan then in effect.

## 3.2 Quarterly Reports

Within 45 days after the end of each fiscal quarter, the Board of Directors will submit a report in respect of the immediately preceding fiscal quarter:

- (a) any information that is likely to materially affect the Shareholder's financial objectives;
- (b) any such additional information as the Shareholder may specify from time to time.

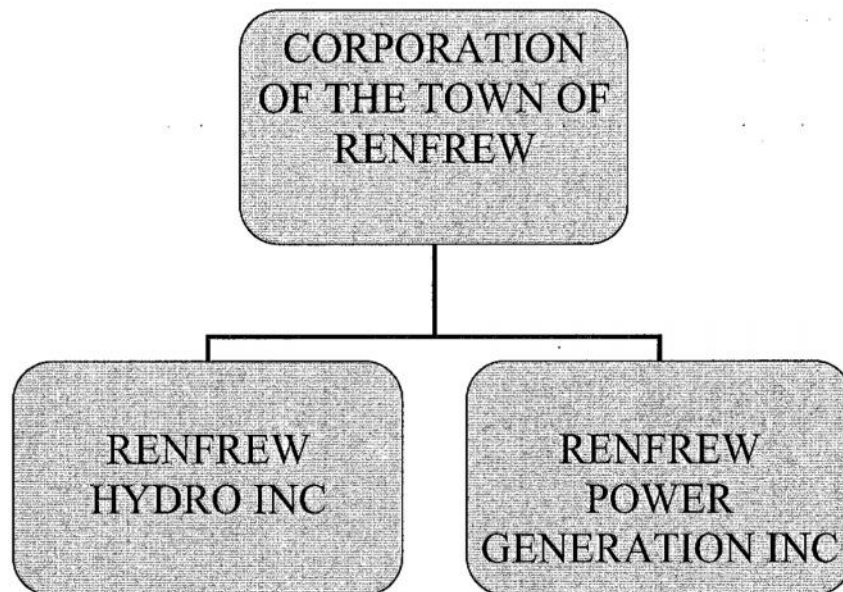
Dated at Renfrew the 21st day of May 2003.

	Sandra J. HEMS
	AUDREY GREEN
	W.D. GUYER
	C. MCWHORTER
	Earl BENNETT
	KATE WINDLE
	LOIS LECLAIRE

PROXY VOTERS FOR THE CORPORATION OF THE  
TOWN OF RENFREW

## CORPORATE ENTITIES CHART

In November 2000, The Hydro Electric Commission of the Town of Renfrew was incorporated into two separate companies. The Corporation of the Town of Renfrew is the sole shareholder of the Renfrew Hydro Inc, the local distribution company and Renfrew Power Generation Inc., the generation company.



BY-LAW NO. 1

A by-law relating generally to the conduct  
of the business and affairs of

RENFREW HYDRO INC.

(herein call the "Corporation")

CONTENTS

1. Interpretation	8. Dividends
2. Directors	9. Financial Year
3. Meetings of Directors	10. Notices
4. Remuneration and Indemnification	11. Execution of Documents
5. Officers	12. Effective Date
6. Meetings of Shareholders	
7. Shares	

BE IT ENACTED as a by-law of the Corporation as follows:

1. INTERPRETATION

1.01 In this by-law and all other by-laws and resolutions of the Corporation, unless the context otherwise requires:

- (a) "Act" means the Business Corporations Act, and includes the Regulations made pursuant thereto;
- (b) "articles" means the articles of incorporation of the Corporation as amended from time to time;
- (c) "board" means the board of directors of the Corporation;

- (d) "by-laws" means all by-laws, including special by-laws, of the Corporation as amended from time to time;
- (e) "Corporation" means this Corporation;
- (f) "person" includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his capacity as trustee, executor, administrator or other legal representative;

1.02 In this by-law where the context requires words importing the singular include the plural and vice versa and words importing gender include the masculine, feminine, and neuter genders.

1.03 All the words and terms appearing in this by-law shall have the same definition and application as in the Act.

## 2. DIRECTORS

2.01 Powers - Subject to an unanimous shareholders' agreement, the Business and affairs of the Corporation shall be managed or supervised by a board of directors being composed of:

A fixed board of three directors

2.02 Resident Canadians - All directors shall be resident Canadians.

2.03 Qualifications - Any individual may be a director of the Corporation except:

- (a) A person who is less than eighteen years of age;
- (b) A person who is of unsound mind and has been so found by a court;
- (c) A person who has the status of bankrupt;
- (d) An employee of the Town of Renfrew or of the Corporation;
- (e) A member of Council of the Town of Renfrew.

2.04 Election and Term - The election of Directors shall take place at the first meeting of the shareholders and at each succeeding annual meeting. The directors shall hold office until the next annual meeting of shareholders. Incumbent directors, if qualified, shall be eligible for re-election to a maximum of five consecutive one-year terms. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected.

2.05 Resignation - A director who is not named in the articles may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the articles shall not be permitted to resign his office unless at the time the resignation is to become effective a successor is elected or appointed.

2.06 Removal - Subject to clause (f) in sections 120 of the Act, the shareholders may, or ordinary resolution at an annual or special meeting remove any director or directors from office before the expiration of his term and may, by a majority of votes cast at a meeting, elect any person in his place for the remainder of his term.

2.07 Vacation of Office - A director ceases to hold office when he dies, resigns, is removed from office by the shareholders, or ceases to have the necessary qualifications.

2.08 Vacancies - Subject to the exceptions in section 124 of the Act, where a vacancy occurs on the board, a quorum of the directors then in office may appoint a person to fill the vacancy for the remainder of the term. If there is not a quorum of directors or if there has been a failure to elect the number of directors required by the articles or in the case of a variable board as required by special resolution, the directors then in office shall forth with call a special meeting of the shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

2.09 Chairman of the Board - The Board shall from time to time appoint a chairman of the board who shall be a director and shall have such powers and duties as the board may specify.

### 3. MEETINGS OF DIRECTORS

3.01 Place of Meetings - Meeting of the board may be held at the Registered office of the Corporation or at any other place in Ontario.

3.02 Meetings by Telephone - Where all the directors present at or participating in the meeting have consented thereto, any director may participate in a meeting of the board by means of a conference telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and a director participating in such a meeting by such means is deemed for the purposes of the Act and these by-laws to be present at the meeting. If a majority of the directors participating in such a meeting are then in Ontario the meeting shall be deemed to have been held in Ontario.

3.03 Calling of Meetings - The Secretary shall call meetings of the board at such place, at such time and on such day as the chairman who is a director or any other two directors may determine. Notice of every meeting so called shall be given to each director not less than 96 hours (excluding any part of a Sunday and of a holiday as defined by the Interpretation Act) before the time when the meeting is to be held, except that no notice of meeting shall be necessary if all of the directors are present or if those absent have waived notice of or otherwise signified their consent to the holding of such meeting. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

3.04 Regular Meetings - The board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the board fixing the place and time of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meetings.

3.05 First Meeting of the New Board - Each newly elected board may without notice hold its first meeting for the purpose of organization and the election and appointment of officers immediately following a meeting of shareholders at which such board is elected, provided that a quorum of directors is present.

3.06 Quorum - Subject to the Articles or By-laws of the Corporation a majority of the number of directors required by the Articles constitute a quorum at any meeting of directors.

3.07 Chairman - The Chairman of any meeting of the board shall be the Chairman of the Board. If the Chairman is not present, the directors present shall choose one of their number to be Chairman.

