ATIKOKAN HYDRO INC
EXHIBIT 1

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2017
EB-2016-0056

2.1 Exhibit 1: Administrative Documents

2.1.1

2.1.2 Executive Summary

Atikokan is requesting an increase to meet its revenue requirement; a revenue deficiency of $142,951 from its existing Board Approved Distribution rates: EB-2015-0052. The revenue deficiency was calculated from taking the 2017 Load Forecast times the existing distribution rates

Atikokan completed its Cost of Service Application in accordance with OEB Chapter 2 Filing requirements for Electricity Distribution Rate Applications.

Operations, Maintenance and Administration including Billing and Collecting ("OM&A") costs and programs in this application represent Atikokan's integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and government direction; and to maintain distribution business service quality and reliability at targeted performance levels; ensuring the Town of Atikokan is provided with safe, reliable and affordable electricity. OM&A costs also include providing services to customers connected to Atikokan's distribution system and meeting the requirements of the OEB's Standard Supply Service Code and Retail Settlement Code. This also includes costs to contributing and achieving the new Renewed Regulatory Framework performance outcomes of Customer Focus, Operational Effectiveness and Public Policy Responsiveness. While Atikokan strives to meet or exceed all stakeholder requirements, it all comes at a cost and with a declining customer count it puts added pressure on the remaining customers.

Atikokan Hydro Inc. has prepared this Distribution System Plan in accordance with the Ontario Energy Board's Chapter 5 Consolidated Distribution System Plan Filing Requirements. This Distribution System Plan is for the period of 2017 through 2021. This is Atikokan Hydro's first Distribution System Plan; therefore, there are no previously filed plans to compare to. Atikokan Hydro's Distribution System Plan supports the Cost of Service Rate Application.
Atikokan has organized the required information using the section headings in the Distribution System Plan Filing Requirements. Investment categories and activities have been grouped into one of the four OEB defined investment categories below, based on the trigger driver of the expenditure:

- ***System access*** investments are modifications (including asset relocation) to a distributor's distribution system a distributor is obligated to perform to provide a customer (including a generator customer) or group of customers with access to electricity services via the distribution system

- ***System renewal*** investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintain the ability of the distributor's distribution system to provide customers with electricity services.

- ***System service*** investments are modifications to a distributor's distribution system to ensure the distribution system continues to meet distributor operational objectives while addressing anticipated future customer electricity service requirements

- ***General plant*** investments are modifications, replacements or additions to a distributor's assets that are not part of its distribution system; including land and buildings; tools and equipment; rolling stock and electronic devices and software used to support day to day business and operations activities

As part of the Distribution System Plan Atikokan Atikokan Hydro submitted its Renewable Energy Generation Investments Plan to the OPA for comment July 15, 2016. As concluded in Atikokan's Renewable Energy Generation Plan Atikokan Hydro is not aware of any future new connections or generation impacts. Provided the future is consistent with the last few years minimal to no activity, Atikokan Hydro does not find it prudent to make investments or apply for rates to support investments to support renewable FIT installations in this filing period. Therefore Atikokan has no investments included in this DSP relation to REG investments. Atikokan believes its existing configuration of its distribution system accommodates the current needs

Atikokan Hydro Inc. (Atikokan) goals have not changed, striving to deliver power efficiently without unwarranted power outages; continue open communication with customers. Always keeping customers in mind when applying for new rates or making changes that would affect them.

Atikokan is applying to increase its Rate Base to continue operations and maintenance. Infrastructure is aging and thru our DSP and routine checks are addressing discretionary and non-discretionary spending for replacement and repairs.

2.1.3 Administration

Contact for this Cost of Service EB-2016-0056:

- Atikokan Hydro Inc. ED-2003-0001
- Jennifer Wiens, CEO, Secretary/Treasurer
- 117 Gorrie Street
- PO Box 1480
- Atikokan, Ontario P0T 1C0
- Telephone: 807-597-6600
- Fax: 807-597-6988
- Email: jen.wiens@athydro.com
- Website: www.athydro.com

Atikokan had contacted Borden Ladner and Gervais for consultation and completion of the Load Forecast Exhibit 3.

Atikokan confirms its website is www.athydro.com. Atikokan uploads documents as required. After this COS is delivered to Ontario Energy Board (OEB) documents of this application will be available on the OEB website. Atikokan utilizes no other social media accounts.

Atikokan’s proposed rate class changes are outline in Exhibit 7 (Cost Allocation Model) and the Revenue Requirement Work Form. The proposed changes are to align both General Service > 50 and Street lighting rate class within the Board Cost Policy Range. Both exceed the allowable range. Atikokan proposes to continue towards moving the Residential rate class to a fully fixed monthly service charge as OEB directive. The 10th percentile and low volume residential customers have the greatest bill impact as a result of the proposed changes. The increase exceeds 10%.

Atikokan confirms bills impacts are presented in OEB format requested.

Form for Hearing Requested

Atikokan request that this Application be disposed of by way of a written hearing if applicable to minimize costs.

DATED at Atikokan, Ontario this 3rd day of October 2016.

Publication if requested for a hearing by the OEB or for that matter by our customers would be published in our local weekly paper the Atikokan Progress.

The effective date for implementation of rate within this application is May 1, 2017.

Atikokan has not deviated from these filing requirements.

Atikokan has not made any changes in methodologies used in previous applications.

Atikokan confirms billing frequency for all customers is monthly since October 2010.

Atikokan has not conducted any studies since previous COS EB-2011-0293.

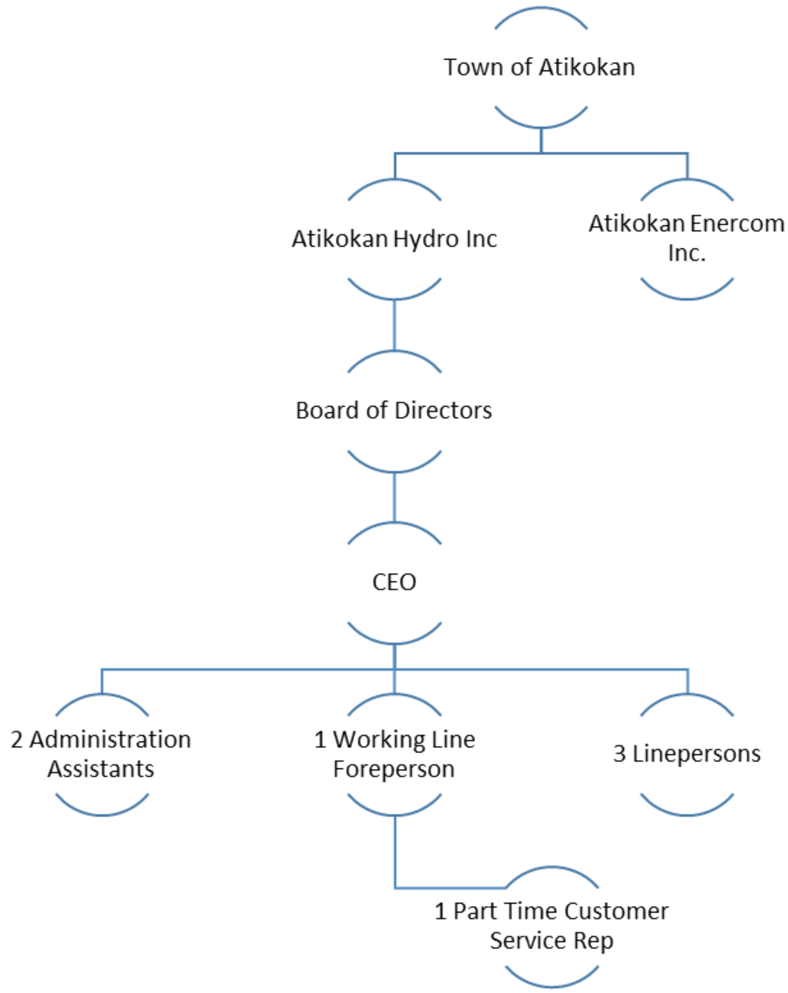
Conditions of Service are available and shared with our customers.

Atikokan confirms we have not made OEB unapproved changes in our Conditions of Service.

Atikokan confirms that there are no rate or charges listed in the Conditions of Service that are not on the distributor's Tariff of Rates and Charges.

CORPORATE ENTITIES RELATIONSHIP CHART:

There are no additional corporate entities:



Atikokan is not seeking any new rate classifications nor eliminating rate classifications. Atikokan is requesting an increase to meet its revenue requirement. OM&A costs and programs in this application represent Atikokan's integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and government direction; and to maintain distribution business service quality and reliability at targeted performance levels; ensuring the Town of Atikokan is provided with safe, reliable and affordable electricity. OM&A costs also include providing services to customers connected to Atikokan's distribution system and meeting the requirements of the OEB's Standard Supply Service Code and Retail Settlement Code. This also includes costs to contributing and achieving the new Renewed Regulatory Framework performance outcomes of Customer Focus, Operational Effectiveness and Public Policy Responsiveness. While Atikokan strives to meet or exceed all stakeholder requirements, it all comes at a cost and with a declining customer count it puts added pressure on the remaining customers.

Applicant is seeking for rate riders to outstanding December 2015 balances with assumed interest to April 30, 2017.

A list of specific approvals requested are as follows:

- Approval to charge distribution rates effective May 1, 2017 to recover a service revenue requirement of $1,518,488 which includes a revenue deficiency of $142,951. The schedule of proposed rates is set out in Exhibit 8. This includes continuing to transition to a fully fixed residential service charge.
- Approval of Distribution System Plan as outlined in Exhibit 2
- Approval to adjust the Retail Tranmission Rates - Network and Connection as detailed in Exhibit 8
- Approval to continue to charge Wholesale Market, Ontario Electricity Support Program and Rural Rate Protection Charges approved in the Board Decision and Order in the matter of Atikokan Hydro's 2016 Distribution Rates (EB-2015-0052).
- Approval to continue the Specific Service Charges and Transformer Allowance approved in the Board Decision and Order in the matter of Atikokan Hydro's 2016 Distribution Rates (EB-2015-0052).
- Approval of the proposed loss factors as detailed in Exhibit 8.
- Approval to close out account 1555 (Stranded Meter Costs) as per Exhibit 9 outlines.
- Approval adjust/update LRAM Account 1568 as per LRAMVA Workform
- Approval of the rate riders for a one year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
- Approval to accept the actual 2016 IFRS expense as per Exhibit 9.

2.1.4 Distribution System Overview

DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM:

Description of Distributor:

Community served is Urban and Rural areas of the Town of Atikokan. The total service area is 380 square km. Atikokan has distribution of Electricity. Atikokan's municipal population is approximately 2800.

