ONTARIO ENERGY BOARD

IN THE MATTER OF Sections 86 and 18 of the *Ontario Energy Board Act,* 1998, S.O. 1998, c.15 (Schedule B)

AND IN THE MATTER OF an Application for Leave under s. 86(1)(c) of the *Ontario Energy Board Act* for the Amalgamation of Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc. and any necessary Ancillary Relief

APPLICATION

February 27, 2018

Counsel to the Applicants

Aird & Berlis LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, Ontario
M5J 2T9

Dennis M. O'Leary
Tel: 416-863-1500
Fax: 416-863-1515
Email: doleary@airdberlis.com

EXHIBIT A

INDEX

CERTIFICATION OF EVIDENCE

The undersigned, the CEO of Guelph Hydro Electric Systems Inc., in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in this Application is accurate, consistent and complete.

Dated at Guelph this 27 day of February, 2018

Per: ______________________
Name: Pankaj Sardana
Title: Chief Executive Officer

CERTIFICATION OF EVIDENCE

The undersigned, the CFO of Envida Community Energy Inc., in my capacity as an officer of that corporation and without personal liability, hereby certify, to the best of my knowledge, as at the date of certification, that the evidence in this Application is accurate, consistent and complete.

Dated at Guelph this 27 day of February, 2018

Per: ______________________
Name: Pankaj Sardana
Title: Chief Financial Officer

EXHIBIT B

IN THE MATTER OF Sections 86 and 18 of the *Ontario Energy Board Act,* 1998, S.O. 1998, c.15 (Schedule B)

AND IN THE MATTER OF an Application for Leave under s. 86(1)(c) of the *Ontario Energy Board Act* for the Amalgamation of Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc. and any necessary Ancillary Relief

APPLICATION PURSUANT TO *OEB ACT* 86(1)(C) & 18(2)

1. INTRODUCTION AND BRIEF DESCRIPTION OF THE TRANSACTION

This MAADs Application is made under Subsection 86(1)(c) of the *Ontario Energy Board Act*, S.O. 1998 c.15, as amended ("***OEB Act***") and pursuant to the Ontario Energy Board's (the "**Board**") Filing Requirements for Consolidation Applications dated January 19, 2016 which is Schedule 2 to the Board's Handbook to Electricity Distributor and Transmitter Consolidations dated January 19, 2016 (the "**Handbook**"). The subheadings and reference numbers used in this Application follow the Board's filing requirements.

This Application is made in anticipation of the pending MAADs Application by Alectra Utilities Corporation ("**Alectra**") seeking leave to amalgamate with Guelph Hydro. For the reasons identified in this Application, a corporate reorganization is being undertaken prior to the anticipated merger of Alectra and Guelph Hydro. The proposed amalgamation of Guelph Hydro and Envida in this Application is the final step in this corporate reorganization and is necessary to allow Guelph Hydro the ability to claim certain non-capital tax losses generated by Envida.

2.2.1 Administrative

Legal Name of Applicants:

Guelph Hydro Electric Systems Inc.
Envida Community Energy Inc.

***Details of Authorized Representatives*:**

Guelph Hydro Electric Systems Inc.
Contact: Pankaj Sardana, CEO
Contact: Cristina Birceanu, VP of Regulatory Affairs, Customer Care and Billing
Telephone Numbers: 519-837-4707/519-837-4735
Fax Numbers: 519-836-1055/519-836-6115
E-mails: psardana@guelphhydro.com/cbirceanu@guelphhydro.com

Envida Community Energy Inc.
Contact: Pankaj Sardana, Chief Financial Officer
Telephone Number: 519-837-4707
Fax Number: 519-836-1055
E-mail: psardana@guelphhydro.com

Counsel to Applicants:

Dennis M. O'Leary
Aird & Berlis LLP
Barristers and Solicitors
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Tel: 416-863-1500
Fax: 416-863-1515
Email: doleary@airdberlis.com

2.2.2 Description of the Business of the Parties to the Transaction

(a) *Description of Applicants' Business*

Guelph Hydro is an electricity distribution company licenced by the Ontario Energy Board under licence number ED-2002-0565, as amended. Guelph Hydro is wholly owned by Guelph Municipal Holdings Inc. ("**GMHI**"). Guelph Hydro provides approximately 55,000 customers with electricity distribution services in the City of Guelph and the Village of Rockwood. In addition to its distribution facilities, Guelph Hydro owns 1 microFIT (Feed-In-Tariff) installation on the roof top of Guelph Hydro's Arlen Transformer station. It also owns two electric vehicle charging stations located at its head office.