3.08 Votes to Govern - At all meetings of the board, every question shall be decided by a majority of the votes cast on the question.

3.09 Casting Vote - In the case of any equality of votes on any question at a meeting of the board, the Chairman of the meeting shall be entitled to a second or casting vote.

3.10 Disclosure of Interests in Contracts - Every director or officer of the Corporation who is a party to material contract or proposed material contract with the Corporation, or is a director or officer or has a material interest in any corporation which is a party to a material contract or proposed material contract with the Corporation shall disclose in writing to the Corporation or request to have entered in the minutes of the meeting of directors the nature and extent of his interest as required by section 132 of the Act.

3.11 Resolution in Lieu of Meeting - A resolution in writing, signed by all the directors entitled to vote on that resolution at a meeting of directors or committee of directors, is as valid as if it had been passed at a meeting of directors or committee of directors. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors.

#### 4. REMUNERATION AND INDEMNIFICATION

4.01 Remuneration - The shareholders shall fix the remuneration of the directors. Such remuneration shall be in addition to any salary or professional fees payable to a director who serves the Corporation in any other capacity. In addition, directors shall be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties as the board may from time to time determine.

4.02 Limitation of Liability - No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act of conformity or for any loss, damage or expense happening to the Corporation through their insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or

for any loss occasioned by any error of judgement or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own willful neglect or default; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act or from liability for any breach thereof.

4.03 Indemnity of Directors and Officers - Except as provided in section 136 of the Act, every director and officer of the Corporation, every former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives shall, from time to time, be indemnified and saved harmless by the Corporation from and against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of such corporation or body corporate if,

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

4.04 Insurance - Subject of the limitations contained in the Act the Corporation shall purchase and maintain such insurance for the benefit of its directors and officers as such, as the board may from time to time determine.

## 5. OFFICERS

5.01 Election or Appointment - At the first meeting of the board after each election of directors, the board shall elect or appoint a president, and a secretary and treasurer and such other officers as the board may determine including one or more assistants to any of the officers so appointed. Any two of the said offices may be held by the same person. If the same person holds the office of secretary and treasurer, he may, but need not, be known as the secretary-treasurer.

5.02 Term, Remuneration and Removal - The terms of employment and remuneration of all officers elected or appointed by the board

(including the president) shall be determined from time to time by resolution of the board. All officers, in the absence of agreement to the contrary, shall be subject to removal by resolution of the board at any time with or without cause.

5.03 President - The president shall be the chief executive officer of the Corporation. At the request of the Chairman of the Board he may attend at all meetings of the shareholders and of the directors and shall be charged with the general supervision of the business and affairs of the Corporation except the power to do anything referred to in subsection 127 (3) of the Act.

5.04 Secretary - The secretary shall attend all meetings of the directors, shareholders and committees of the board and shall enter or cause to be entered in books kept for that purpose minutes of all proceedings at such meetings; he shall give, or cause to be given, when instructed, notices required to be given to shareholders, directors, auditors and members of committees; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and other instruments belonging to the Corporation; and he shall perform such other duties as may from time to time be prescribed by the board.

5.05 Treasurer - The treasurer shall keep, or cause to be kept proper accounting records as required by the Act; he shall deposit or cause to be deposited all monies received by the Corporation in the Corporation's bank account; he shall, under the direction of the board, supervise the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board, whenever required, an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall perform such other duties as may from time to time be prescribed by the board.

5.06 Other Officers - The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the board requires of them. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board otherwise directs.

5.07 Variation of Duties - From time to time the board may vary, add to or limit the powers and duties of any officer or officers, but shall not delegate to any officer any of the powers set forth in subsection 127(3) of the act.

5.08 Agents and Attorneys - The board shall have power from time to time to appoint agents or attorneys for the Corporation in or out of Ontario with such powers of management or otherwise (including the power

to sub-delegate) as may be thought fit.

5.09 Fidelity bonds - The board may require such officers, employees and agents of the Corporation as it deems advisable to furnish bonds for the faithful performance of their duties, in such form and with such surety as the board may from time to time prescribe.

## 6. MEETING OF SHAREHOLDERS

6.01 Annual Meetings - The directors shall call the first annual meeting of shareholders not later than eighteen months after the Corporation comes into existence and subsequently not later than six (6) months after fiscal year end. The annual meeting of shareholders of the Corporation shall be held at such time and on such day in each year as the board may from time to time determine, for the purpose of receiving the reports and statements required by the Act to be laid before the annual meeting electing directors, fixing the director's remuneration, appointing auditors for the transaction of such other business as may properly be brought before the meeting.

6.02 Special Meetings - The board may at any time call a special meeting of shareholders for the transaction of any business which may properly be brought before such meeting of shareholders. All business transacted at an annual meeting of shareholders, except consideration of financial statements, auditor's report, election of directors and reappointment of the incumbent auditor, is deemed to be special business.

6.03 Place of Meetings - Meetings of shareholders shall be held at the registered office of the Corporation, or at such other place within or outside of Ontario as the board from time to time determines.

6.04 Notice of Meetings - Notice of the time and place of each meeting of shareholders shall be sent not less than 10 days and not more than 50 days before the date of the meeting to the auditor of the Corporation to each director, and to each person whose name appears on the records of the Corporation at the close of business on the day next preceding the giving of the notice as a shareholder entitled to vote at the meeting. Notice of a special meeting of shareholders shall state:

- (a) the nature of the business to be transacted at the meeting in sufficient detail to permit the shareholders to form a reasoned judgment thereon; and
- (b) the text of any special resolution or by-law to be

submitted to the meeting.

6.05 Persons Entitled to be Present - The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat the directors and the auditor of the Corporation and others who although not entitled to vote are entitled or required under any provision of the Act or by-laws of the Corporation to be present at the meeting. Any other persons may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

6.06 Quorum - The holders of a majority of the shares entitled to vote at a meeting of the shareholders present in person or by proxy constitutes a quorum for the transaction of business at any meeting of shareholders.

6.07 One Shareholder Meeting - If the Corporation has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

6.08 Right to Vote - At any meeting of shareholders, unless the articles otherwise provide, each share of the Corporation entitles the holder thereof to one vote at a meeting of shareholders.

6.09 Joint Shareholders - Where two or more persons holder the same share or shares jointly, any one of such persons present at a meeting of shareholders may in the absence of the others vote the shares but, if two or more of such persons who are present in person or by proxy, vote, they shall vote as one on the shares jointly held by them.

6.10 Proxies - Every shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint proxy holders who are not required to be shareholders to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. A proxy shall be in writing and executed by the shareholder or by his attorney authorized in writing. Subject to the requirements of the Act the instrument may be in such form as the directors from time to time prescribe or in such other form as the chairman of the meeting may accept as sufficient. It shall be deposited with the Corporation before any vote is taken under its authority, or at such earlier time and in such manner as the board by resolution prescribes.

6.11 Scrutineers - At each meeting of shareholders one or more scrutineers may be appointed by a resolution of the meeting or by the chairman with the consent of the meeting to serve at the meeting. Such scrutineers need not be shareholders of the Corporation.

6.12 Votes to Govern - Unless otherwise required by the Act, or the articles or by-laws of the Corporation, all questions proposed for the consideration of the shareholders at a meeting shall be decided by a majority of the votes cast thereon.