Map 1 show the Town of Atikokan and indicated the area and the 6 different Feeders in town and from Substation Moose Lake TS.

Map 2 below shows Atikokan's distribution service area including the two 44 kV lines.

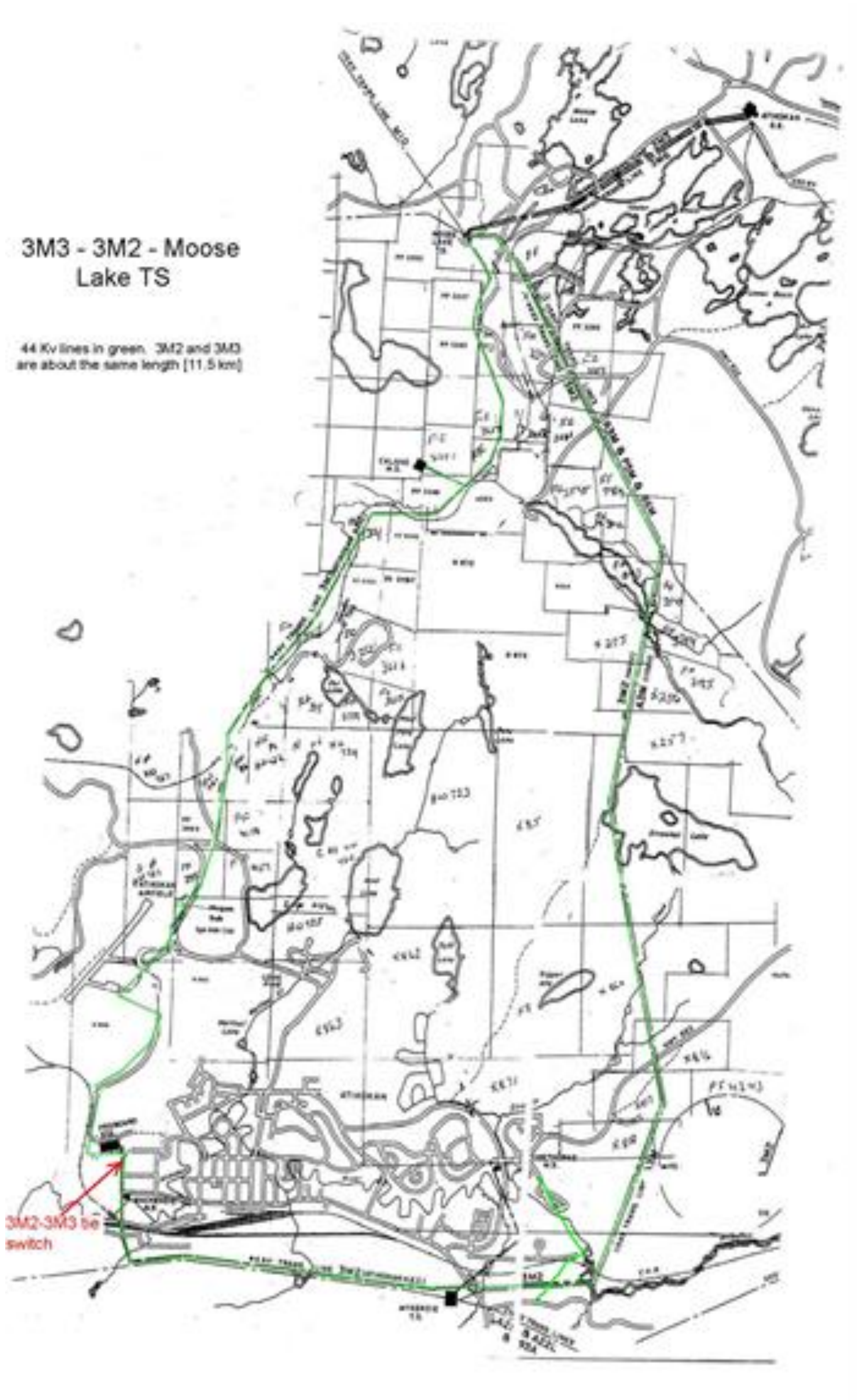
Atikokan is not a host distributor nor embedded.

Atikokan confirms it has no transmission or high voltage assets.

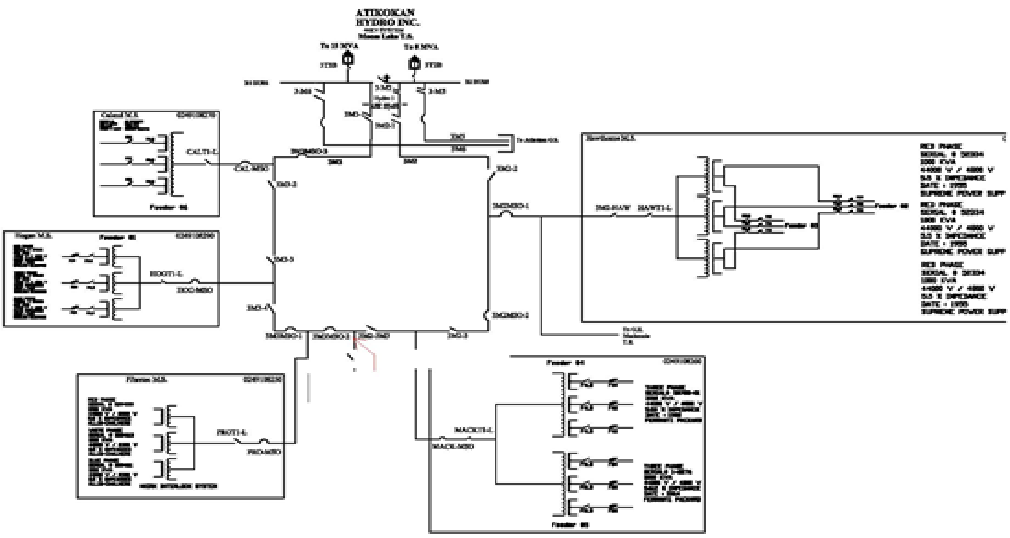
Map 1 Feeders 1-6

Feeder 1	
Feeder 2	
Feeder 3	
Feeder 4	
Feeder 5	
Feeder 6	
Feeder 3M2	
Feeder 3M3	

Map 2 3M3 – 3M2 Moose Lake TS



Schematic of Atikokan Hydro's Distribution System



2.1.5. Application Summary

The details of Atikokan's application are as follows:

A: Revenue Requirement

Atikokan is requesting a service revenue requirement of $1,518,488 offset by other revenue of $102,770 for a base revenue requirement of $1,415,718 or a revenue deficiency of $142,951 from Atikokan's approved proceeding; EB-2015-0052. This is also represented as a 10.39% increase.

Atikokan's main drivers of the revenue deficiency are as follows with the main driver being salaries, wages and benefits.

Revenue Requirement Input Factors	Last Rebasing Year 2012	2017 Test Year	Variance
Distribution Revenue - Existing Rates		1,272,766	
OM&A	1,030,000	1,097,396	67,396
Depreciation	150,398	197,470	47,072
Property Tax	-	20,007	20,007
PILS	9,297	12,234	2,937
Other Expenses	- 2,261	-	2,261
Return on Debt (interest)	68,490	65,654	- 2,836
Return on Equity	102,126	125,726	23,600
Total	1,358,050	1,518,487	160,437
Other Revenue (Offsets)	125,235	102,770	- 22,465
Revenue Deficiency		- 142,952	
Rate Base	2,799,500	3,420,195	620,695
Working Capital Allowance Factor	15%	7.5%	-7.50%

B: Budgeting and accounting assumptions

Economic overview for Atikokan is that the town is still has a slow declining customer base. The changes have been minimal but our load forecast is showing an accurate decrease.

Atikokan accounting standard used in each year since our last COS EB-2011-0293 has been MIFRs. There are no impacts of change in this COS. No further discussion.

C: Load Forecast Summary

Atikokan's total customer count/connections are nearly dropped 2% from the 2012 Board Approved to the Forecasted 2017 Test Year. On the contrary Atikokan's Board Approved kwh sales was 23,044,164 and is forecasted to be $27,331,580 kwh for the 2017 year respectively; this is mainly a result of a change in the GS customer rate class.

The Load Forecast model, Exhibit 3 was completed by Borden, Ladner, Gervais using the board approved regression analysis used in the 2012 COS application. The below table supports the change in customer count and consumption.

LOAD COMPARISION	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Bridge	2017 Test
Billed Kwh	23,044,163	21,958,203	22,559,900	23,377,488	32,370,291	27,232,313	27,331,580
Billed kW	26,091	23,785	23,130	26,091	52,335	35,040	35,532
Residential							
Customers	1,424	1,410	1,413	1,411	1,405	1,397	1,389
kWh	11,113,021	9,445,561	9,833,794	9,743,006	9,225,364	9,625,755	9,687,147
GS<50 kW							
Customers	235	234	235	234	234	231	228
kWh	6,246,087	5,320,355	5,238,114	5,315,999	5,110,232	5,275,055	5,139,223
GS>50 kW							
Customers	15	20	18	19	19	17	17
kWh	5,218,563	6,722,750	7,020,268	7,851,921	17,571,100	11,869,754	12,043,461
kW	13,872	22,335	21,680	24,636	50,899	33,610	34,102
Street Lights							
Connections	623	635	635	633	628	625	625
kWh	466,493	469,537	467,724	466,563	463,596	461,749	461,749
kW	1,316	1,450	1,450	1,455	1,436	1,430	1,430
Total of Above							
Customer/Connections	2,297	2,299	2,300	2,297	2,286	2,270	2,260
kWh	23,044,164	21,958,203	22,559,900	23,377,488	32,370,291	27,232,313	27,331,580
kW from applicable classes	15,188	23,785	23,130	26,091	52,335	35,040	35,532

D: Rate Base and DSP

The main driver of the DSP is System Renewal; to replace distribution assets that have exceeded their useful life but also general plant purchases for non-distribution assets will be required including replace a Digger Derrick truck and other service trucks System

Atikokan is requesting a rate base of $3,420,196 for the 2017 Test year.