By a Notice of Proposal made under Section 80 of the *OEB Act* which was filed on November 20, 2017, Guelph Hydro gave notice to the Board of its intention to purchase the shares of Envida from GMHI. By a letter dated December 20, 2017, the Board advised Guelph Hydro that it did not intend to issue a Notice of Review. A copy of this letter is attached at Tab 1.

Envida is now a wholly owned subsidiary of Guelph Hydro. Historically, Envida had three main lines of business: electricity generation; the provision of thermal energy from two district energy systems to several buildings within the City of Guelph; and, the ownership and operation of one electric vehicle charging station.

As part of the earlier steps undertaken in respect of the corporate reorganization, Envida transferred its district energy systems to a wholly owned subsidiary of GMHI, GMHI Development Corporation ("**Devco**"). It also transferred 8 microFIT installations to the City of Guelph.

The remaining assets of Envida which will be subject of the proposed amalgamation with Guelph Hydro consists of two generation facilities, and one Electric Vehicle ("EV") charging station, all located within the City of Guelph.

One of the generation facilities is the Eastview Road Landfill Gas Electricity Generation Facility which consists of two 925kW engine generators. Generation capacity is 1.85 MW. Generation at this facility is undertaken pursuant to an Electricity Generation Licence, EG-2004-0438, issued by the Board to Envida. A copy of this Electricity Generation Licence is attached at Tab 2. Electricity generated is supplied pursuant to a Renewable Energy Supply Contract with the IESO. There are approximately 8 years remaining on this contract. Guelph Hydro Staff have been operating and maintaining this plant on behalf of Envida since mid-2012. If leave is granted for the merger of Guelph Hydro and Envida, leave of the Board will also be required for the transfer of this Electricity Generation Licence to the merged entity which will be continuing as Guelph Hydro.

The second generation facility which Envida also owns is the 100kW Southgate Solar Project which is located on the roof of the Guelph Hydro head office at 395 Southgate Drive Guelph, Ontario. The installed solar photovoltaic system consists of 60 arrays comprised of 507 solar panels. This facility generates electricity pursuant to a 20-year Feed-In Tariff contract with the IESO at a secured rate per kWh to Guelph Hydro. This facility does not require an Electricity Generation Licence as its name plate capacity does not exceed the threshold requiring a licence under O. Regulation 161/99. This facility is also maintained by Guelph Hydro Staff.

GMHI was incorporated by the City of Guelph to hold the City's investment in Guelph Hydro and, originally, Envida. Guelph Hydro continues to be wholly owned by GMHI which is wholly owned by the City of Guelph.

Devco is intended to hold land and related investments for the City of Guelph in furtherance of many of the City's strategic objectives.

(b) *Description of Service Territory*

Guelph Hydro's distribution service area is defined in Schedule 1 to its Electricity Distribution Licence ED-2002-0565. A copy of Schedule 1 to this licence is attached at Tab 3.

Envida's assets consisting of the Eastview generation facility, the Southgate Solar generation facility, and the EV charging station, are located within Guelph Hydro's distribution service area.

(c) *Description of Customers*

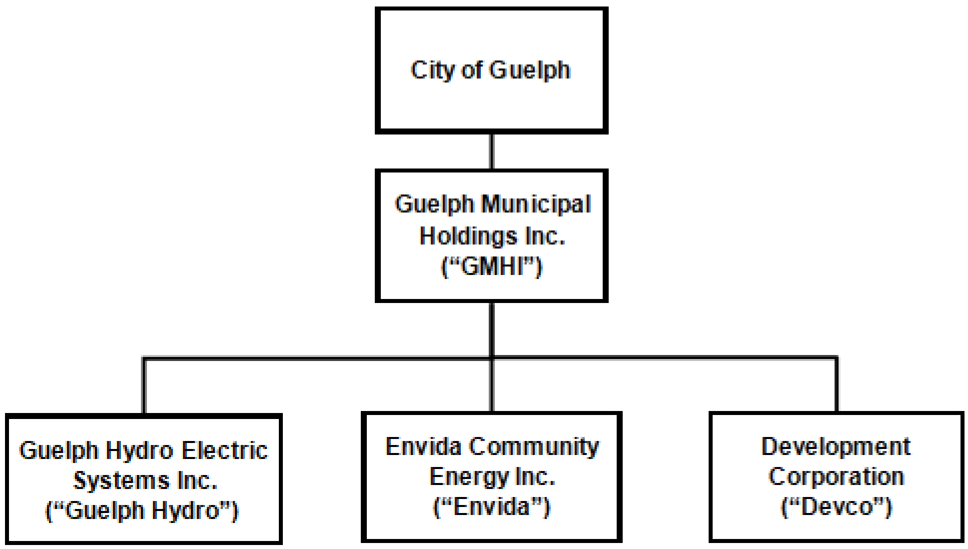
Guelph Hydro has approximately 55,000 residential, commercial and industrial customers. Envida's customer is the IESO. None of Guelph Hydro's customers nor its rate classes are affected by the amalgamation. Similarly, Envida's customer is unaffected by this merger.