6.13 Show of Hands - At all meetings of shareholders every question shall be decided by a show of hands unless a ballot thereon be required by the chairman or be demanded by a shareholder or proxy holder present and entitled to vote. Upon a show of hands every person present and entitled to vote, has one vote regardless of the number of shares he represents. After a show of hands has been taken upon any question, the chairman may require or any shareholder or proxyholder present and entitled to vote may demand a ballot thereon. Whenever a vote by show of hands shall have been taken up a question, unless a ballot thereon be so required or demanded, a declaration by the chairman that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the question. The result of the vote so taken and declared shall be the decision of the Corporation on the question. A demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

6.14 Ballots - If a ballot is required by the chairman of the meeting or is demanded and the demand is not withdrawn, a ballot upon the question shall be taken in such manner as the chairman of the meeting directs.

6.15 Adjournment - The chairman of a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place.

## 7. SHARES

7.01 Allotment - Subject to an Unanimous Shareholders' Agreement, the board may from time to time issue or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such time and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as prescribed in the Act.

7.02 Lien for Indebtedness - Subject to the Act, the Corporation has a lien on shares registered in the name of a shareholder or his legal representative for any debt of the shareholder to the Corporation. The Corporation may enforce the lien by:

(i) in the case of redeemable shares, redeeming the shares at their redemption price; and

(ii) in the case of all other shares by purchasing such shares at their book value for cancellation or for re-sale; and

by applying the value of such shares so determined to the debt of the shareholder. In enforcing the lien as aforesaid the Corporation shall not be obliged to redeem or purchase all of the shares of that class but only the shares subject to the lien. In electing to enforce the lien in this manner the Corporation shall not prejudice or surrender any other rights of enforcement of the lien which may in law be available to it or any other remedy available to the Corporation for collection of the debt or any part thereof.

7.03 Share Certificates - Every holder of one or more shares of the Corporation is entitled, at his option, to a share certificate, or to a non-transferable written acknowledgment of his right to obtain a share certificate, stating the number and class or a series of shares held by him as shown on the records of the Corporation. Share certificates and acknowledgments of a shareholder's right to a share certificate shall be in such form as the board shall from time to time approve. The share certificate shall be signed manually by at least one director or officer of the Corporation or by or on behalf of the registrar or transfer agent and any additional signatures required on the share certificate may be printed or otherwise mechanically reproduced thereon.

7.04 Replacement of Share Certificates - The directors may by resolution prescribe, either generally or in a particular case, the conditions upon which a new share certificate may be issued to replace a share certificate which has been defaced, lost, stolen or destroyed.

7.05 Transfer Agent and Registrar - The board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch security registers and one or more branch transfer agents to maintain branch registers of transfers, but one person may be appointed both registrar and transfer agent. The board may at any time terminate any such appointment.

## 8. DIVIDENDS

8.01 Declaration - Subject to the Act and the articles and the Unanimous Shareholder Agreement, the board may declare and the Corporation may pay a dividend to the shareholders according to their respective rights in the Corporation. Such a dividend may be paid by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation or may be paid in money or property.

8.02 Payment - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class in respect of which it has been declared, and mailed by ordinary mail postage prepaid to such registered holder at his last address appearing on the records of the Corporation. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and if more than one address appears on the books of the Corporation in respect of such joint holding the cheque shall be mailed to the first address so appearing. The mailing of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby, unless such cheque be not paid on presentation.

8.03 Non-Receipt of Cheque - In the event of the non-receipt of any cheque for a dividend by the person to whom it is so sent as aforesaid, the Corporation on proof of such non-receipt and upon satisfactory indemnity being given to it shall issue to such person a replacement cheque for a like amount.

8.04 Purchase of Business as of Past Date - Where any business is purchased by the Corporation as from a past date (whether such date be before or after the incorporation of the Corporation) upon terms that the Corporation shall as from that date take the profits and bear the losses of the business, such profits or losses as the case maybe shall, at the discretion of the directors be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividends, be treated as a profit or loss arising from the business of the Corporation.

## 9. FINANCIAL YEAR

9.01 Financial Year - The financial or fiscal year of the Corporation shall end on the 31<sup>st</sup> of December in each year.

## 10. NOTICES

10.01 Method of Giving Notice - Any notice, communication or other document to be given by the Corporation to a shareholder, director, officer, or auditor of the Corporation under any provision of the Act, the articles or by-laws shall be sufficiently given if delivered personally to the person to whom it is to be given, or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary mail or if sent to him at his recorded address by any means of any prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or delivered to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box and shall be deemed to have been received on the fourth day after so depositing and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been received on the fifth day after so depositing; appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer or auditor of the Corporation in accordance with any information believed by him to be reliable. The recorded address of a director shall be his latest address as shown in the records of the Corporation or in the most recent notice filed under the Corporations Information Act, whichever is the more current.

10.02 Computation of Time - In computing the date when notice must be given under any provision of the articles or by-laws requiring a specified number of days' notice of any meeting or other event, the date of the giving the notice shall, unless otherwise provided, be included.

10.03 Omissions and Errors - The accidental omission to give any notice to any shareholder, director, officer, or auditor, or the non-receipt of any notice by any shareholder, director, officer, or auditor or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

10.04 Notice to Joint Shareholders - All notices with respect to any shares registered in more than one name may if more than one address appears on the records of the Corporation in respect of such joint holding, be given to such joint shareholders at the first address so appearing, and notice so given shall be sufficient notice to all the holders of such shares.

10.05 Persons Entitled by Death or Operation of Law - Every person who by operation of law, by transfer or the death of a shareholder or otherwise becomes entitled to shares, is bound by every notice in respect of such shares which has been duly given to the registered holder of such shares prior to his name and address being entered on the records of the Corporation.

10.06 Waiver of Notice - Any shareholder (or his duly appointed proxy) director, officer or auditor may waive any notice required to be given under the articles or by-laws of the Corporation and such waiver, whether given before or after the meeting or other event of which notice is required to be given shall cure any default in the giving of such notice.

10.07 Signatures to Notice - The signatures to any notice to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

## 11. EXECUTION OF DOCUMENTS

11.01 Signing Officers - Deeds, transfers, assignments, contracts and obligations of the Corporation may be signed by the chairman or a director, together with the president or secretary-treasurer. Notwithstanding this, the board may at any time and from time to time direct the manner in which and the person or persons by whom any particular deed, transfer, contract or obligation or any class of deeds, transfers, contracts or obligations may be signed.

11.02 Seal - Any person authorized to sign any document may affix the corporate seal thereto.

## 12. EFFECTIVE DATE

12.01 Effective Date - This by-law comes into force upon confirmation by the shareholders of the Corporation in accordance with the Act.

ENACTED this 13th day of October 2000

Tom Freeman

PRESIDENT

Kathleen Gilchrist

SECRETARY/TREASURER

Resolved that the foregoing by-law is hereby enacted by the directors of the Corporation, pursuant to the Ontario Business Corporations Act as evidenced by the respective signatures hereto of all the directors.

Dated the ~~13th~~ 30th day of October 2000 (year)

Tom McMahon  
Aileen S Lindsay  
Anthony

In lieu of confirmation at a general meeting of the shareholders, we the undersigned, being all of the shareholders of the Corporation entitled to vote at a meeting of shareholders, hereby confirm in writing the foregoing by-law in accordance with the Ontario Business Corporations Act.