The change in both rate base and gross fixed assets for the 2012 Board Approved year vs the 2017 Test Year is respectively as follows:

2012 Board Approved Rate Base Versus 2017 Test Year Rate Base	2012 Board Approved	2017 Test Year	Variance $	Variance %
Opening Balance Gross Fixed Assets		6,441,645		
Ending Balance Gross Fixed Assets		6,947,717		
Average Gross Fixed Assets	**5,438,424**	**6,694,681**	**1,256,257**	**18.8%**
Opening Balance Accumulated Depreciation		3,619,157		
Ending Balance Accumulated Depreciation		3,676,042		
Average Accumulated Depreciation	**3,117,866**	**3,647,600**	**529,734**	**14.5%**
Average Net Fixed Assets	**2,320,558**	**3,047,082**	**726,524**	**23.8%**
Working Capital	3,370,408	4,974,857	1,604,449	**32.3%**
Working Capital Allowance	478,942	373,114	(105,828)	**-28.4%**
Total Rate Base	**$2,799,500**	**$3,420,196**	**$620,696**	**18.1%**
Working Capital Factor	**15.0%**	**7.5%**		

Atikokan's total capital expenditures for the 2017 tests year is $635,740 and is mainly attributable to purchases in USoA 1930; Transportation Equipment.

E: Operations, maintenance and administration expense

The change in OM&A from Board Approved 2012 rebasing Year to the proposed 2017 Test Year is summarized below:

	Last Rebasing Year (2012 Board-Approved)	2017 Test Year	Variance
Operations	345,329	376,877	31,548
Maintenance	41,177	120,741	79,564
Billing and Collecting	150,191	184,336	34,145
Community Relations	-	-	-
Administrative and General	493,303	415,442	(77,861)
Total OM&A Expenses	**1,030,000**	**1,097,396**	67,396
%Change (year over year)		**6.5%**	

Atikokan used the OEB approved inflation rate of 1.95 whereby expenses could not be predicted or increases were unknown.

The following table summarizes the Total Compensation change over the years 2012, 2013, 2014, 2015, 2016 Bridge Yearend 2017 Test Year. The Board Approved Total Compensation of $674,232 increased by $62,989 or 9.34% to 2017 the Test Year amount of $737,221.

	Last Rebasing Year - 2012- Board Approved	Last Rebasing Year - 2012- Actual	2013 Actuals	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Number of Employees (FTEs including Part-Time)[1]							
Management (including executive)							
Non-Management (union and non-union)	8	8	7	8	9	8	8
Total	8	8	7	8	9	8	8
Total Salary and Wages including ovetime and incentive pay							
Management (including executive)							
Non-Management (union and non-union)	$ 562,651	$ 548,936	$ 488,418	$ 534,594	$ 602,852	$ 606,373	$ 609,591
Total	$ 562,651	$ 548,936	$ 488,418	$ 534,594	$ 602,852	$ 606,373	$ 609,591
Total Benefits (Current + Accrued) [2]							
Management (including executive)							
Non-Management (union and non-union)	$ 111,581	$ 113,138	$ 105,683	$ 107,577	$ 119,324	$ 123,000	$ 127,630
Total	$ 111,581	$ 113,138	$ 105,683	$ 107,577	$ 119,324	$ 123,000	$ 127,630
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Management (union and non-union)	$ 674,232	$ 662,074	$ 594,101	$ 642,171	$ 722,176	$ 729,373	$ 737,221
Total	$ 674,232	$ 662,074	$ 594,101	$ 642,171	$ 722,176	$ 729,373	$ 737,221

F: Cost of Capital

Atikokan Hydro ("Atikokan") followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities (the "Cost of Capital Report") dated December 11, 2009, to determine its capital structure and relied on the Board's letter titled Cost of Capital Parameter Updates for 2016 Applications dated October 15, 2015 for the cost of capital parameters.

These OEB determined Cost of Capital parameters are as follows:

ROE	9.19%
Deemed LT Debt rate	4.54%
Deemed ST Debt rate	1.65%

Atikokan acknowledges these Cost of Capital parameters are subject to change upon release of the Cost of Capital Parameters for 2017 Applications.

G: Cost Allocation and Rate Design

Atikokan did not deviate from OEB cost allocation rate design. The Cost Allocation Model is designed to structure rate classes within the Board Policy Range. Both General Service > 50 and Street lighting were above the maximum Board Policy Range (120%). For this reason, these two rate classes were lowered and consequently Residential rate class was increased to accommodate. Of Residential and General Service < 50; Residential had the lowest Cost Allocation percentage. All Proposed Ratio changes are within the policy range and are as follows.

- Residential status ratios currently at 87.26% and move to 91.24%
- General Service <50 kW status ratios currently at 112.64% are proposed to remain at 112.64%

- General Service >50 – 4,999 kW status ratio is 125.69% which is over the policy range and proposed to be at 120%.
- Street Lighting status ratio is 153.19% which is over the policy range and proposed to be at 120%.

Atikokan proposes to implement the third year of this policy bringing this fixed/variable rate to 90.63% / 9.37% ratio for the residential rate class. Atikokan has no proposed mitigation plans.

H: Deferral and Variance Accounts

Atikokan proposes a disposition period of one year for its rate riders. Atikokan confirms it has no DVA accounts requested.

The total Deferral and Variance Non-RPP balance requested to be disposed of is $46,066 and $80,506 for RPP. Exhibit 9 goes into greater detail.

		Amounts from Sheet 2	Allocator	RESIDENTIAL	GENERAL SERVICE < 50KW	GENERAL SERVICE >50 TO 4,999KW	STREET LIGHTING
LV Variance Account	1550	0	kWh	0	0	0	0
Smart Metering Entity Charge Variance Account	1551	33	# of Customers				
RSVA - Wholesale Market Service Charge	1580	(67,349)	kWh	(23,871)	(12,664)	(29,677)	(1,138)
RSVA - Retail Transmission Network Charge	1584	5,919	kWh	2,098	1,113	2,608	100
RSVA - Retail Transmission Connection Charge	1586	(1,513)	kWh	(536)	(285)	(667)	(26)
RSVA - Power (excluding Global Adjustment)	1588	(31,981)	kWh	(11,335)	(6,013)	(14,092)	(540)
RSVA - Global Adjustment	1589	46,066	Non-RPP kWh	613	397	43,392	1,664
Total of Group 1 Accounts (excluding 1589)		**(94,892)**		**(33,644)**	**(17,849)**	**(41,828)**	**(1,604)**
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	57,730	kWh	20,461	10,855	25,438	975
Retail Cost Variance Account - Retail	1518	12,780	kWh	4,529	2,403	5,631	216
Retail Cost Variance Account - STR	1548	9,420	kWh	3,339	1,771	4,151	159
Smart Meter 'Stranded Meter' Residual balance	**1555**	576	kWh	204	108	254	10
Total of Group 2 Accounts		**80,506**		**28,534**	**15,138**	**35,474**	**1,360**
LRAM Variance Account **(Enter dollar amount for each class)**	1568	**7,263**		2,446	4,733	85	0
(Account 1568 - total amount allocated to classes)		7,264					
Variance		**(0)**					
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**4,405**		**1,561**	**828**	**1,941**	**74**
Total of Account 1580 and 1588 (not allocated to WMPs)		**(99,330)**		**(35,206)**	**(18,677)**	**(43,769)**	**(1,678)**
Balance of Account 1589 Allocated to Non-WMPs		**46,066**		**613**	**397**	**43,392**	**1,664**
Group 2 Accounts (including 1592, 1532)		**80,506**		**28,534**	**15,138**	**35,474**	**1,360**

ended

Account 1589 reference calculation by customer and consumption	
Account 1589 / Number of Customers	$28.17
1589/total kwh	$0.0017

I: Bill Impacts

A summary of the total bill impact scenarios completed by Atikokan for typical customers in all customer classes is summarized below. All scenarios were below the

A typical Residential customer is an increase of 6.3% or $10.53;

A typical General Service < 50 customer increased by $4.97 or 2.8%;

A typical General Service > 50 customer decreased by 675.78 or 6.3%; and

Whereby Street lighting decreased by $2,051.81 or 11.3%

RATE CLASSES / CATEGORIES *(eg: Residential TOU, Residential Retailer)*	Units	Sub-Total						Total	
		A		B		C		A + B + C	
		$	%	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	$ 7.82	17.1%	$ 9.10	16.9%	$ 9.24	15.3%	$ 10.53	6.3%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	$ 8.92	22.6%	$ 9.16	22.0%	$ 9.18	21.4%	$ 10.39	15.4%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kWh	$ 8.19	18.7%	$ 9.12	18.4%	$ 9.22	16.9%	$ 10.48	7.8%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kWh	$ 7.82	17.1%	$ 4.18	7.1%	$ 4.31	6.6%	$ 4.97	2.8%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	$ 17.37	17.9%	$ 20.98	18.0%	$ 21.30	16.2%	$ 24.32	5.6%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - RPP	kWh	$ 22.47	21.1%	$ 27.89	20.6%	$ 28.37	17.9%	$ 32.43	5.4%
GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION - Non-RPP (Retail	kWh	$ 17.37	17.9%	$ (18.15)	-11.6%	$ (17.83)	-10.4%	$ (19.89)	-4.2%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	$ 23.46	2.9%	$ (745.92)	-47.3%	$ (745.92)	-39.6%	$ (675.78)	-6.3%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer)	kW	$ 20.77	2.3%	$ (1,079.38)	-53.7%	$ (1,079.38)	-44.1%	$ (1,030.58)	-8.3%
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	kW	$ (46.56)	-1.3%	$ (9,422.98)	-73.3%	$ (9,422.98)	-55.8%	$ (9,167.44)	-9.7%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kW	$ (1,381.79)	-14.6%	$ (1,930.67)	-19.3%	$ (1,930.67)	-18.8%	$ (2,051.81)	-11.3%

2.1.6 Customer Engagement

Atikokan has concluded customer engagement activities as per OEB filing requirement Appendix 2-AC

Appendix 2-AC
Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
In-Office Customer Service and Direct Customer Interaction	Customers need local office for customer payments and inquiries including assistance and suppport for arrears management.	Local office open five days a week accepting bill payments and handling inquiries face to face. Office staff also provide support in completing and faxing financial assistance applications for customers.
CDM Programs	Customers express the interest of CDM programs to become greater efficient and lower consumption use; lowering their monthly electricity bill.	Marketing of programs and provide assistance to available resources for CDM program details.
Electrical Safety Awareness Survey	Good general knowledge of electrical hazards and safety	No concerns at this time.
Customer Satisfaction Survey	Annual survey conducted to identify areas where Atikokan Hydro is performing well and areas that need improvement. Survey identified customer are mostly satisfied with service. Both price and continued reliability are main concerns.	Continue to keep customers neesd and preferences insight when making decisions affecting rate base and mitigate rates where controllable. Survey identified Atikokan could improve on communication. Atikokan has budgeted to make changes to website as a form of communication.
Leap Funds to Social Agency	Low-income customers need assistance to pay high heating costs.	Atikokan, among other LDCs are mandated to contribute funds to social agencys for the LEAP to support low-income customers in need of resources for paying bills in arrears. The distribution of these funds show this program is highly utillized and needed.
Christmas Tree	Atikokan Hydro sets up a customer donated tree downtown with lights for community spirit and town initative.	Atikokan Hydro crew setup community Christmas tree and decorate.
Christmas Parade		
Financial Assistance Programs	Low-income customers need assistance to pay high heating costs.	Atikokan Hydro continuously promotes emergency financial assistance programs and arrears management to help low income customers having difficulty paying their electricity bill.
Town Trees Yearly $2000	Need to replant trees in the community.	Atikokan Hydro gives the Town of Atikokan $2000 a year to help towards the costs of replanting trees in the community. Many trees are removed each year in vegatation control efforts. The funds are to contribute towards replanting.
E-billing - Online account services	Customers need alternate billing methods. Customers need consumption data, invoice and payment history.	Provides alternative bill access. Useful tool for those monitoring consumption or high bill concerns.