(d) *Proposed Geographic Service Area*

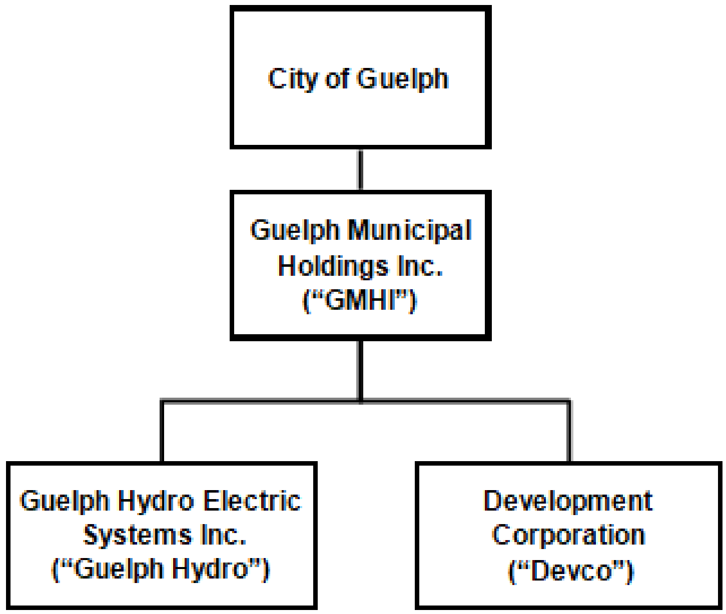
The Guelph Hydro distribution service area will not change.

(e) *Corporate Chart*

A corporate chart which describes the current relationship between each of the existing parties to the proposed transaction and each of the respective affiliates is attached below.



A corporate chart describing the relationship between relevant parties if the merger is approved is set out below.



(f) *Net Metering Thresholds*

Are not affected.

2.2.3 Description of the Proposed Transaction

(a) *Description*

It is proposed that Guelph Hydro amalgamate with Envida and that the merged business activities continue under the name Guelph Hydro Electric Systems Inc. The two generation facilities which are currently owned by Envida will continue to be operated and maintained by Guelph Hydro and will be recorded as non-rate regulated assets of Guelph Hydro. With the amalgamation, the Electricity Generation Licence issued to Envida for the Eastview Road generation facility will need to be transferred to Guelph Hydro. Subject to the necessary changes to reflect the licence holders name change and changes to the primary contact and other administrative matters that result from the amalgamation, all of the technical aspects of the Generation Licence are unaffected by this Application.

(b) *Leave Sought*

The Applicants seek Leave from the Board under subsection 86(1)(c) of the *OEB Act* for the amalgamation of Guelph Hydro and Envida which will continue under the name Guelph Hydro Electric Systems Inc.

The Applicants further seek Leave under subsection 18(2) of the *OEB Act* for the transfer of the Eastview Road Electricity Generation Licence (EG-2004-0438) to Guelph Hydro. Attached at Tab 4 is a copy of a letter to the Board from Guelph Hydro advising of the necessary administrative changes to the Generation Licence which result from the amalgamation.

(c) *Details of Consideration*

The amalgamation proposed is an appropriate corporate reorganization in anticipation of the anticipated amalgamation of Guelph Hydro with Alectra. As the current shareholder of Envida is Guelph Hydro, no related parties are affected by the transaction and no consideration is contemplated.

A primary purpose for the amalgamation is to allow Guelph Hydro to attempt to utilize the non-capital losses generated at Envida. These losses totalled $7.8M as at December 31, 2016, and could provide potential tax savings of approximately $1.95M in future years. The two subject generation facilities have not been funded by any of Guelph Hydro's ratepayers and these assets have not and will not be proposed for inclusion in Guelph Hydro's rate base.

(d) *Provide All Final Legal Documents*

As the proposed amalgamation is part of a corporate reorganization as between related parties, there is no need for formal commercial agreements to give affect to the reorganization.

(e) *Copies of Resolutions*

Copies of the resolutions by Guelph Hydro, Envida and the City of Guelph approving the amalgamation are attached at Tab 5.

2.2.4 Impact of the Proposed Transaction

The Applicants are aware that the Board applies a "No Harm" test as outlined in the Handbook and various Board decisions. Briefly stated, applicants are required to provide evidence demonstrating the impact of a proposed transaction with respect to the Board's first two statutory objectives. These objectives are:

- Protect consumers with respect to prices, any adequacy, reliability and quality of electricity service.

- Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a finally viable electricity industry.

The proposed amalgamation of Guelph Hydro and Envida will have no impact on electricity commodity or distribution prices. It will also have no impact on the adequacy, reliability and quality of electricity service. Envida's assets will become non-rate regulated assets of Guelph Hydro. Guelph Hydro will continue to operate unchanged, as it did before, providing rate regulated electricity distribution services to its customers. It will also operate and maintain the two generation facilities as it is currently doing. There will be no impact on Guelph Hydro's OM&A cost per customer as the cost to operate and maintain the generation facilities will continue to be satisfied out of the revenues generated by these facilities.

The transaction will have no impact on the economic efficiency and cost effectiveness of Guelph Hydro's distribution services. Some minor operations synergies will arise due to the reduction in the administrative burden associated with the elimination of one corporate entity and hence the need to annually prepare and file financial statements, tax returns and other corporate filings. These savings are minimal.

(a) *Incremental Costs*

Incremental costs are limited to the costs associated with this MAADs Application and the necessary corporate filings. These costs are nominal and will be satisfied by Guelph Hydro.

(b) *Evaluation of Assets or Shares*

As the shareholder of Envida is Guelph Hydro, no valuation is necessary.

(c) *Price Paid*

No consideration is being paid.

(d) *Details of Financing*

No financing is required.

(e) *Financial Statements*

The financial statements for Guelph Hydro and Envida for the previous two years are attached at tabs 6 through 9. It should be noted that the Envida financial statements reflect its prior ownership of the district energy systems which were transferred to Devco and the 8 microFIT installations which were transferred to the City of Guelph.

(f) *Proforma Financial Statements*

Given the intent of Guelph Hydro to amalgamate with Alectra in the near future, a proforma financial statement for Guelph Hydro following its amalgamation with Envida has not been prepared as it would be of little assistance under the circumstances.

2.2.5 Rate Considerations

There are no rate making considerations relating to the proposed amalgamation.

2.2.6 Other Related Matters

As noted above, the generation licence issued for the Eastview Road facility will need to be transferred to Guelph Hydro. There are no other related matters.

Attachment 1

Correspondence dated December 20, 2017

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

BY E-MAIL

December 20, 2017

Cristina Birceanu
VP Regulatory Affairs, Customer Care & Billing
Guelph Hydro Electric Systems Inc.
395 Southgate Drive
Guelphn, ON N1G 4Y1

Dear Ms. Birceanu:

Re: Guelph Hydro Electric Systems Inc.
Notice of Proposal under Section 80 of the *Ontario Energy Board Act, 1998*
OEB File Number EB-2017-0350

On November 20, 2017, Guelph Hydro Electric Systems Inc. filed a notice of proposal under section 80 of the *Ontario Energy Board Act, 1998*. The notice of proposal was filed with respect to acquisition of all shares of Envida Community Energy Inc., the owner of electricity generation facilities, by Guelph Hydro Electric Systems Inc., a licensed distributor in Ontario.

This letter is to inform you that the OEB does not intend to issue a notice of review of the proposal.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment 2

Electricity Generation Licence

EG-2004-0438

Ontario

Electricity Generation Licence

EG-2004-0438

Envida Community Energy Inc.

Valid Until

March 13, 2025

Original signed by

Adrian Pye
Manager, Licence Applications
Ontario Energy Board

Date of Issuance: March 14, 2005
Date of Amendment: September 7, 2005
Date of Amendment: August 30, 2012

Ontario Energy Board	Commission de l'Énergie de l'Ontario
P.O. Box 2319	C.P. 2319
2300 Yonge Street	2300, rue Yonge
26th. Floor	26e étage
Toronto, ON M4P 1E4	Toronto ON M4P 1E4

Table of Contents

1 Definitions

In this Licence:

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**generation facility**” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system and includes any structures, equipment or other things used for that purpose;

“**Licensee**” means Envida Community Energy Inc.;

“**regulation**” means a regulation made under the Act or the Electricity Act;

2 Interpretation

2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of this Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens. Where the time for doing an act expires on a day that is not a business day, the act may be done on the next business day.

3 Authorization

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this licence:

a) to generate electricity or provide ancillary services for sale through the IMO-administered markets or directly to another person subject to the conditions set out in this Licence. This Licence authorizes the Licensee only in respect of those facilities set out in Schedule 1;

b) to purchase electricity or ancillary services in the IMO-administered markets or directly from a generator subject to the conditions set out in this Licence; and

c) to sell electricity or ancillary services through the IMO-administered markets or directly to another person, other than a consumer, subject to the conditions set out in this Licence.