Dated the 30th day of October (year)

Rick Clemow  
Lois Lelclair  
Bill Eugene

Tom Anderson  
Earl J Bennett  
John Deane

Anthony

Mason Smith Heins

**Ex.1/Tab 8/Sch.2 – Board of Directors**

RHI has three corporate independent board members, (meaning that they are not an employee or officer of the utility). This conforms to the Affiliate Relationship Code (“ARC”) whereby at least one-third of its directors must remain independent from Affiliate Boards.

Open, frank and honest discussions are encouraged at all Board and Committee meetings. Management provides the RHI Board with all the written reports, PowerPoint presentations, oral reports, verbal and written responses to Board inquiries, that are crucial to the successful realization of RHI’s corporate goals and objectives. The RHI Board conducts an annual self-assessment of its performance, including the individual member’s performance.

The background of each Renfrew Hydro Board Member is as follows:

1. Barry Holt (Chair) Appointed 2001

- a. Civil Engineering with Business major, Carleton, 1993
- b. Current Employer : Times Fiber Communications, Subsidiary of Amphenol
  - i. 18 years service, VP Global Cable Operations
- c. Boards and Committees :  
President Renfrew Minor Soccer, 7 years.]

2. Andy Boldt (Vice-Chair), Appointed 2006

- a. Education: B.Sc., Mechanical Engineering, Queen’s 76
- b. Registered Engineer in Ontario – active
- c. Employment Status: Semi-retired
- d. Previous Employer: Scapa plc for 24 years until Nov. 2013
- e. Position at retirement: VP Operations/General Manager and President of Canada
- f. Other Boards/ Committees:
  - i. Renfrew Victoria Hospital Board of Directors – 9 years; Board Chair for past 5 years
  - ii. Renfrew Health Board of Directors – 3 years
  - iii. Renfrew Committee of Adjustment – 1.5 years
  - iv. Renfrew Planning Advisory Committee – 1.5 years

3. TBD due to a recent resignation.

- a.

**Ex.1/Tab 8/Sch.3 – Board Mandate**

The RHI Board mandate is as documented in the Shareholder Direction (see above) Article 2, Business of the Corporation.

**Ex.1/Tab 8/Sch.4 – Board Meetings**

In 2015, the RHI Board of Directors had 7 regular meetings, the Annual Shareholder meeting, and one Special Meeting.

**Table: 1.13 – Board Meeting Schedule**

Date	Description
January 9, 2015	Regular Board Meeting
February 3, 2015	Special Meeting
March 20, 2015	Regular Board Meeting
April 23, 2015	Regular Board Meeting
May 20, 2015	Shareholder Annual Meeting
June 22, 2015	Regular Board Meeting
September 25, 2015	Regular Board Meeting
October 30, 2015	Regular Board Meeting
December 04, 2015	Regular Board Meeting

**Ex.1/Tab 8/Sch.5 – Orientation and Continuing Education**

RHI values best practices of corporate governance and strives to maintain and adopt policies to promote maximum effectiveness. The Board recognizes that a Director Orientation and Continuing Education Policy is an essential tool to that effect.

The orientation and education process includes, but not limited to, the following information:

**Orientation:**

- Shareholder Directive
- Board Governance Policies (including Board Roles, Board Charters and Work Plans)
- Board Structure and Contacts
- Board Meeting Schedule
- Board Minutes (from previous year(s))
- Operating Bylaw / Corporate Policies / Corporate Background / Organizational Chart
- Strategic Plan / Sales & Marketing Plan
- Current Year Budget, Directors' & Officers' Insurance

**Continuing Education:**

The Board is responsible for ensuring Directors are provided with continuing education opportunities. Each Director shall assess his/her development needs annually during the Board evaluation process and inform the Chairperson of the Board and Chief Executive Officer of his/her development requirements.

**Ex.1/Tab 8/Sch.6 – Ethical Business Conduct**

RHI's Board has not yet adopted an Ethical Business Code of Conduct.

Potential conflicts of interest are declared and assessed at the outset of all Board meetings.

**Ex.1/Tab 8/Sch.7 – Nomination of Directors**

Nominations for RHI Board of Directors is done as documented in RHI By-Law #1 in the previous section.

1   **Ex.1/Tab 8/Sch.8 – Board Committees**

2

3   At the present time, there are no Board Committees.

4

5

# Scorecard Performance Evaluation

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## Ex.1/Tab 9/Sch.1 – Scorecard Discussion

Under the Renewed Regulatory Framework a distributor is expected to continuously improve its understanding of the needs and expectations of its customers and its delivery of services. RHI continuously monitors its performance drivers outlined in its Vision “To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, and least cost service.” Through monitoring, self-assessment of performance, and due diligence combined with a proactive asset management approach RHI continues to deliver superior performance to its customers by setting realistic targets and adjusting its business plan accordingly.

RHI’s 2014 Scorecard can be found below. RHI is measured on four main categories:

### **Customer Focus measures both Service Quality and Customer Satisfaction:**

Over the past five years RHI has exceeded all of these measures including new services connected on time, scheduled appointments met, telephone calls answered within 30 seconds, first contact resolution, billing accuracy and customer satisfaction. RHI attributes this success to its personalized service. Employees answer the telephone themselves with no automated phone system, and make personal arrangements for appointments. At the first point of contact, whether on the phone or the office, customers are generally helped immediately with questions or issues. The 2014 Customer Satisfaction Survey resulted in a 92% good or excellent rating. As RHI has some of the lowest costs and lowest outage statistics combined with excellent customer service, we expect the Customer Satisfaction performance to continue as customers rate cost and reliability very highly in terms of importance.

### **Operational Effectiveness:**

Annual audits conducted by the Electrical Safety Authority have reported that RHI was “C” – Complaint with Ontario Regulation 22/04 (Electrical Distribution Safety) in 2012, 2013, 2014, and 2015. This has been achieved and maintained by our resilient commitment to safety coupled with the adherence to company procedures and policies. RHI has never had a serious public safety incident in its history and through the recent Safety Survey RHI customer safety awareness was determined to be very high. Through public education, due diligence inspections and maintaining the system up to very high standards it is expected this performance will be maintained.

RHI considers reliability of electrical service as a high priority for its customers and constantly monitors its distribution system for performance and works with its supplier to shorten or reduce outage times. RHI maintains a high degree of reliability on the distribution system thanks to its maintenance and vegetative management programs. In 2014, SAIDI was 1.92 and SAIFI was 1.10. These measures reflect a very high performing system and has been consistent for the past 5 years.

RHI is remitting its Distribution System Plan with this application and is committed to following the plan. Details on the Distribution System Plan can be found in Exhibit 2.

RHI's efficiency assessment remains in Category 4 which is a measure of budgeting and adherence to budgets within a set percentage. The total cost per customer is \$559 which is well below the provincial average. RHI strives to control its costs while meeting the needs of its customers and reliability of its distribution system.

#### **Public Policy Responsiveness:**

RHI delivers the IESO (formerly OPA) conservation and demand management programs in partnership with Hydro Ottawa. In the 2010 to 2015 Conservation Framework, RHI achieved 96% of its targeted energy savings. This was achieved by leveraging the suite of OEB approved CDM programs primarily designed for the residential and small commercial classes of customers. Although the Demand Savings were at 52% success rate, very few utilities in the Province reached the 100% demand target. With very little industrial base to work with the demand target is difficult to achieve for RHI.

RHI had 10 MicroFit customers connected at the end of 2015. All of these were connected on time over several years previous. RHI also had 4 FIT customers at the end of 2015, with 3 additional FIT being connected in 2016.