2.1.7 Performance Measurement

Atikokan Hydro is continually working to improve performance and is motivated by the OEB's distributor benchmarks and Service Quality Requirements within Section 7 of the Distribution System Code but also driven by the paybacks to Atikokan Hydro's local ratepayers (consumers) as a result of improved performance. The OEB Scorecard is modelled to monitor performance and as such Atikokan utilizes it as a benchmark.

In 2015, Atikokan Hydro ("Atikokan") mainly performed well in all areas of the scorecard. Atikokan Hydro met or exceeded all performance objectives with the exception of its deemed Return on Equity. Atikokan Hydro continues to strive to meet or exceed its scorecard performance and maintain reliability of supply to its customers with minimal interruptions. Atikokan understands Atikokan Hydro customers are primarily concerned with the cost of power and their total electricity bill and reliability as feedback from those who participated in Atikokan Hydro's in house customer satisfaction survey. Atikokan strives to minimize the cost per customer impacts. Similar to other LDC's, aging infrastructure and a decline in customer count continues to be a challenge for the utility but must be maintained for safety and reliable supply of electricity to those serviced by Atikokan Hydro.

The total cost and efficiency ranking was developed by Pacific Energy Group (PEG), an independent third party consultant of the OEB. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2015Atikokan Hydro was placed in Group 3, where a Group 3 distributor is defined as having actual costs within +/- 10 percent of predicted costs. Group 3 is considered "average efficiency" - - in other words Atikokan Hydro's costs are within the average cost range for distributors in the Province of Ontario. This 2015 grouping in group 3 is an improvement for Atikokan Hydro from the prior year 2014 whereby Atikokan fell within Group 4 with actual costs 10-25% of predicted costs. Atikokan Hydro is continually striving to become more efficient.

2.1.8 Financial Information

Atikokan Hydro's last two years of Financial Statements included in Attachment A.

The following are not applicable:

- Annual report and management discussion and analysis
- Rating agency report
- No Prospectuses
- No Change in tax status
- No departures from accounting order
- No departures from USoA
- No non-distribution businesses as generation.

As the 2015 Audited Financial Statements illustrate, Atikokan Hydro has transitioned to IFRS.

2.1.9 Distributor Consolidation

Atikokan has not amalgamated or consolidated.

ATTACHMENT A

Atikokan Hydro Inc.
Financial Statements
For the year ended December 31, 2015

Contents

Tel: 807 274 9848
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BDO Canada LLP
375 Scott Street
Fort Frances ON P9A 1H1 Canada

Independent Auditor's Report

To the Shareholder of Atikokan Hydro Inc.

We have audited the accompanying financial statements of Atikokan Hydro Inc., which are comprised of the statements of financial position as at December 31, 2015, December 31, 2014, and January 1, 2014, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years ended December 31, 2015, and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, 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 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 Atikokan Hydro Inc. as at December 31, 2015, December 31, 2014, and January 1, 2014, and the results of its operations and its cash flows, for the years ended December 31, 2015, and December 31, 2014, in accordance with International Financial Reporting Standards.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 21, 2016

Atikokan Hydro Inc.
Statement of Financial Position

December 31	December 31, 2015	December 31, 2014	January 1, 2014
Assets			
Current assets			
Cash and cash equivalents	$ **540,928**	$ 321,373	$ 63,687
Accounts receivable (Note 5)	**365,061**	466,001	347,705
Unbilled revenue	**560,545**	392,027	394,419
Inventory (Note 4)	**113,968**	102,639	118,739
Prepaids	**44,246**	16,847	42,549
Total current assets	**1,624,748**	1,298,887	967,099
Property, plant and equipment (Note 6)	**2,722,623**	2,652,650	2,390,666
Deferred income taxes (Note 7)	**104,084**	106,697	149,643
Total non-current assets	**2,826,707**	2,759,347	2,540,309
Regulatory deferral account debits and related deferred tax (Note 14)	**65,853**	145,207	96,571
	$ **4,517,308**	$ 4,203,441	$ 3,603,979
Liabilities			
Current liabilities			
Accounts payable (Note 9)	$ **989,489**	$ 826,512	$ 570,136
Customer deposits (Note 8)	**15,351**	11,567	13,340
Payments in lieu of Corporate taxes (Note 7)	**32,312**	5,185	-
Current portion of long-term debt (Note 10)	**117,722**	117,722	117,722
	1,154,874	960,986	701,198
Customer deposits (Note 8)	**99,323**	104,102	120,061
Long-term debt (Note 10)	**529,618**	647,342	638,065
Contributions in aid of construction	**19,666**	20,123	-
	1,803,481	1,732,553	1,459,324
Shareholder's equity			
Share capital (Note 11)	**2,539,963**	2,539,963	2,539,963
Retained earnings (deficit)	**58,784**	(175,772)	(544,951)
	2,598,747	2,364,191	1,995,012
Regulatory deferral account credits and related deferred tax (Note 14)	**115,080**	106,697	149,643
	$ **4,517,308**	$ 4,203,441	$ 3,603,979

On behalf of the Board:

_______________________ Director

_______________________ Director

The accompanying notes are an integral part of these financial statements.

Atikokan Hydro Inc.
Statement of Comprehensive Income

For the year ended December 31	2015	2014
Revenue		
Sale of energy	$ 4,044,106	$ 2,655,965
Distribution revenue	1,405,040	1,364,033
Rent from electric property	31,625	31,625
Miscellaneous revenue	94,710	105,172
Demand management program revenue	127,412	94,025
	5,702,893	4,250,820
Expenses (Note 16)		
Administration	422,985	309,327
Amortization	180,844	196,885
Billing and collecting	186,154	180,534
Distribution expense operation	313,354	263,094
Distribution expense maintenance	131,756	153,751
Energy cost	3,996,866	2,728,772
Demand management program expense	127,412	94,025
	5,359,371	3,926,388
Income from operating activities	343,522	324,432
Finance income (Note 17)	18,791	15,861
Finance cost (Note 17)	(22,255)	(23,414)
Loss on disposal of property, plant and equipment	(16,690)	(7,788)
Income before payment in lieu of Corporate taxes	323,368	309,091
Provision for payment in lieu of Corporate taxes		
Current (Note 7)	(41,572)	(12,719)
Income for the year before net movements in regulatory deferral account balances	281,796	296,372
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	(47,240)	72,807
Profit for the year and net movements in regulatory deferral account balances	$ 234,556	$ 369,179

The accompanying notes are an integral part of these financial statements.

Atikokan Hydro Inc.
Statement of Changes in Equity

	Share Capital	Retained Earnings (Deficit)	Total
Balance at January 1, 2014	$ 2,539,963	$ (544,951)	$ 1,995,012
Profit for the year and net movements in regulatory deferral account balances	-	369,179	369,179
Other comprehensive income, net of tax	-	-	-
Dividends	-	-	-
December 31, 2014	2,539,963	(175,772)	2,364,191
Profit for the year and net movements in regulatory deferral account balances	-	234,556	234,556
Other comprehensive income, net of tax	-	-	-
Dividends	-	-	-
December 31, 2015	**$ 2,539,963**	**$ 58,784**	**$ 2,598,747**

The accompanying notes are an integral part of these financial statements.

Atikokan Hydro Inc.
Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Profit for the year and net movements in regulatory deferral account balances	$ 234,556	$ 369,179
Adjustments to reconcile income to net cash used in operating activities		
Amortization	180,844	196,885
Loss on disposal of property, plant and equipment	16,690	7,788
Deferred taxes	2,613	45,964
	434,703	619,816
Changes in non-cash working capital balances		
Accounts receivable	100,939	(118,296)
Unbilled revenue	(168,518)	2,392
Inventory	(11,329)	16,100
Prepaids	(27,399)	25,703
Accounts payable	162,977	256,375
Contribution in aid of construction	(457)	20,123
Payment in lieu of Corporate taxes payable	27,127	5,185
	518,043	827,398
Investing activities		
Net increase in property, plant and equipment	(267,507)	(466,656)
Changes in regulatory deferral account balances	87,737	(94,601)
	(179,770)	(561,257)
Financing activities		
Increase (decrease) in long-term debt	(117,723)	9,277
Decrease in customer deposits held	(995)	(17,732)
	(118,718)	(8,455)
Increase in cash during the year	219,555	257,686
Cash and cash equivalents, beginning of year	321,373	63,687
Cash and cash equivalents, end of year	$ 540,928	$ 321,373
Supplementary cash flow information		
Total interest paid	$ 22,255	$ 23,414

The accompanying notes are an integral part of these financial statements.

December 31, 2015

1. Corporate Information

Atikokan Hydro Inc.'s (the "Corporation") main business activity is the distribution of electricity. The Corporation owns and operates an electricity distribution system, which delivers electricity to approximately 1,660 customers located in Atikokan, Ontario. The address of the Corporation's corporate office and principal place of business is 117 Gorrie Street, P.O. Box 1480, Atikokan, Ontario, Canada.

The sole shareholder of the Corporation is the Corporation of the Town of Atikokan.

The Corporation was incorporated under the Ontario Business Corporations Act on March 7th, 2000. The Corporation distributes electricity to residents and businesses in the Town under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

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.

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. Atikokan 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 depreciation and 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.

2. Basis of Preparation

a) Statement of Compliance

The financial statements of Atikokan Hydro Inc. have been prepared 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.

These are the Corporation'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 Corporation is provided in Note 21.

The financial statements were authorized for issue by the Board of Directors on April 21, 2016.