4 Obligation to Comply with Legislation, Regulations and Market Rules

4.1 The Licensee shall comply with all applicable provisions of the Act, the Electricity Act and regulations, except where the Licensee has been exempted from such compliance by regulation.

4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Maintain System Integrity

5.1 Where the IMO has identified, pursuant to the conditions of its licence and the Market Rules, that it is necessary for purposes of maintaining the reliability and security of the IMO-controlled grid, for the Licensee to provide energy or ancillary services, the IMO may require the Licensee to enter into an agreement for the supply of energy or such services.

5.2 Where an agreement is entered into in accordance with paragraph 5.1, it shall comply with the applicable provisions of the Market Rules or such other conditions as the Board may consider reasonable. The agreement shall be subject to approval by the Board prior to its implementation. Unresolved disputes relating to the terms of the Agreement, the interpretation of the Agreement, or amendment of the Agreement, may be determined by the Board.

6 Restrictions on Certain Business Activities

6.1 Neither the Licensee, nor an affiliate of the Licensee shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario except in accordance with section 81 of the Act.

7 Provision of Information to the Board

7.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.

7.2 Without limiting the generality of paragraph 7.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

8 Term of Licence

8.1 This Licence shall take effect on June 6, 2005 and expire on June 5, 2025. The term of this Licence may be extended by the Board.

9 Fees and Assessments

9.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

10 Communication

10.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

10.2 All official communication relating to this Licence shall be in writing.

10.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

a) when delivered in person to the addressee by hand, by registered mail or by courier;

b) ten (10) business days after the date of posting if the communication is sent by regular mail; or

c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

11 Copies of the Licence

11.1 The Licensee shall:

a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

SCHEDULE 1 LIST OF LICENSED GENERATION FACILITIES

The Licence authorizes the Licensee only in respect to the following:

1. The ownership and operation of Eastview Landfill Gas Facility with an installed capacity of 2.775 MW located at Weston Road/Eastview Road, Guelph.

Attachment 3

Guelph Hydro’s Electricity Distribution

Licence ED-2002-0565 - reference Schedule 1

Electricity Distribution Licence

ED-2002-0565

Guelph Hydro Electric Systems Inc.

Valid Until

March 31, 2023

Original Signed By

____

Brian Hewson
Vice President, Consumer Protection and Industry Performance
Ontario Energy Board

Date of Issuance: June 3, 2003
Date of Last Amendment: February 8, 2018

Ontario Energy Board	Commission de l’énergie de l’Ontario
P.O. Box 2319	C.P. 2319
2300 Yonge Street	2300, rue Yonge
27th Floor	27e étage
Toronto, ON M4P 1E4	Toronto ON M4P 1E4

LIST OF AMENDMENTS

Board File No.	Date of Amendment
EB-2006-0094	June 22, 2006
EB-2007-0968	March 20, 2008
EB-2007-0968	Sch.1 Correction: March 25, 2008
EB-2010-0215	November 12, 2010
EB-2011-0069	May 18, 2011
EB-2011-0086	June 29, 2011
EB-2011-0365	December 22, 2011
EB-2013-0222	August 2, 2013
EB-2014-0324	December 18, 2014
EB-2016-0015	January 28, 2016
EB-2017-0101	March 31, 2017
EB-2017-0318	February 8, 2018

Table of Contents **Page No.**

1 Definitions

In this Licence:

"**Accounting Procedures Handbook**" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

"**Act**" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"**Affiliate Relationships Code for Electricity Distributors and Transmitters**" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"**Conservation and Demand Management**" and "**CDM**" means distribution activities and programs to reduce electricity consumption and peak provincial electricity demand;

"**Conservation and Demand Management Code for Electricity Distributors**" means the code approved by the Board which, among other things, establishes the rules and obligations surrounding Board approved programs to help distributors meet their CDM Targets;

"**distribution services**" means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

"**Distribution System Code**" means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems;

"**Electricity Act**" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"**IESO**" means the Independent Electricity System Operator;

"**Licensee**" means Guelph Hydro Electric Systems Inc.