#### **Financial Ratios:**

RHI achieved a ROE of -0.92% in 2015 and 2.92% in 2014, which is well below the +/- 3% range allowed by the OEB. The average ROE over the past five years was 4.05%, which is well below the deemed regulatory return specified in RHI's approved rates. RHI is seeking approval for increased rates in this application to return to deemed profitability levels of 9.18% ROE.

Scorecard - Renfrew Hydro Inc.											9/28/2015
									Target		
Performance Outcomes	Performance Categories	Measures	2010	2011	2012	2013	2014	Trend	Industry	Distributor	
Customer Focus  Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	85.50%	90.30%	79.30%	87.80%	89.40%	⬆	65.00%		
	Customer Satisfaction	First Contact Resolution					87%				
		Billing Accuracy					99.82%	➡	98.00%		
		Customer Satisfaction Survey Results					92%				
Operational Effectiveness  Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public awareness [measure to be determined]									
		Level of Compliance with Ontario Regulation 22/04	C	NI	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted	2.50	0.98	1.92	0.23	1.92	⬇		at least within 0.23 - 2.50	
		Average Number of Times that Power to a Customer is Interrupted	2.22	0.84	1.40	0.12	1.10	⬇		at least within 0.12 - 2.22	
	Asset Management	Distribution System Plan Implementation Progress					82%				
	Cost Control	Efficiency Assessment			4	4	4				
		Total Cost per Customer <sup>1</sup>	\$529	\$559	\$561	\$561	\$559				
		Total Cost per Km of Line <sup>1</sup>	\$39,941	\$42,516	\$42,980	\$39,493	\$30,047				
Public Policy Responsiveness  Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Annual Peak Demand Savings (Percent of target achieved) <sup>2</sup>		17.07%	27.11%	34.28%	52.29%	●		1.05MW	
		Net Cumulative Energy Savings (Percent of target achieved)		42.30%	69.31%	79.69%	96.36%	●		4.86GWh	
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time			100.00%		100.00%				
		New Micro-embedded Generation Facilities Connected On Time				100.00%		90.00%			
Financial Performance  Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.00	2.26	2.12	1.71	1.65				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.89	0.84	0.81	0.78	0.77				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.85%	9.85%	9.85%	9.85%			
			Achieved		8.39%	5.36%	4.50%	2.92%			
Notes: 1. These figures were generated by the Board based on the total cost benchmarking analysis conducted by Pacific Economics Group Research, LLC and based on the distributor's annual reported information. 2. The Conservation & Demand Management net annual peak demand savings include any persisting peak demand savings from the previous years.							Legend:	⬆ up	⬇ down	➡ flat	
									● target met	● target not met	

# Renfrew Hydro Inc.

## 2014 Scorecard Management Discussion and Analysis

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2014 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

### Scorecard MD&A - General Overview

In 2014, Renfrew Hydro Inc. exceeded all performance targets, with the exception of the two measures in conservation and demand management savings. Being a small utility, we are located in the community we serve. Our focus has always been, and will continue to be on you, our customers. We are committed to keeping costs as low as possible, while providing you with quality customer service, and consistent, reliable electricity delivered safely to your homes.

Aging distribution infrastructure continues to be the primary challenge facing utilities today. Like most utilities in Ontario, Renfrew Hydro Inc. must replace aging infrastructure at an accelerated pace in order to meet this challenge. In addition, vegetation control, including tree trimming activities, continue to be an important regular maintenance activity in order to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

In 2015, Renfrew Hydro Inc. will continue its efforts to maintain and improve its overall scorecard performance results as compared to prior years. This performance improvement is expected as a result of continued investment in both our infrastructure and in our response to your needs.

### Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2014, Renfrew Hydro Inc. connected all requests for low-voltage (connections under 750 volts) residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. Renfrew Hydro Inc. considers “New Services Connected on Time” as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer’s expectations, which in turn affects the level of customer satisfaction within a utility’s territory. Consistent with prior years, Renfrew Hydro Inc. connected 100% of these customers on time, which significantly exceeds the Ontario Energy Board’s mandated target of 90% for this measure. Renfrew Hydro Inc. expects this trend to continue into the foreseeable future.

- **Scheduled Appointments Met On Time**

Renfrew Hydro Inc. schedules appointments to connect services, disconnect services, or otherwise complete work requested by its customers. Renfrew Hydro Inc. considers “Scheduled Appointments Met” as an important form of customer engagement as customer presence is required for all types of appointments. Consistent with prior years, Renfrew Hydro Inc. met 100% of these appointments on time, which significantly exceeds the Ontario Energy Board’s mandated target of 90% for this measure. Renfrew Hydro Inc. expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2014, Renfrew Hydro Inc. received over 8,790 calls from its customers. Renfrew Hydro Inc. considers “Telephone Calls” to be an important communication tool for identifying and responding to its customers’ needs and preferences. Consistent with prior years, a customer service representative answered 89.4% of these calls in 30 seconds or less, which significantly exceeds the Ontario Energy Board mandated target of 65% for this measure. Renfrew Hydro Inc. expects this trend to continue into the foreseeable future.

## Customer Satisfaction

- **First Contact Resolution**

Specific customer satisfaction measurements have not been previously defined across the industry. The Ontario Energy Board (OEB) has instructed all electricity distributors to review and develop measurements in these areas and begin tracking by July 1, 2014 so that information can be reported in 2015. The OEB plans to review information provided by electricity distributors over the next few years and implement a commonly defined measure for these areas in the future. As a result, each electricity distributor may have different measurements of performance until such time as the OEB provides specific direction regarding a commonly defined measure.

First Contact Resolution can be measured in a variety of ways and further regulatory guidance is necessary in order to achieve meaningful comparable information across electricity distributors.

Renfrew Hydro Inc. defines “First Contact Resolution” as the number of customer enquires that are resolved by the first contact at the utility. A ratio measuring enquires resolved upon first contact and those escalated to an alternate contact at the utility, typically a supervisor or a manager was used to measure our performance. All customer enquires that are made to a customer service representative whether by telephone, letter, e-mail, or in person were included. Renfrew Hydro Inc. considers the ability to address customer enquiries quickly and accurately to be an essential component of customer satisfaction. For the period July 1, 2014 to December 31, 2014, 87% of all Renfrew Hydro customer enquiries were successfully resolved during first contact. Renfrew Hydro Inc. expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Billing Accuracy**

Billing Accuracy is a new scorecard measure introduced by the Ontario Energy Board late in 2014, and is defined as the number of accurate bills issued expressed as a percentage of total bills issued. Renfrew Hydro Inc. considers timely and accurate billing to be an essential component of customer satisfaction. For the period from October 1, 2014 – December 31, 2014, Renfrew Hydro Inc. issued more than 7,263 customer bills and achieved a billing accuracy of 99.82%, which is within the Ontario Energy Board mandated target of 98%. Renfrew Hydro Inc. expects this trend to continue for 2015, the first full year of reporting on this measure.

- **Customer Satisfaction Survey Results**

Customer Satisfaction Survey is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Ontario Energy Board has not yet issued a common definition for this measure but is expected to do so within the next few years. As a result, this measure may differ from other utilities in the Province.