2. **Basis of Preparation** (continued)

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 Corporation's functional currency, and all values are rounded to the nearest dollar, unless otherwise indicated.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Corporation'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 Part (d).

c) Explanation of Activities Subject to Rate Regulation

Atikokan 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 Corporation and establishing standards of service for the Corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation 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 May 1 to April 30.

d) Judgement and Estimates

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 Corporation's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The calculation of the impairment of accounts receivables (Note 5);
- The determination of useful lives of property, plant and equipment (Note 6);
- The calculation of regulatory deferral account balances (Note 14); and
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 7).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. Summary of 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 January 1, 2014, for the purpose of the transition to IFRS unless otherwise indicated.

a) Regulatory Deferral Accounts

The Corporation has early adopted IFRS 14 Regulatory Deferral Accounts. In accordance with IFRS 14, the Corporation has continued to apply the accounting policies it applied in accordance 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 Corporation in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 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.

3. **Summary of Significant Accounting Policies** (continued)

b) Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Corporation and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and Distribution of Energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are 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 pole use rental, collection charges, contributions in aid of construction and other miscellaneous revenues are recognized at the time services are provided.

Where the Corporation 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 contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

3. **Summary of Significant Accounting Policies** (continued)

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and 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 the Corporation 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.

e) Financial Liabilities

Accounts payable and accrued liabilities, payable by the Corporation, long-term debt, customer deposits 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 the Corporation'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 the Corporation by counterparties under electricity supply agreements.

3. **Summary of Significant Accounting Policies** (continued)

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 Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation 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	40 years
Distribution equipment	45 to 60 years
Other equipment	10 years
Computer equipment and software	5 years
Automotive equipment	various straight line basis
Land is not depreciated.	

Major Spare Parts

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Corporation's distribution system reliability.

Contributions in Aid of Construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Summary of Significant Accounting Policies (continued)

Gains and Losses on Disposal

Gains and losses on disposal of an item of property, plant and equipment 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 when the asset is disposed of. When an item of property, plant and equipment with related Contributions in aid of construction is disposed of, the remaining deferred revenue is recognized in full in the Statement of Comprehensive Income.

g) Impairment of Non-Financial Assets

The Corporation conducts annual internal assessments of the values of property, plant and equipment, 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 Corporation has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Statement of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income.

h) Employee Future Benefits

Defined Contribution Plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation 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 Corporation is only one of a number of employers that participates in the plan and the financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

3. Summary of Significant Accounting Policies (continued)

i) Payment in Lieu of Taxes Payable

Tax Status

The Corporation 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 Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 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 14 (v)). 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).

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 Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation 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.

3. **Summary of Significant Accounting Policies** (continued)

j) 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, using the effective interest method.

Finance cost comprises of interest payable on debt and impairment losses recognized on financial assets.

k) Inventories

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. 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.

l) Standards, Amendments and Interpretations Not Yet Effective

At the date of authorization of these financial statements, certain new standards, amendments IAS 8.31 and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation'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 Corporation'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 Corporation'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 January 1, 2018. The Corporation is in the process of evaluating the impact of the new standard.

3. Summary of Significant Accounting Policies (continued)

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 IFRS. The effective date for IFRS 15 is January 1, 2017. The Corporation is in the process of evaluating the impact of the new standard.

4. Inventory

The amount of inventories consumed by the Corporation and recognized as an expense or property, plant and equipment during 2015 was $65,038 (2014 - $91,125).

5. Accounts Receivable

	December 31, 2015	December 31, 2014	January 1, 2014
Trade accounts	**$ 366,133**	$ 467,919	$ 347,495
Allowance for doubtful accounts	**(6,000)**	(6,000)	(6,000)
Atikokan Enercom Inc.	**4,928**	4,082	6,210
	$ 365,061	$ 466,001	$ 347,705

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

6. Property, Plant and Equipment

	Land	Buildings	Distribution Equipment	Automotive Equipment	Computer Equipment and Software	Other Equipment	2015 Total
Cost, beginning of year	$ 15,588	$ 683,677	$ 4,285,113	$ 764,811	$ 52,123	$ 171,611	$ 5,972,923
Additions	-	-	223,814	11,314	19,362	14,177	268,667
Disposals	-	-	47,002	21,943	-	-	68,945
Cost, end of year	15,588	683,677	4,461,925	754,182	71,485	185,788	6,172,645
Accumulated amortization, beginning of year	-	374,856	2,235,573	535,147	38,700	135,997	3,320,273
Amortization	-	11,197	130,434	23,705	7,809	7,699	180,844
Disposals	-	-	29,152	21,943	-	-	51,095
Accumulated amortization, end of year	-	386,053	2,336,855	536,909	46,509	143,696	3,450,022
Net carrying amount, end of year	$ 15,588	$ 297,624	$ 2,125,070	$ 217,273	$ 24,976	$ 42,092	$ 2,722,623

6. Property, Plant and Equipment (continued)

	Land	Buildings	Distribution Equipment	Automotive Equipment	Computer Equipment and Software	Other Equipment	2014 Total
Cost, beginning of year	$ 15,588	$ 683,677	$ 3,903,608	$ 764,811	$ 260,335	$ 163,239	$ 5,791,258
Additions	-	-	456,579	-	2,844	8,372	467,795
Disposals	-	-	75,074	-	211,056	-	286,130
Cost, end of year	15,588	683,677	4,285,113	764,811	52,123	171,611	5,972,923
Accumulated amortization, beginning of year	-	338,624	2,172,600	511,352	244,616	133,400	3,400,592
Amortization	-	36,232	125,500	23,795	4,684	6,674	196,885
Disposals	-	-	62,527	-	210,600	4,077	277,204
Accumulated amortization, end of year	-	374,856	2,235,573	535,147	38,700	135,997	3,320,273
Net carrying amount, end of year	$ 15,588	$ 308,821	$ 2,049,540	$ 229,664	$ 13,423	$ 35,614	$ 2,652,650

7. Payments in Lieu of Taxes Payable

The significant components of the payments in lieu of taxes expense are as follows:

	2015	2014
Current tax		
Based on current year taxable income	$ 41,572	$ 12,719

There is no tax effect from amounts recognized in other comprehensive income.

The income tax expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2015	2014
Basic rate applied to profit before provision for payments in lieu of taxes	$ 33,956	$ 5,240
Increase (decrease) in income tax resulting from:		
Losses not recognized for tax	2,056	101
Items not deductible for tax purposes	200	6
Difference in asset tax bases included in regulatory deferral accounts as deferred tax	(4,146)	(162)
Other	246	-
Ontario Apprenticeship Tax Credit recognized as a reduction of wage expense	9,260	7,534
Provision for payments in lieu of taxes	$ 41,572	$ 12,719
Effective rate applied to profit before provision for payments in lieu of taxes	12.32	1.30

7. Payments in Lieu of Taxes Payable (continued)

The movement in the 2015 deferred tax assets are:

	Opening balance at January 1	Recognize in net income	Recognize in OCI	Closing balance at December 31
2015				
Property, plant and equipment	$ 103,679	$ (2,545)	$ -	$ 101,134
Contributions in aid of construction	3,018	(68)	-	2,950
Deferred tax asset	$ 106,697	$ (2,613)	$ -	$ 104,084
2014				
Property, plant and equipment	$ 104,209	$ (530)	$ -	$ 103,679
Contributions in aid of construction	-	3,018	-	3,018
Non-capital loss carryforwards	45,434	(45,434)	-	-
Deferred tax asset	$ 149,643	$ (42,946)	$ -	$ 106,697

At December 31, 2015, a deferred tax asset of $104,084 (2014 - $106,697) has been recorded. The utilization of this tax asset is dependent on future taxable profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future rates.

8. 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 Corporation 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 contributions in aid of construction.

	December 31, 2015	December 31, 2014	January 1, 2014
Customer deposits	**$ 114,674**	$ 115,669	$ 133,401

9. Accounts Payable and Accrued Liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	December 31, 2015	December 31, 2014	January 1, 2014
Accounts payable and accruals	**$ 647,675**	$ 558,983	$ 520,574
Customer credit balances	**326,705**	239,656	18,019
Other	**15,109**	27,873	31,543
	$ 989,489	$ 826,512	$ 570,136

10. Long-term Debt

	December 31, 2015	December 31, 2014	January 1, 2014
Bank loans payable			
Prime plus 1.0%, due December 2017, monthly payments of \$3,538 principal plus interest, secured by certain equipment.	$ 99,074	$ 141,535	$ 183,995
Prime plus 1.25%, due December 2024, monthly payments of \$1,272 principal plus interest, secured by certain equipment.	146,266	161,529	176,792
Atikokan Enercom Inc.			
Prime minus 1.0%, unsecured, monthly payments of \$5,000 principal plus interest, commenced December 2013.	402,000	462,000	395,000
	647,340	765,064	755,787
Less current portion	117,722	117,722	117,722
	$ 529,618	$ 647,342	$ 638,065

Principal payments due on long-term debt in the next five years and thereafter are as follows:

Year	Amount
2016	$ 117,722
2017	117,722
2018	89,417
2019	75,262
2020	75,262
Thereafter	171,955
	$ 647,340

11. Share Capital

a) Ordinary Shares

The authorized share capital is as follows:

Unlimited Class A Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class B Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class C Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class D Preferred shares, non-voting, redeemable only at the option of the Corporation at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class E Preferred shares, non-voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class A Common shares, voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class B Common shares, voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class C Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class D Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class E Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Issued

		2015	2014
1,262,063	Class D Preference shares	$ 1,262,063	$ 1,262,063
12,779	Class A Common shares	1,277,900	1,277,900
Total		$ 2,539,963	$ 2,539,963

11. Share Capital (continued)

b) Movement in Ordinary Share Capital

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

c) Nature and Purpose of Equity

The reserves recorded in equity on the Corporation'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 Corporation's change in retained earnings from year to year.

12. Credit Facility

Atikokan Hydro Inc. is party to a short-term credit facility with a Canadian chartered bank pursuant to which the Corporation could borrow up to $500,000 in the form of an operating loan. The amount drawn under the credit facility as at December 31, 2015, was $NIL (2014 - $NIL).

13. Financial Guarantees

Participants in the wholesale market for electricity that is administered by the Independent Electricity Market Operator are required to satisfy prescribed prudential requirements.

The Corporation is party to an irrevocable standby letter of credit with a Canadian chartered bank. The credit amounts to $315,920 (2014 - $315,920) and has no contractual term. This letter of credit is secured by a general security agreement.

14. 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 Corporation has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of the following.