"**Market Rules**" means the rules made under section 32 of the Electricity Act;

"**Net Annual Peak Demand Energy Savings Target**" means the reduction in a distributor's peak electricity demand persisting at the end of the four-year period (i.e. December 31, 2014) that coincides with the provincial peak electricity demand that is associated with the implementation of CDM Programs;

"**Net Cumulative Energy Savings Target**" means the total amount of reduction in electricity consumption associated with the implementation of CDM Programs between 2011-2014;

"**OPA**" means the Ontario Power Authority;

"**Performance Standards**" means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

"**Provincial Brand**" means any mark or logo that the Province has used or is using, created or to be created by or on behalf of the Province, and which will be identified to the Board by the Ministry as a provincial mark or logo for its conservation programs;

"**Rate Order**" means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

"**regulation**" means a regulation made under the Act or the Electricity Act;

"**Retail Settlement Code**" means the code approved by the Board which, among other things, establishes a distributor's obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

"**service area**" with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

"**Standard Supply Service Code**" means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the Electricity Act;

"**wholesaler**" means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2 Interpretation

2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence:

a) to own and operate a distribution system in the service area described in Schedule 1 of this Licence;

b) to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act in the manner specified in Schedule 2 of this Licence; and

c) to act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the Electricity Act.

4 Obligation to Comply with Legislation, Regulations and Market Rules

4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.

4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Comply with Codes

5.1 The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the licensee are set out in Schedule 3 of this Licence. The following Codes apply to this Licence:

a) the Affiliate Relationships Code for Electricity Distributors and Transmitters;

b) the Distribution System Code;

c) the Retail Settlement Code; and

d) the Standard Supply Service Code.

5.2 The Licensee shall:

a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

6 Obligation to Provide Non-discriminatory Access

6.1 The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence.

7 Obligation to Connect

7.1 The Licensee shall connect a building to its distribution system if:

a) the building lies along any of the lines of the distributor's distribution system; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.2 The Licensee shall make an offer to connect a building to its distribution system if:

a) the building is within the Licensee's service area as described in Schedule 1; and

b) the owner, occupant or other person in charge of the building requests the connection in writing.

7.3 The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee's Rate Order as approved by the Board.

7.4 The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the Act or a regulation or any Codes to which the Licensee is obligated to comply with as a condition of this Licence.

8 Obligation to Sell Electricity

8.1 The Licensee shall fulfill its obligation under section 29 of the Electricity Act to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail Settlement Code and the Licensee's Rate Order as approved by the Board.

9 Obligation to Maintain System Integrity

9.1 The Licensee shall maintain its distribution system in accordance with the standards established in the Distribution System Code and Market Rules, and have regard to any other recognized industry operating or planning standards adopted by the Board.

10 Market Power Mitigation Rebates

10.1 The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.

11 Distribution Rates

11.1 The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board.

12 Separation of Business Activities

12.1 The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

13 Expansion of Distribution System

13.1 The Licensee shall not construct, expand or reinforce an electricity distribution system or make an interconnection except in accordance with the Act and Regulations, the Distribution System Code and applicable provisions of the Market Rules.

13.2 In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.

14 Provision of Information to the Board

14.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.

14.2 Without limiting the generality of paragraph 14.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

15 Restrictions on Provision of Information

15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.

15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:

a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;

b) for billing, settlement or market operations purposes;

c) for law enforcement purposes; or

d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.

15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.

15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.

15.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

16 Customer Complaint and Dispute Resolution

16.1 The Licensee shall:

a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;

b) publish information which will make its customers aware of and help them to use its dispute resolution process;

c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;

d) give or send free of charge a copy of the process to any person who reasonably requests it; and

e) subscribe to and refer unresolved complaints to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Board. The Board will provide reasonable notice to the Licensee of the date this condition becomes effective.

17 Term of Licence

17.1 This Licence shall take effect on June 3, 2003 and expire on March 31, 2023. The term of this Licence may be extended by the Board.

18 Fees and Assessments

18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

19 Communication

19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

19.2 All official communication relating to this Licence shall be in writing.

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

a) when delivered in person to the addressee by hand, by registered mail or by courier;

b) ten (10) business days after the date of posting if the communication is sent by regular mail; and

c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

20 Copies of the Licence

20.1 The Licensee shall:

a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and

b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

21 Conservation and Demand Management

21.1 2011-2014 Conservation and Demand Management Framework

21.1.1 The Licensee shall achieve reductions in electricity consumption and reductions in peak provincial electricity demand through the delivery of CDM programs. The Licensee shall meet its 2014 Net Annual Peak Demand Savings Target of 16.710 MW, and its 2011-2014 Net Cumulative Energy Savings Target of 79.530 GWh (collectively the “CDM Targets”), over a four-year period beginning January 1, 2011.

21.1.2 The Licensee shall meet its CDM Targets through:

a) the delivery of Board approved CDM Programs delivered in the Licensee’s service area (“Board-Approved CDM Programs”);

b) the delivery of CDM Programs that are made available by the OPA to distributors in the Licensee’s service area under contract with the OPA (“OPA-Contracted Province-Wide CDM Programs”); or

c) a combination of a) and b).