For 2014, Renfrew Hydro Inc. engaged customers through its first customer satisfaction survey. The survey canvassed a number of key areas including power quality and reliability, price, billing and payments, communications, and the overall customer service experience. Renfrew Hydro Inc. considers this customer satisfaction survey to be useful tool for engaging the customer to get a better understanding of their wants and needs with respect to the provision of electricity services and for identifying areas that may require improvement. For 2014, Renfrew Hydro Inc. received a rating of 92% on its customer satisfaction survey (the percentage of customer ratings listed as Yes/Excellent/Good). Renfrew Hydro Inc. is only required to report on this measure on a biennial basis (every second year), but expects this trend to continue into the foreseeable future.

## Safety

- **Public Safety**

Public Safety is a new scorecard measure introduced by the Ontario Energy Board for the 2014 scorecard. The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

**Component A – Public Awareness of Electrical Safety:**

Component A consists of a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. **Please Note: The survey for Component A has not yet been implemented and will not be reported until next year.**

**Component B – Compliance with Ontario Regulation 22/04:**

Component B consists of a utilities compliance with Ontario Regulation 22/04 - Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past three years, Renfrew Hydro Inc. was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by our strong commitment to safety, and the adherence to company procedures & policies.

**Component C - Serious Electrical Incident Index:**

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory. In the 5 years from 2010 to 2014, Renfrew Hydro Inc. had zero fatalities and zero serious incidents within its territory. This is another reflection of our strong commitment to safety and our continued training. Renfrew Hydro expects this trend to continue in the foreseeable future.

## System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. Renfrew Hydro Inc. views reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. Renfrew Hydro Inc. also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The OEB typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2014, Renfrew Hydro Inc. achieved 1.92, as the average number of hours that power to a customer was interrupted, which is within the range of its historical performance for interrupted power and consistent with other measures over the five-year period between 2010 and 2014. This trend is expected to continue into the foreseeable future.

- **Average Number of Times that Power to a Customer is Interrupted**

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for Renfrew Hydro Inc. As outlined above, the OEB also typically requires a utility to keep this measure within the range of its historical performance and outside factors can also greatly impact this measure. Renfrew Hydro's customers experienced interrupted power an average of 1.1 times during 2014, which is within the range of its historical performance for interrupted power and consistent with other measures over the five-year period between 2010 and 2014. This trend is expected to continue into the foreseeable future.

## Asset Management

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a new performance measure instituted by the Ontario Energy Board beginning in 2013. The Distribution System Plan will outline Renfrew Hydro's forecasted capital expenditures over the next five (5) years, which are required to maintain and expand the utility's electricity system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess Renfrew Hydro's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, this measure may differ from other utilities in the Province.

Renfrew Hydro plans to file an application with the OEB for a full review of its rates effective May 1, 2016. Accordingly, as of April 2015 (Scorecard data submission deadline), Renfrew Hydro was in the process of finalizing its Distribution System Plan ("DSP").

For 2014, Renfrew Hydro Inc. defines this measure as the tracking of actual capital projects completed to planned capital projects for the year, expressed as a percentage. With this understanding, Renfrew Hydro Inc. completed 82% of the capital projects planned for 2014. This trend is expected to continue into the foreseeable future.

## Cost Control

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2014, for the third year in a row, Renfrew Hydro Inc. was placed in Group 4 in terms of efficiency. Group 4 is considered “fair” and is defined as having actual costs within 10% to 25% of predicted costs. Although Renfrew Hydro’s forward looking goal is to advance to a “more efficient” group, management’s expectation is that its efficiency performance will not decline.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of Renfrew Hydro’s capital and operating costs divided by the total number of customers that Renfrew Hydro serves. Similar to most distributors in the province, Renfrew Hydro has experienced increases in its total costs required to deliver quality and reliable services to customers. Province wide programs such as Time of Use pricing, growth in wage and benefits costs for our employees, as well as investments in new information systems technology and the renewal of the distribution system, have all contributed to increased operating and capital costs.

The cost performance result for 2014 is \$559/customer. Renfrew Hydro’s total cost per customer has increased by 6% since 2010. Going forward, utility costs are expected to keep pace with economic fluctuations, however, Renfrew Hydro will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements, while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The Total cost is divided by the kilometers of line that Renfrew Hydro operates to service its customers. Renfrew Hydro’s 2014 rate is \$30,047 per Km of line. The 2014 cost per Km is lower than calculated in previous years. For 2014 Renfrew Hydro revised its calculation method for determining the circuit length measurements to more accurately report the kilometers of line. Renfrew Hydro’s growth rate is considered to be low. A low growth rate can reduce Renfrew Hydro’s ability to fund capital renewal and the increased operating costs. As a result, the cost per km of line is expected to increase as capital and operating costs also increase. As we progress into the future, Renfrew Hydro will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

## Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved)**

Late in 2010, the OEB mandated a new 2011 - 2014 framework for electricity conservation and demand management (CDM) in Ontario. As a result, the OEB was required to establish CDM targets for the reduction of electrical consumption (kWh’s) and electricity demand (kW’s) to be met by certain licensed electricity distributors across the province. The Ontario Power Authority supported this initiative through the introduction of a number of OEB approved CDM programs designed to conserve electricity across all classes of electricity customers.

Renfrew Hydro achieved 52.29% of its net annual peak demand (kW) savings target at the end of 2014. The prime candidates for demand savings programs are large industrial and manufacturing customers. The Renfrew region has a very light industrial and manufacturing customer base, so the opportunities for significant demand savings in Renfrew are minimal. However, Renfrew Hydro is continuing to offer a number of provincial initiatives to further reduce the peak demand requirements.

- **Net Cumulative Energy Savings (Percent of target achieved)**

Renfrew Hydro achieved 96.36% of its net cumulative energy savings target by the end of 2014. Renfrew Hydro delivered province-side conservation programs to residential and commercial customers. The programs that contributed to these results, included the Retrofit Program offered to larger Commercial customers, the Small Business Lighting Program, the Fridge & Freezer Pick up Program, and Residential Coupon Programs.

## Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving authorization from the Electrical Safety Authority. In 2014, Renfrew Hydro completed one CIA and it was done within the prescribed time limit. Renfrew Hydro outsources the CIA work to an engineering consultant. Renfrew Hydro expects the trend for this measure to continue for the foreseeable future.

- **New Micro-embedded Generation Facilities Connected On Time**

Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. In 2014, Renfrew Hydro had no new micro-embedded generation facilities connected to its distribution system. These projects must be connected within the prescribed timeframe of five (5) business days, and the Ontario Energy Board's has mandated a target of 90% for this measure. In 2013 one facility was connected within the required timeframe. Renfrew Hydro works closely with its customers and their contractors to ensure the customer's needs are met and/or exceeded. Renfrew Hydro expects to meet the target on this measure for all future micro-embedded generation connections in the foreseeable future.

## Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. Companies with a ratio greater than 1 are often referred to as being "liquid". The higher the number, the more "liquid" and the larger the margin of safety to cover the company's short-term debts and financial obligations.

Renfrew Hydro's current ratio decreased from 1.71 in 2013 to 1.65 in 2014. Even though Renfrew Hydro's current ratio has been declining since 2011, it still has a current ratio of a financially healthy organization. Renfrew Hydro's current ratio is expected to remain healthy into the foreseeable future.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt.