14. Regulatory Deferral Account Balances (continued)

	January 1, 2014	Balances arising in the period	Recovery / reversal	December 31, 2014	Balances arising in the period	Recovery / reversal	December 31, 2015
Regulatory Deferral Account Debit							
Retail services and settlement variances	$ 13,614	$ 4,290	$ -	$ 17,904	$ 3,984	$ -	$ 21,888
Other deferral accounts	17,596	981	(7,820)	10,757	1,109	(5,809)	6,057
Regulatory asset recovery amount	29,108	72,847	(22,882)	79,073	(36,517)	(42,556)	-
IFRS transition costs	36,253	1,220	-	37,473	435	-	37,908
	96,571	79,338	(30,702)	145,207	(30,989)	(48,365)	65,853
Regulatory Deferral Account Credit							
Deferred tax	149,643	-	(42,946)	106,697	(2,613)	-	104,084
Regulatory liability repayment amount	-	-	-	-	10,996	-	10,996
	149,643	-	(42,946)	106,697	8,383	-	115,080
Net Regulatory (Liabilities)/ Assets	$ (53,072)	$ 79,338	$ 12,244	$ 38,510	$ (39,372)	$ (48,365)	$ (49,227)

14. Regulatory Deferral Account Balances (continued)

(i) *Retail Services and Settlement Variances*

These accounts are comprised of the variances between amounts charged by the Corporation to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation after May 1, 2002. The retail services and settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

(ii) *Other Deferral Accounts*

Other deferral accounts includes stranded meter deferral accounts. In 2012, the Corporation obtained approval from the OEB to continue to use the established smart meter regulatory asset account to track the remaining cost of the stranded meters related to the deployment of smart meters which were formerly included in capital assets. In the absence of rate regulation, these stranded meters would have previously been expensed.

(iii) *Regulatory Asset Recovery Account*

The regulatory assets recovery amount is the net aggregate of all regulatory assets and liabilities as well as recoveries approved by the OEB during 2012 for recovery and disposition up to December 31, 2010, plus accrued interest up to April 30, 2012, less amounts already collected through distribution rates up to December 31, 2015.

(iv) *Regulatory Liability Repayment Account*

The regulatory liability repayment amount is the net aggregate of all regulatory assets and liabilities as well as recoveries approved by the OEB during 2015 for recovery and disposition up to April 30, 2018, plus accrued interest, less amounts already collected through distribution rates up to December 31, 2015.

(v) *Deferred Tax*

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Corporation has recognized a deferred tax asset of $104,084 (2014 - $106,697) and a corresponding regulatory deferral account credit balance of $104,084 (2014 - $106,697).

(vi) *IFRS Transition Costs*

During 2008, the OEB consultation process was set up to determine the effect of IFRS on local distribution Companies. The consultation concluded that prudently incurred administrative costs directly related to IFRS transition would be recoverable from ratepayers on the same basis as other administrative costs. In the absence of rate regulation, these transition costs would have previously been expensed.

14. Regulatory Deferral Account Balances (continued)

The Corporation has recognized an IFRS transition cost asset of $37,908 (2014 - $37,473) arising from the recognition of regulatory deferral account balances. The IFRS transition cost asset balance is presented within the total regulatory deferral account debit balances presented in the Statement of Financial Position.

15. Related Party Transactions

The Ultimate Parent

The common shares of Atikokan Hydro Inc. are owned by the Corporation of the Town of Atikokan, the ultimate parent, which constitutes a local government. Consequently, the Corporation 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.

Transactions with Related Parties

The Corporation provides electricity and services to the Corporation of the Town of Atikokan.

Atikokan Hydro Inc. and Atikokan Enercom Inc. are related due to common ownership. Atikokan Hydro Inc. provides electricity and other services to Atikokan Enercom Inc. as follows:

	2015	2014
Electricity sales	$ 4,131	$ 3,688
Other sales	77,073	95,209
	$ 81,204	$ 98,897

Atikokan Hydro Inc. makes purchases and pays interest on long-term debt to Atikokan Enercom Inc. (Note 10) as follows:

	2015	2014
Interest on long-term debt	$ 7,825	$ 8,833
Other purchases	3,698	3,412
	$ 11,523	$ 12,245

15. Related Party Transactions (continued)

Atikokan Hydro Inc. is owned by the Corporation of the Town of Atikokan.

	2015	2014
Sales to the Corporation of the Town of Atikokan	$ 720,815	$ 533,489

The sales were recorded at fair market value and took place in the normal course of business.

Key Management Personnel Compensation Comprised:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members.

	2015	2014
Directors' fees	$ 6,078	$ 6,841

16. Expenses by Nature

	2015	2014
Repairs and maintenance	$ 81,230	$ 86,795
Staff costs	671,293	558,585
General administration and overhead	609,400	552,126
Bad debts	582	110
Energy cost	3,996,866	2,728,772
	$ 5,359,371	$ 3,926,388

17. Finance Income and Finance Cost

	2015	2014
Finance Income:		
Recognized in profit or loss:		
Interest income on receivables	$ 9,300	$ 8,072
Other interest revenue	9,491	7,789
	$ 18,791	$ 15,861
Finance Cost:		
Recognized in profit or loss:		
Interest on long-term debt	$ 18,704	$ 20,580
Other interest expense	3,551	2,834
	$ 22,255	$ 23,414

18. Employee Future Benefits

Defined Contribution Plan

OMERS provides pension services to approximately 461,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the 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 December 31, 2015. The results of this valuation disclosed total actuarial liabilities of $82,369 million in respect of benefits accrued for service with actuarial assets at that date of $75,392 million indicating an actuarial deficit of $6,977 million. 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 Corporation does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Corporation to OMERS for 2015 were $63,229 (2014 - $53,975).

19. Capital Management

The main objectives of the Corporation, 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.

As at December 31, 2015, the Corporation's definition of capital is shareholder's equity. As at December 31, 2015, shareholder's equity amounts to $2,598,747 (2014 - $2,364,191).

20. Financial Instruments and Risk Management

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

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 Corporation, such as accounts receivable, expose it to credit risk. The Corporation 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.

20. Financial Instruments and Risk Management (continued)

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 income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2015, is \$6,000 (2014 - \$6,000). An impairment loss of \$582 was recognized during the year. The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2015, approximately \$17,056 (2014 - \$19,028) is considered over 60 days past due. The Corporation has approximately 1,660 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. As at December 31, 2015, the Corporation holds security deposits in the amount of \$114,674 (2014- \$115,669). The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

ii. Market Risk:

The Corporation 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 Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$500,000 credit facility and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

20. Financial Instruments and Risk Management (continued)

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

At December 31, 2015	Up to 3 months	Between 3-12 months	Between 1-2 years	Over 2 years
Accounts payables and accrued liabilities	$ 973,483	$ 16,006	$ -	$ -
Customer deposits	3,351	12,000	15,000	84,323
Payable to Atikokan Enercom Inc.	15,000	45,000	60,000	282,000
Bank loans payable	14,431	43,292	57,722	129,895
Other payables	-	32,312	-	-
	$ 1,006,265	$ 148,610	$ 132,722	$ 496,218
At December 31, 2014				
Accounts payables and accrued liabilities	$ 826,512	$ -	$ -	$ -
Customer deposits	7,275	4,292	15,351	88,751
Payable to Atikokan Enercom Inc.	15,000	45,000	60,000	342,000
Bank loans payable	14,431	43,292	57,722	187,619
Other payables	-	5,185	-	-
	$ 863,218	$ 97,769	$ 133,073	$ 618,370

21. 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 Corporation has applied IFRS was January 1, 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 Corporation will be December 31, 2015. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adoption. Prior to transition to IFRS, the Corporation 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 Corporation has applied the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 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 January 1, 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 Corporation 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 Corporation has not used hindsight to revise estimates.

Government Loans

The Corporation 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 grant. No benefit element is recognized for below market interest rate loans. The loans are subsequently measured using an effective interest rate calculated at the date of transition and the guidance in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance is applied after the date of transition.

Optional Elections:

Business Combinations

The Corporation 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.

21. First Time Adoption of International Financial Reporting Standards (continued)

Borrowing Costs

The Corporation 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 Corporation has elected the deemed cost exemption applicable to entities subject to rate regulation as described under IFRS.

The election permits the Corporation, 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; hence, there will be no impact on retaining earnings for opening balances of PP&E and intangible assets at the date of transition. In accordance with the election, the Corporation has tested these items of property, plant and equipment and intangible assets at the date of transition to IFRS. No impairment losses were recognized.

Transfers of Assets from Customers

The Corporation 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.

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.

21. First Time Adoption of International Financial Reporting Standards (continued)

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. The amount recorded as a regulatory asset and liabilities respectively, under pre-changeover Canadian GAAP was $321,624 and $280,096. These balances have been reclassified under IFRS presentation. Also, an adjustment was made to the regulatory account for deferred taxes is described in Part (v). This adjustment increased the regulatory liabilities for the 2014 year in the amount of $3,018. The amount recorded as a regulatory asset and liabilities respectively, under IFRS as of December 31, 2014 is $145,207 and $106,697.

ii) Employee Future Benefits

Under IFRS, the Corporation 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.

There is no transitional adjustment for employee future benefits.

iii) Contributions in Aid of Construction

Under IFRS Contributions in Aid of Construction are recognized as deferred revenue and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset in the Statement of Comprehensive Income. An adjustment was made to the 2014 fiscal period to decrease revenue and increase contributions in aid of construction by the amount of $20,123.

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 Corporation has elected to take the Borrowing Costs exemption, there is no transitional adjustment.

v) Deferred Taxes

The deferred tax asset as of December 31, 2014 under pre-changeover Canadian GAAP was $103,679. Due to the conversion to IFRS and the recording of Contributions in Aid of Construction, a transitional adjustment was made to increase the asset in the amount of $3,018 to bring the adjusted IFRS asset balance for deferred taxes to $106,697.

Atikokan Hydro Inc.
Financial Statements
For the year ended December 31, 2014

Contents

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Fort Frances ON P9A 1H1 Canada

Independent Auditor's Report

To the Shareholder of Atikokan Hydro Inc.