21.1.3 The Licensee shall make its best efforts to deliver a mix of CDM Programs to all consumer types in the Licensee’s service area.

21.1.4 The Licensee shall comply with the rules mandated by the Board’s Conservation and Demand Management Code for Electricity Distributors.

21.1.5 The Licensee shall utilize the common Provincial brand, once available, with all Board-Approved CDM Programs, OPA-Contracted Province-Wide Programs, and in conjunction with or co-branded with the Licensee’s own brand or marks.

21.2 2015-2020 Conservation and Demand Management Framework

21.2.1 The Licensee shall, between January 1, 2015 and December 31, 2020, make CDM programs, available to customers in its licensed service area and shall, as far as is appropriate and reasonable having regard to the composition of its customer base, do so in relation to each customer segment in its service area ("CDM Requirement").

21.2.2 The CDM programs referred to in item 21.2.1 above shall be designed to achieve reductions in electricity consumption.

21.2.3 The Licensee shall meet its CDM Requirement by:

a) making Province-Wide Distributor CDM Programs, funded by the Ontario Power Authority (the "OPA"), available to customers in its licensed service area;

b) making Local Distributor CDM Programs, funded by the OPA, available to customers in its licensed service area; or

c) a combination of a) and b).

21.2.4 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to other licensed electricity distributors upon request.

21.2.5 The Licensee shall, as far as possible having regard to any confidentiality or privacy constraints, make the details and results of Local Distributor CDM Programs available to any other person upon request.

21.2.6 The Licensee shall report to the OPA the results of the CDM programs in accordance with the requirements of the licensee's "CDM-related" contract with the OPA.

22 Pole Attachments

22.1 The Licensee shall provide access to its distribution poles to all Canadian carriers, as defined by the Telecommunications Act, and to all cable companies that operate in the Province of Ontario. For each attachment, with the exception of wireless attachments, the Licensee shall charge the rate approved by the Board and included in the Licensee's tariff.

22.2 The Licensee shall:

a) annually report the net revenue, and the calculations used to determine that net revenue, earned from allowing wireless attachments to its poles. Net revenues will be accumulated in a deferral account approved by the Board;

b) credit that net revenue against its revenue requirement subject to Board approval in rate proceedings; and

c) provide access for wireless attachments to its poles on commercial terms normally found in a competitive market.

23 Winter Disconnection, Reconnection and Load Control Devices

23.1 Subject to paragraph 23.4, the Licensee shall not, during a Disconnection Ban Period:

a) disconnect an occupied residential property solely on the grounds of non-payment;

b) issue a disconnection notice in respect of an occupied residential property solely on the grounds of non-payment; or

c) install a load control device in respect of an occupied residential property solely on the grounds of non-payment.

Nothing in this paragraph shall preclude the Licensee from (i) disconnecting an occupied residential property during a Disconnection Ban Period in accordance with all applicable regulatory requirements, including the required disconnection notice, or (ii) installing a load control device in respect of an occupied residential property during a Disconnection Ban Period, in each case if at the unsolicited request of the customer given in writing for that Disconnection Ban Period.

23.2 Subject to paragraph 23.4,

(a) for the 2017/2018 Disconnection Ban Period, if the Licensee had disconnected a residential property on or before November 2, 2017 solely on the grounds of non-payment, the Licensee shall reconnect that property, if an occupied residential property, as soon as possible, and shall do the same in respect of any such property that may be disconnected by Licensee between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection; and

(b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any residential property that had been disconnected solely on the grounds of non-payment is, if an occupied residential property, reconnected as at the commencement of the Disconnection Ban Period. The Licensee shall waive any reconnection charge that might otherwise apply in respect of that reconnection.

Nothing in this paragraph shall require the Licensee to reconnect an occupied residential property in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice.

23.3 Subject to paragraph 23.4,

(a) for the 2017/2018 Disconnection Ban Period, if the Licensee had installed a load control device in respect of an occupied residential property on or before November 2, 2017 either for non-payment or at the customer's request, the Licensee shall remove that device and restore full service to the property as soon as possible, and shall do the same in respect of any load control device installed in respect of any such property between that date and the commencement of the Disconnection Ban Period. The Licensee shall waive any charge that might otherwise apply in respect of such removal; and

(b) for each subsequent Disconnection Ban Period, the Licensee shall ensure that any load control device installed in respect of an occupied residential property either for non-payment or at the customer's request is removed and full service is restored to the property as at the commencement of the Disconnection Ban Period. The Licensee shall waive any charge that might otherwise apply in respect of such removal.