In 2014, Renfrew Hydro's debt to equity ratio was 0.77, which is lower than the ratio deemed by the OEB. Renfrew Hydro plans to finance large capital purchases in the future, which will increase the debt to equity ratio closer to the Ontario Energy Board's capital structure.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. A ROE of 10% is generally considered good. Renfrew Hydro's current distribution rates were approved by the OEB in 2010 and include an expected (deemed) regulatory return on equity of 9.85%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

Renfrew Hydro Inc. achieved a ROE of 2.92% in 2014, which is below the +/-3% range allowed by the OEB (see above paragraph). Since the distribution rates were approved in 2010 there have been changes that have impacted our ability to earn the deemed ROE. Distribution revenues have decreased due to lower customer numbers and lower volumes. Renfrew Hydro's operating expenses have also increased since the 2010 rates were approved. Renfrew Hydro plans to file an application with the OEB for a full review of its rates effective May 1, 2016. When new rates are set, Renfrew Hydro's ROE should be closer to the expected regulatory return.

## Note to Readers of 2014 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgment on the reporting date of the performance scorecard, and could be markedly different in the future.



## **Electrical Safety Authority Public Awareness Survey 2016**

### **Detailed Final Report**

Final: April 11, 2016

**REDHEAD**   
MEDIA SOLUTIONS

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## 1 SUMMARY

### Background and Objectives

In January 2016, Redhead Media Solutions Inc. (Redhead) was retained by Hydro Electric Concepts Inc. (CHEC) to conduct the 2016 Electrical Safety Authority's Public Awareness survey for 12 of its member Local Distribution Companies (LDCs) in Ontario. This survey is a required part of an LDC's Balanced Scorecard reporting to the Ontario Energy Board (OEB). For this project, Redhead partnered with a nationally recognized market research firm to assist with certain facets of the undertaking.

The complete group of participating CHEC LDCs are as follows:

- Centre Wellington Hydro
- Collus PowerStream
- Lakeland Power
- Midland PUC
- Niagara-on-the-Lake Hydro
- Orangeville Hydro
- Ottawa River Power
- Renfrew Hydro
- Rideau St. Lawrence Distribution
- Wasaga Distribution
- Wellington North Power
- West Coast Huron Energy

Additionally, Redhead also provided services for this project outside the CHEC group of LDCs.

**This final report contains data specifically for Renfrew Hydro Inc.**

This survey was compromised of approximately 400 randomly selected interviews per LDC with Ontario residents that are 18 years or older and residing in the required LDC **service territories**. The sample frame is stratified by age group and gender within the geographic location and weighted to be representative of the adult population within each LDC.

The objective of the survey is to provide a Public Safety Awareness (PSA) index score for each LDC. This is a calculated aggregate value based on the responses of individuals to six core measures in the survey instrument.

### Public Safety Awareness Index Score

LDC	Public Safety Awareness (PSA) Index Score
Renfrew Hydro	82.6%

## 2 METHODOLOGY

### Target Respondents

- The respondents to the survey were Ontario residents 18 years of age and older who resided within RENFREW HYDRO's service territory(s).
- Target areas were determined based on a list of postal codes provided by Renfrew Hydro.

### Sample Size and Statistical Reliability

- The final total completed surveys for Renfrew Hydro, and the associated margin of error are shown below. All margins of error are shown at a 95% confidence level.
  - E.g., The margin of error associated with a sample size of 400 is  $\pm 4.9$  percentage points, 19 times out of 20.
  - Because many of the LDCs' service areas have smaller adult (18+) populations, and MoE is a function of the relationship between sample size and population, it is appropriate to apply a "finite population correction factor" when calculating margin of error. When sample size is a higher percentage of the population, the MoE narrows, as shown below in bold.
  - Although ultimately short of the desired 400 completes due to small initial sample size, the number of completed surveys for Renfrew Hydro provided statistically valid data for the purposes of this project.
  - All best efforts were taken to ensure the highest number of completes possible, including extending the sampling dates beyond March 31<sup>st</sup>. The land line "burn rate", was an outstanding 5-1, far exceeding the 15-1 ratio referred to in the ESA/OEB documentation. A detailed explanation of these best efforts can be obtained if needed.

LDC	Completed Surveys	Sample Size as % of Population	Margins of Error @ 95% confidence level	
			Assuming large population	Using actual 18+ populations
Renfrew Hydro	389	5.7%	+/- 5.0%	<b>+/- 4.8%</b>

### Sampling Methodology

- Both landline and wireless phone numbers from our sample partner.
- The landline sample included listed numbers only (normally we would include a portion of unlisted numbers), since we needed postal codes for each number in order to identify whether the household was part of the specified area for RENFREW HYDRO.
- The wireless sample was drawn randomly from the most recent working cell phone lists in rate centers in or around the service territory.
- Sampling occurred from these lists of numbers randomly.
- Sample management was done using our partner firm's proprietary Sample Server.
- To minimize low response:

- Sample was loaded in batches to ensure the sample was fully utilized before moving onto fresh sample records;
- Calls were made between the hours of 4 p.m. and 9 p.m. ET; and,
- Call backs were scheduled and honored between the hours of 9 a.m. and 9 p.m. ET.

## Questionnaire

- The survey instrument was provided by the Ontario Energy Board and Electrical Safety Authority.
- The survey consisted of an introduction, the core electrical safety questions, and some demographics.

## Survey Pre-test

- 143 interviews were pre-tested before the survey was fully launched (selected large sample markets).
- The pre-test was conducted to ensure:
  - The suitability of the introduction;
  - The length of the interview;
  - That respondents understood the survey; and,
  - To ensure the data was being captured accurately.
- No survey changes were required as a result of the pre-test.

## Data Collection

- Computer aided telephone interviews (CATI) were conducted within Renfrew Hydro's service territory.
- Data was collected early in 2016 in the following time periods:

LDC	Started	Completed
Renfrew Hydro	February 1	April 6

## Quality Control

- All interviewers were trained to understand the study's objectives;
- Detailed call records are kept by the automated CATI system, and are supplemented by output files to SPSS for productivity analysis (e.g., not subject to human error);
- The survey was soft launched in LDCs that had the most available sample, and the data was then checked before calling began in full for all LDCs;
- 100% of all surveys are digitally recorded for potential review (see next bullet);
- A quality assurance team listened to the actual recordings of five percent of completed surveys (of the entire CHEC sample) and compared the responses to those entered by the interviewer to ensure that responses from respondents are properly recorded;
- Team Supervisors conduct regular more formal evaluations with each interviewer, in addition to nightly monitoring of each interviewer on their team;

- Project Managers closely monitored the progress of data collection, including call record dispositions;
- All SPSS code is reviewed by a more senior researcher;
- All Report Builder output is reviewed by a more senior researcher; and,
- All values in the report are reviewed by another team member to ensure accuracy.

## **Analysis of Findings and Data Weighting**

- For Renfrew Hydro's service territory, results were weighted to match corresponding population proportions from the most recent Statistics Canada census data for these six combinations of gender and age:
  - Males 18-34
  - Females 18-34
  - Males 35-54
  - Females 35-54
  - Males 55 and older
  - Females 55 and older
- As noted above, the LDC service territory was specified by postal code. Since census data is not available by postal code we looked at municipalities covered by the LDC, and the population numbers for the Census Subdivisions that most closely matched those municipalities were totaled to arrive at the LDC population proportions for each of the six gender/age combinations.
- Please see the next two sections for more details.
- The Public Safety Awareness index scores have been highlighted and were calculated as described below, based on instructions from the Electrical Safety Authority (ESA).
- The "provided response values" referenced in the description below were also determined and provided by the ESA.
- Data analysis and cross-tabulation have been conducted using SPSS and Report Builder software.