We have audited the accompanying financial statements of Atikokan Hydro Inc., which are comprised of the balance sheet as at December 31, 2014, and the statement of operations and deficit and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 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 Atikokan Hydro Inc. as at December 31, 2014, and the results of its operations and its cash flows, for the year then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Corporation's accumulated deficit is $155,649 as of the year ended December 31, 2014. These conditions, as described in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
April 27, 2015

Atikokan Hydro Inc.
Balance Sheet

December 31	2014	2013
Assets		
Current		
Cash and cash equivalents	$ 321,373	$ 63,687
Accounts receivable (Note 2)	466,001	347,705
Unbilled revenue	392,027	394,419
Inventory	102,639	118,739
Prepaids	16,847	42,550
	1,298,887	967,100
Property, plant and equipment (Note 3)	2,652,650	2,390,666
Regulatory assets (Note 8)	321,624	268,770
Future income tax assets (Note 10)	103,679	149,643
	$ 4,376,840	$ 3,776,179
Liabilities		
Current		
Accounts payable	$ 826,512	$ 570,136
Customer deposits	11,567	13,340
Payments in lieu of Corporate taxes payable	5,185	-
Current portion of long-term debt (Note 4)	117,722	117,722
	960,986	701,198
Regulatory liabilities (Note 8)	280,096	321,843
Customer deposits	104,102	120,061
Long-term debt (Note 4)	647,342	638,065
	1,992,526	1,781,167
Shareholder's equity		
Share capital (Note 5)	2,539,963	2,539,963
Deficit	(155,649)	(544,951)
	2,384,314	1,995,012
	$ 4,376,840	$ 3,776,179

On behalf of the Board:

____________________ Director

____________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Atikokan Hydro Inc.
Statement of Operations and Deficit

For the year ended December 31	2014	2013
Revenue		
Sale of energy	$ 2,688,445	$ 2,409,042
Distribution revenue	1,363,986	1,377,843
Rent from electric property	31,625	31,625
Late payment charges	8,072	6,376
Miscellaneous revenue	118,588	29,231
Demand management program revenue	94,025	123,558
Interest and dividend income	7,789	5,332
	4,312,530	3,983,007
Expenses		
Administration	309,327	387,923
Amortization	196,885	176,231
Billing and collecting	180,534	250,641
Distribution expense operation	256,339	242,278
Distribution expense maintenance	153,751	170,353
Energy cost	2,688,445	2,409,042
Interest on long-term debt	20,580	54,347
Other interest expense	2,835	19,782
Demand management program expense	94,025	123,558
	3,902,721	3,834,155
Net income before the following	409,809	148,852
Loss on disposal of assets	(7,788)	(6,179)
Provision for payments in lieu of Corporate taxes	12,719	-
Net income for the year	389,302	142,673
Deficit, beginning of year	(544,951)	(687,624)
Deficit, end of year	$ (155,649)	$ (544,951)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Atikokan Hydro Inc.
Statement of Cash Flows

For the year ended December 31	2014	2013
Cash provided by (used in)		
Operating activities		
Income for the year	$ 389,302	$ 142,673
Items not involving cash		
Amortization	196,885	176,231
Loss on disposal of property, plant and equipment	7,788	6,179
Future income taxes (recovery)	45,964	(2,307)
	639,939	322,776
Changes in non-cash working capital balances		
Accounts receivable	(118,296)	66,821
Unbilled revenue	2,392	(76,353)
Inventory	16,100	(12,642)
Prepaids	25,703	(16,810)
Accounts payable	256,375	(5,512)
Regulatory accounts	(94,601)	275,710
Payment in lieu of Corporate taxes payable	5,185	-
	732,797	553,990
Investing activities		
Net increase in property, plant and equipment	(466,656)	(329,967)
Financing activities		
Increase (decrease) in long-term debt	9,277	(62,724)
Increase (decrease) in customer deposits held	(17,732)	6,543
	(8,455)	(56,181)
Increase in cash during the year	257,686	167,842
Cash and cash equivalents (bank indebtedness), beginning of year	63,687	(104,155)
Cash and cash equivalents, end of year	$ 321,373	$ 63,687
Supplementary cash flow information		
Total interest paid	$ 23,414	$ 74,128

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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Nature of Business

The Corporation is incorporated under the laws of Ontario and is engaged in the distribution of retail electricity. The Corporation is currently exempt from taxes under the Income Tax Act and the Ontario Corporation Act.

Regulation

The *Energy Competition Act, 1998* was given Royal Assent on October 30, 1998, which provided for a competitive market in the generation and sale of electricity and the regulation of the monopoly electricity delivery system in the Province of Ontario (the "Province").

On May 1, 2002, the government of Ontario opened Ontario's wholesale and retail markets to competition by providing generators, retailers and consumers with open access to Ontario's transmission and distribution network ("Open Access").

Since the commencement of Open Access, electricity distributors have been purchasing their electricity requirements from the wholesale market administered by the Independent Electricity System Operator (the "IESO") and recovering the cost of electricity and certain other costs at a later date in accordance with procedures mandated by the Ontario Energy Board (the "OEB").

The OEB has regulatory oversight of electricity matters in the Province. The Ontario Energy Board Act, 1998 sets out the OEB's authority to issue a distribution licence which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, separation of accounts for separate businesses and filing/process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and fix rates for the transmission and distribution of electricity, to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that electricity distribution Companies (the "LDC") fulfill obligations to connect and service customers.

The LDC is required to charge its customers for the following amounts (all of which, other than the distribution rate, represent "a pass through" of amounts payable to third parties):

(a) Electricity Price and Related Rebates. The electricity price and related rebates represent a pass through of the commodity cost of electricity.

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Regulation (continued)

(b) Distribution Rate. The distribution rate is designed to recover the costs incurred by the LDC in delivering electricity to customers and the OEB-allowed rate of return. Distribution rates are regulated by the OEB and are typically comprised of a fixed charge and usage-based (consumption) charge.

The volume of electricity consumed by LDC's customers during any period is governed by events largely outside LDC's control (principally sustained periods of hot or cold weather which increase the consumption of electricity and sustained periods of moderate weather which decrease the consumption of electricity).

(c) Retail Transmission Rate. The retail transmission rate represents a pass through of the wholesale costs incurred by distributors in respect of the transmission of electricity from generating stations to local areas. Retail transmission rates are regulated by the OEB.

(d) Wholesale Market Service Charge. The wholesale market service charge represents a pass through of various wholesale market service support costs. Wholesale market service charges are regulated by the OEB.

Market participants (including distributors and retailers) are required to satisfy and maintain prudential requirements with the IESO, which include credit support with respect to outstanding market obligations.

Regulatory Developments

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.

Regulatory Treatments

The following regulatory treatments have resulted in accounting treatments which differ from Canadian GAAP for enterprises operating in an unregulated environment:

Regulatory Assets and Liabilities

In accordance with Canadian Institute of Chartered Accountants Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation" ("AcG-19"), certain costs and variance account balances deemed to be "regulatory assets" or "regulatory liabilities" in the LDC are reflected separately on the Corporation's balance sheet until the manner and timing of disposition is determined by the OEB.

Effective January 1, 2009, the Corporation adopted amended Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100 - "Generally Accepted Accounting Principles", Handbook Section 3465 - "Income Taxes" and Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation". These amended sections and guidance established new standards and removed a temporary exemption in Handbook Section 1100 pertaining to the application of that section to the recognition and measurement of assets and liabilities arising from rate regulation. The new standards require the recognition of future income tax assets and liabilities in accordance with Handbook Section 3465 as well as a separate regulatory asset or liability balance for the amount of future income taxes expected to be included in future rates and recovered from or paid to customers, and retain existing requirements to disclose the effects of rate regulation. The revised standards are effective for interim and annual financial statements for the fiscal years beginning on or after January 1, 2009.

Following the removal of the temporary exemption for rate-regulated operations included in Handbook Section 1100, the Corporation developed accounting policies for its assets and liabilities arising from rate regulation using professional judgement and other sources issued by bodies authorized to issue accounting standards in other jurisdictions. Upon final assessment and in accordance with Handbook Section 1100, the Corporation determined that its assets and liabilities arising from rate-regulated activities qualify for recognition under Canadian GAAP and this recognition is consistent with U.S. Financial Accounting Standards Board Accounting Standards Codification 980 - "Regulated Operations".

Regulatory Treatments (continued)

Spare Transformers

Spare transformers are items that are expected to substitute for original distribution plant transformers when these original plant assets are being repaired and are held and dedicated for the specific purpose of backing up plant in service as opposed to assets available for other uses. According to the criteria set out in the Accounting Procedures Handbook, spare transformers are treated as property, plant and equipment (Note 3).

Inventories

Inventories consist primarily of maintenance and construction materials and are stated at the lower of cost and replacement cost, with cost determined on a standard cost basis net of the provision for obsolescence.

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization using the straight line method is based on the estimated useful life of the asset as follows:

Buildings	- 40 years
Transmission and distribution equipment	- 45-60 years
Other equipment	- 10 years
Computer equipment and software	- 5 years
Automotive equipment	- various straight line basis

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

Revenue Recognition	Revenue from the sale of electricity is recorded on a basis of cyclical billings and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed.
Customer Deposits	Customer deposits are cash collections from customers to guarantee the payment of energy bills. Deposits expected to be refunded within the next fiscal year are classified as a current liability.
Use of Estimates	The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance. The estimates used in the preparation of these financial statements include, useful lives of property, plant and equipment, regulatory assets and liabilities and accrued liabilities.
Payments in Lieu of Taxes	The Corporation is required to compute taxes under the Income Tax Act and the Ontario Corporations Tax Act and remit such amounts thereunder to the Ontario Electricity Financial Corporation. These amounts referred to as Payments in Lieu of Taxes under the Energy Competition Act, are applied to reduce certain debt obligations of the former Ontario Hydro.
Impairment of Long-lived Assets	Long-lived assets held and used by the Corporation are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of any of the Corporation's long-lived assets as at year end.
Future Income Taxes	Commencing January 1, 2007, the Corporation adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Financial Instruments

Effective January 1, 2007, the Corporation adopted the CICA Handbook Sections 3855 - "Financial Instruments - Recognition and Measurement", 3861 - "Financial Instruments - Disclosure and Presentation", 1530 - "Comprehensive Income" and the revised CICA Handbook Section 3251 - "Equity" (the "Handbook Sections"). As provided under the standards, the comparative financial statements have not been restated. These new Handbook Sections have lead to changes in the accounting for financial instruments. All relevant changes are outlined below.

Financial Instruments - Recognition and Measurement - Section 3855

This Section establishes the standards for the recognition and measurement of financial assets and financial liabilities. At inception, all financial instruments which meet the definition of a financial asset or a financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Corporation. As of January 1, 2007, the Corporation has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

- Cash and cash equivalents are classified as "Assets Held-For-Trading" and are measured at fair value.
- Accounts receivable and unbilled revenue are classified as "Loans and Receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, customer deposits and the long-term debt are classified as "Other Financial Liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Comprehensive Income - Section 1530

This Section describes the recognition and disclosure requirements with respect to comprehensive income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income represents the changes in the fair value of a financial instrument which have not been included in net income.

Financial Instruments (continued)

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carry values, unless otherwise noted.

There was no comprehensive income during the year ended December 31, 2014.

Pension Plan

The Corporation is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Corporation has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Corporation records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

New Accounting Pronouncement

International Financial Reporting Standards (IFRS)

On February 13, 2008, the AcSB confirmed that publicly accountable enterprises (PAEs) would be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. While the Corporation is not a PAE, it is a Government Business Enterprise given its status as a municipally owned utility, and such enterprises are required to follow the same basis of accounting as PAEs.

IFRS does not currently contain a standard on rate-regulation. Due to the significance of this issue in Canada, the AcSB decided on September 10, 2010, that qualifying entities with rate-regulated activities (RRA) would be permitted to continue applying pre-changeover Canadian GAAP for an additional year, postponing the IFRS transition date to January 1, 2012. Future deferrals were issued in March 2012, September 2012, February 2013, and January 2014, extending the transition date to January 1, 2013, 2014 and 2015, respectively.

Due to the pending expiration of the exemption, the Corporation is expected to report in accordance with IFRS beginning on January 1, 2015, and applied retrospectively to the Corporation's opening IFRS statement of financial position as at January 1, 2014. The Corporation is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements.

December 31, 2014

1. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Corporation has deficit to date of $155,649 which includes operating surplus for the current period of $389,302. The continuation of the Corporation is dependent upon the continuing availability of operating and long-term financing and achieving a profitable level of operation through cost cutting measures. As of September 1, 2012, the electricity rates have been increased. Management is hopeful that, with these increased rates, the Corporation will continue to be profitable.

The Ontario Energy Board (OEB) recognizes the financial situation and has been continuously monitoring the Corporation. Should the Corporation be unable to continue as a going concern it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Management is continuing to address the issues of increasing revenue, controlling costs, and obtaining working capital and financing. As the outcome of management's actions is dependent on future events, there is no certainty that management will be able to satisfactorily resolve these issues in the long-term.

These financial statements do not reflect the adjustments and changes in presentation that would be necessary should the Corporation be unable to continue as a going concern.

2. Accounts Receivable

	2014	2013
Trade accounts	$ 461,919	$ 341,495
Atikokan Enercom Inc.	4,082	6,210
	$ 466,001	$ 347,705

3. Property, Plant and Equipment

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 15,588	$ -	$ 15,588	$ 15,588
Buildings	683,677	374,856	308,821	345,053
Transmission and distribution equipment	4,285,113	2,235,573	2,049,540	1,731,008
Other equipment	171,611	135,997	35,614	29,839
Automotive equipment	764,811	535,147	229,664	253,459
Computer equipment and software	52,123	38,700	13,423	15,719
	$ 5,972,923	$ 3,320,273	$ 2,652,650	$ 2,390,666

December 31, 2014

4. Long-term Debt

	2014	2013
Prime plus 1.0%, due December 2017, monthly payments of $3,538 principal plus interest, secured by certain equipment.	$ 141,535	$ 183,995
Prime plus 1.25%, due December 2024, monthly payments of $1,272 principal plus interest, secured by certain equipment.	161,529	176,792
Atikokan Enercom Inc. Prime minus 1.0%, unsecured, monthly payments of $5,000 principal plus interest, commenced December 2013.	462,000	395,000
	765,064	755,787
Less current portion	117,722	117,722
	$ 647,342	$ 638,065

Principal payments due on long-term debt in the next five years and thereafter are as follows:

Year	Amount
2015	$ 117,722
2016	117,722
2017	117,722
2018	89,417
2019	75,262
Thereafter	247,219
	$ 765,064

5. Share Capital

The authorized share capital is as follows:

Unlimited Class A Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class B Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class C Preferred shares, voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class D Preferred shares, non-voting, redeemable only at the option of the Corporation at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class E Preferred shares, non-voting, redeemable at issue price and entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class A Common shares, voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class B Common shares, voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class C Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class D Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Unlimited Class E Common shares, non-voting, entitled to a non-cumulative dividend determined by the Board of Directors.

Issued

		2014	2013
1,262,063	Class D Preference shares	$ 1,262,063	$ 1,262,063
12,779	Class A Common shares	1,277,900	1,277,900
Total		$ 2,539,963	$ 2,539,963

6. Credit Facility

Atikokan Hydro Inc. is party to a short-term credit facility with a Canadian chartered bank pursuant to which the Corporation could borrow up to $500,000 in the form of an operating loan. The amount drawn under the credit facility as at December 31, 2014, was $NIL (2013 - $NIL).

7. Financial Guarantees

Participants in the wholesale market for electricity that is administered by the Independent Electricity Market Operator are required to satisfy prescribed prudential requirements.

During the year, the Corporation became party to an irrevocable standby letter of credit with a Canadian chartered bank. The credit amounts to $315,920 (2013 - $315,920) and has no contractual term. This letter of credit is secured by a general security agreement.

8. Regulatory Assets and Liabilities

Regulatory assets consist of the following:

	2014	2013
Retail settlement variances	$ 245,812	$ 164,416
Other regulatory assets	37,473	36,253
Smart meters and stranded meters	7,449	15,077
Regulatory asset recovery amount	30,890	53,024
Net regulatory assets	$ 321,624	$ 268,770

Regulatory liabilities consist of the following:

	2014	2013
Retail settlement variances	$ 176,417	$ 172,200
Future income tax	103,679	149,643
Net regulatory liabilities	$ 280,096	$ 321,843

The regulatory assets and liabilities balances of the Corporation are defined as follows:

(a) Retail Services and Settlement Variances:

This balance represents the variances between amounts charged by the Corporation to customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by it in the wholesale market administered by the IESO after May 1, 2002. The retail services and settlement variances related primarily to service charges, non-competitive electricity charges, power charges and other recoveries and charges. Accordingly, the Corporation has deferred these liabilities in accordance with the criteria set out in the Accounting Procedures Handbook.

8. Regulatory Assets and Liabilities (continued)

(b) Other Regulatory Assets:

Other regulatory assets consist of:

IFRS Conversion Project

This regulatory asset account includes the incremental costs incurred by the LDC for its planned conversion to IFRS. The regulatory balance as of December 31, 2014 is $37,473 (2013 - $36,253). Under Canadian accounting principles for unregulated businesses, these costs would have been recorded to operating expenses. In the absence of rate regulation, operating expenses in 2014 would have been $1,220 higher (2013 - $11,866).

(c) Smart Meters:

The smart meters regulatory asset account relates to the Province of Ontario's decision to install smart meters throughout Ontario. The LDC launched its smart meter project shortly following the Province of Ontario's announcement in 2006. In 2008, the OEB ordered the LDC to record all future expenditures and revenues related to smart meters to a regulatory asset account and allowed the LDC to keep the net book value of the stranded meters related to the deployment of smart meters in its rate base. The deferred balances continue to be calculated and attract carrying charges.

The OEB approved 50% of the smart meter costs requested by Atikokan Hydro Inc. in 2012 for recovery subject to final results of an audit of Atikokan's smart meter costs as conducted by the OEB, with the balance being approved in 2013. The OEB also approved $23,375 stranded meter net book value in 2012. As a result, smart meter costs of $188,689 were transferred to Property, Plant and Equipment during 2013 (2012 - $253,349). The smart meter costs recorded in the smart meter deferral accounts as at December 31, 2012, include the residual capital, operating and maintenance costs of $250,051 related to the smart meters after necessary adjustments made as a result of the audit conducted by the OEB. The costs remain in the deferral account relating to the stranded meters in the amount of $7,449 (2013 - $15,077).

(d) Regulatory Asset Recovery Account:

The regulatory assets recovery amount is the net aggregate of all regulatory assets and liabilities approved by the OEB during 2012 for recovery and disposition up to December 31, 2010, plus accrued interest up to April 30, 2012, less amounts already collected through distribution rates up to December 31, 2014.

(e) Future Income Taxes:

This regulatory liability account relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets.

9. Related Party Transactions

Atikokan Hydro Inc. and Atikokan Enercom Inc. are related due to common ownership.

	2014	2013
Sales to Atikokan Enercom Inc.	$ 76,365	$ 83,322

The sales were recorded at fair market value and took place in the normal course of business. Atikokan Hydro Inc. also provides power to numerous related party properties. The sale of the power occurred at market rates. The sale of power is not included in the above figures.

10. Future Income Tax Assets

The components of the future income tax assets as of December 31 are as follows:

	2014	2013
Property, plant and equipment	$ 103,679	$ 104,209
Carryforward tax losses	-	45,434
Net future income tax assets	$ 103,679	$ 149,643

December 31, 2014

11. Pension Agreements

OMERS provides pension services to more than 451,115 active and retired members and approximately 974 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the 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 December 31, 2014. The results of this valuation disclosed total actuarial liabilities of $77,284 million in respect of benefits accrued for service with actuarial assets at that date of $70,206 million indicating an actuarial deficit of $7,078 million. 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 Corporation does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Corporation to OMERS for 2014 were $53,975 (2013 - $51,080).

12. Capital Disclosures

The Corporation's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system of Atikokan Hydro Inc.; and
- ensure compliance with covenants related to its credit facilities and the long-term debt from the Town of Atikokan.

As at December 31, 2014, the Corporation's definition of capital is shareholder's equity. As at December 31, 2014, shareholder's equity amounts to $2,384,314 (2013 - $1,995,012). During the 2013 fiscal year, the Corporation converted long-term debt owing to the Town of Atikokan to preferred shares (Note 5).

13. Risk Factors

The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

The Corporation's activities provide for a variety of financial risks, particularly credit risk and liquidity risk.

Credit risk
Financial instruments are exposed to credit risk as a result of the risk of the counterparties defaulting on their obligations. The Corporation monitors and limits its exposure to credit risk on a continuous basis. The Corporation provides reserves for credit risk based on the financial condition and short and long-term exposures to counterparties.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from Atikokan Hydro Inc. customers. Atikokan Hydro Inc. has approximately 1,700 customers, the majority of which are residential. Atikokan Hydro Inc. collects security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2014, Atikokan Hydro Inc. held security deposits in the amount of $115,669 (2013 - $133,401).

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the statement of operations and deficit. Subsequent recoveries of receivables previously provisioned are credited to the statement of operations and deficit.

At December 31, 2014, there were no significant concentrations of credit risk with respect to any class of financial assets or counterparties. The Corporation's maximum exposure to credit risk is equal to the carrying value of its financial assets.

Interest rate risk
The Corporation is exposed to interest rate risk in holding certain financial instruments. The Corporation's objective is to minimize net interest expense. The Corporation attempts to minimize interest rate risk by issuing long-term fixed rate debt.

Under the Corporation's Revolving Credit Facility (Note 6), the Corporation may obtain short-term borrowings for working capital purposes. These borrowings expose the Corporation to fluctuations in short-term interest rates (borrowings in the form of prime rate loans in Canadian dollars and bankers' acceptances and letters of credit).

Liquidity risk
The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. The Corporation has access to credit facilities and monitors cash balances daily to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

13. Risk Factors (continued)

Hedging and derivatives risk
As at December 31, 2014, the Corporation has not entered into hedging and derivative financial instruments.

Foreign exchange risk
As at December 31, 2014, the Corporation has limited exposure to the changing values of foreign currencies.