This index score is calculated using the following formulas:

**Step 1:** Add each individual respondent's key measurement questions using the provided response values.

$$\begin{array}{rcl}
 & & B5 \\
 + & & B6 \\
 + & & B7 \\
 + & & B8 \\
 + & & B9 \\
 + & & B10 \\
 = & & \text{Individual respondent's cumulative score}
 \end{array}$$

**Step 2:**

Individual respondent's cumulative score / # of sections  
= Respondent Standardized Score

**Step 3:**

Summation of all "Respondent Standardized Scores" / n-size (i.e. total sample size)  
= Raw Index Score

**Step 4:**

Raw Index Score  $\times$  100 = Index Score (bound between 0-100%)

### 3 LDC SERVICE TERRITORY DEFINED BY POSTAL CODE

Renfrew Hydro defined its service territory by Postal Code which allowed our callers to target the appropriate geographic area.

Redhead Media Solutions have the original, detailed lists of postal codes for the service territory, should they need to be referenced.

LDC	Total Postal Codes in Service Territory	Forward Sortation Areas (FSA) Covered	Number of Local Delivery Units in Each FSA
Renfrew Hydro	400	K7V	400

### 4 POPULATION PROPORTION ESTIMATES

As noted above, the service territory was specified by postal code. Since census data is not available by postal code, serviced municipalities were identified, and the population numbers for the Census Subdivisions that most closely matched those municipalities were totaled to arrive at the estimated LDC population proportions for each of the six gender/age combinations.

Renfrew Hydro					
Municipalities Covered	Gender	Age	Population	Population Proportion	Weighted Sample Count
Renfrew Census Subdivision Code 3547048	Male	18-34	675		
	Female	18-34	720		
	Male	35-54	1,045		
	Female	35-54	1,100		
	Male	55+	1,345		
	Female	55+	1,890		
TOTAL	Male	18-34	675	10%	39
	Female	18-34	720	11%	41
	Male	35-54	1,045	15%	60
	Female	35-54	1,100	16%	63
	Male	55+	1,345	20%	77
	Female	55+	1,890	28%	109
			6,775		389

## 5 SURVEY QUESTIONS AND ANSWERS

b5 -- If you were to undertake a household project that required digging, such as planting a tree or building a deck, how likely are you to call to locate electrical or other underground lines?

	Renfrew Hydro
Base: Total Answering	389
NET Likely	63%
NET Unlikely	12%
Definitely	40%
Very likely	23%
Somewhat likely	5%
Not very likely	6%
Not at all likely	6%
I would not undertake a project that required digging	18%
Don't know	2%

b6 -- How dangerous do you believe it is to touch - with your body or any object - an overhead power line?

	Renfrew Hydro
Base: Total Answering	389
NET Dangerous	98%
NET Not dangerous	1%

Very dangerous	95%
Somewhat dangerous	3%
Not very dangerous	0%
Not at all dangerous	1%
Don't know	1%

**b7 -- When undertaking outdoor activities, such as, standing on a ladder, cleaning windows or eaves, climbing or trimming trees, how closely do you believe you can safely come to an overhead power line with your body or an object?**

	Renfrew Hydro
Base: Total Answering	389
You can safely touch an overhead power line	1%
Less than 1 metre (i.e. less than 3 feet)	5%
1 to less than 3 metres (i.e. 3 to less than 10 feet)	18%
3 metres to less than 6 metres (i.e. 10 feet to less than 20 feet)	16%
You should maintain a distance of 6 metres or more (i.e. 20 feet or more)	52%
Don't know	7%

**b8 -- Some electrical utility equipment is located on the ground, such as locked steel cabinets that contain transformers. How dangerous do you believe it is to try to open, remove contents, or touch the equipment inside?**

	Renfrew Hydro
Base: Total Answering	389
NET Dangerous	98%
NET Not dangerous	1%
Very dangerous	94%
Somewhat dangerous	4%
Not very dangerous	0%
Not dangerous at all	0%
Don't know	2%

**b9 -- How closely do you believe you can safely come to a downed overhead power line, such as a downed line caused by a storm or accident?**

	Renfrew Hydro
Base: Total Answering	389
You can safely touch a downed overhead power line	0%
Less than 1 metre (i.e. less than 3 feet)	2%
1 to less than 5 metres (i.e. 3 to less than 16 feet)	5%
5 metres to less than 10 metres (i.e. 16 feet to less than 33 feet)	10%
You should maintain a distance of 10 metres or more (i.e. 33 feet or more)	79%
Don't know	4%

**b10 -- If you were in a vehicle, such as a car, bus, or truck, and an overhead power line came down on top of it, which of the following options do you believe is generally safer?**

	Renfrew Hydro
<b>Base: Total Answering</b>	389
<b>Get out quickly and seek help</b>	6%
<b>Stay in the vehicle until power has been disconnected from the line</b>	94%
<b>Don't know</b>	0%

**b11 -- Does your job regularly cause you to come close to energized power lines?**

	Renfrew Hydro
<b>Base: Total Answering</b>	389
<b>Yes</b>	8%
<b>No</b>	92%
<b>Don't know</b>	0%

**b12 -- Do you work in any of the following fields?**

	Renfrew Hydro
<b>Base: Job requires regular proximity to energized power lines</b>	23
<b>Construction or outdoor trades</b>	63%
<b>Electrician</b>	6%
<b>General labour</b>	6%
<b>Transportation</b>	0%
<b>Other</b>	22%
<b>Don't know/Prefer not to say</b>	2%

**b13 -- How would you describe your primary residence?**

	Renfrew Hydro
<b>Base: Total Answering</b>	389
<b>A fully-detached home</b>	74%
<b>An apartment or condo building less than 5 storeys</b>	13%
<b>A semi-detached home</b>	6%
<b>A townhome or row house</b>	5%
<b>A farm</b>	0%
<b>An apartment or condo building 5 storeys or higher</b>	0%
<b>Other</b>	2%

b14 -- Does your primary residence receive electricity through overhead wires or underground cables?	
	Renfrew Hydro
Base: Total Answering	389
Overhead wires	79%
Underground cables	14%
Don't know	6%

Public Safety Awareness Index Score	
	Renfrew Hydro
Base: Total Answering	389
PSA index score	82.6%

## 6 CONCLUSIONS

As can be seen in the table above, **Renfrew Hydro's ESA Public Safety Awareness Index Score is 82.6%**. This falls within the very tight spectrum of index scores we processed for all LDCs that participated via Redhead, of 81.5% to 84.6%. We await with interest results from other markets in Ontario to see if they too fall within this narrow band.

Question scoring and index methodologies were prescribed by the ESA/OEB, creating a very narrow focus for this survey. As such, there has been no additional analysis provided beyond the direction provided to meet the reporting requirements. Should you wish further analysis of the data please contact our office to discuss.

## 7 OTHER

As of 2016, the ESA Public Safety Awareness survey is scheduled for biennial administration. It has been our pleasure to complete this work for Renfrew Hydro and trust that we met or exceeded your expectations. We look forward to working with you in again on this project in 2018.

Should you have any questions or comments about the contents of this report or regarding the administration of the survey, please contact:

Graydon Smith  
 President  
 Redhead Media Solutions Inc.  
 416-505 Hwy 118 W.  
 Bracebridge, ON  
 P1L 2G7  
 705-644-3253 (direct)

1 Letters of Comment

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2 **Ex.1/Tab 10/Sch.1 - Letter of Comment**

3 The utility does not have any letter of comments to respond to at the time of the filing.