Nothing in this paragraph shall (i) require the Licensee to remove a load control device in respect of a Disconnection Ban Period if the customer gives unsolicited notice to the Licensee not to do so in writing for that Disconnection Ban Period and has not rescinded that notice; or (ii) prevent the Licensee from installing or maintaining a load control device if the customer makes an unsolicited request in writing for the Licensee to do so for that Disconnection Ban Period and has not rescinded that request.

23.4 Nothing in paragraphs 23.1 to 23.3 shall:

a) prevent the Licensee from taking such action in respect of an occupied residential property as may be required to comply with any applicable and generally acceptable safety requirements or standards; or

b) require the Licensee to act in a manner contrary to any applicable and generally accepted safety requirements or standards.

23.5 The Licensee shall waive any collection of account charge that could otherwise be charged in relation to an occupied residential property during a Disconnection Ban Period.

23.6 For the purposes of paragraphs 23.1 to 23.5:

"Disconnection Ban Period" means the period commencing at 12:00 am on November 15th in one year and ending at 11:59 pm on April 30th in the following year;

"load control device" has the meaning given to it in the Distribution System Code; and

"occupied residential property" means an account with the Licensee:

a) that falls within the residential rate classification as specified in the Licensee's Rate Order; and
b) that is:

   i. inhabited; or
   ii. in an uninhabited condition as a result of the property having been disconnected by the Licensee or of a load control device having been installed in respect of the property outside of a Disconnection Ban Period.

23.7 Paragraphs 23.1 to 23.5 apply despite any provision of the Distribution System Code to the contrary.

SCHEDULE 1 DEFINITION OF DISTRIBUTION SERVICE AREA

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with paragraph 8.1 of this Licence.

1. The City of Guelph as at April 1, 1993.

2. The Police Village of Rockwood as of May 30, 1903, now part of the Township of Guelph/Eramosa.

3. Customers located in the following areas of the Township of Puslinch:

   Lot 15, Concession 5
   Lot 16 Concession 7
   Lot 16 Concession 8
   Lots 2, 3, 4, 5 and 6 Concession 9
   Lots14 and 15 Concession 9

4. Customers located in the following areas of the Township of Guelph/Eramosa:

   Lot 6 Concession 1, Township of Guelph
   Lot 6 Concession 4, Township of Eramosa
   Lot 4 Concession 5, Township of Eramosa
   Lot 1 Concession 1, Township of Guelph
   Lots 1 to 5 Concession 5, Township of Guelph
   Lot 3 Concession 4, Township of Eramosa

5. Except customer on Lot 3 Concession 5 of the Township of Guelph, with the following civic address: 675 Speedvale Ave.

6. The Pump House on Part Lot 15, Concession 9 in the Township of Puslinch with the civic address: 2194 Victoria Road S., Guelph, ON N1L 1N9.

7. Rockwood Public School on Part of the Southwest half of Lot 3, Concession 4 in the Township of Eramosa.

SCHEDULE 2 PROVISION OF STANDARD SUPPLY SERVICE

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the Electricity Act.

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with paragraph 8.1 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

SCHEDULE 3 LIST OF CODE EXEMPTIONS

This Schedule specifies any specific Code requirements from which the Licensee has been exempted.

1. The Licensee is exempt from the requirement to implement time-of-use pricing as of the mandatory date for RPP customers in the Town of Rockwood with eligible time-of-use meters as required under the Standard Supply Service Code for Electricity Distributors. The mandatory time-of-use pricing date exemption expires on May 31, 2012.

2. The Licensee is exempt from the requirement under the Standard Supply Service Code for Electricity Distributors to implement time-of-use pricing as of the mandatory date for 2,482 RPP small commercial customers. The mandatory time-of-use pricing date exemption expires on August 31, 2012.

APPENDIX A

MARKET POWER MITIGATION REBATES

1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998.*

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

ONTARIO POWER GENERATION INC. REBATES

For the payments that relate to the period from May 1, 2006 to April 30, 2009, the rules set out below shall apply.

1. Definitions and Interpretations

In this Licence

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IESO includes interim payments made by the IESO.

2. Information Given to IESO

a Prior to the payment of a rebate amount by the IESO to a distributor, the distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with information in respect of the volumes of electricity withdrawn by the distributor from the IESO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

b Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IESO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

i consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*.

c Prior to the payment of a rebate amount by the IESO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IESO, in the form specified by the IESO and before the expiry of the period specified by the IESO, with the information provided to the host distributor by the embedded distributor in accordance with section 2.

The IESO may issue instructions or directions providing for any information to be given under this section. The IESO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment.

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IESO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IESO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period.

3. Pass Through of Rebate

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IESO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to:

a retailers who serve one or more consumers in the distributor's service area where a service transaction request as defined in the Retail Settlement Code has been implemented and the consumer is not receiving the prices established under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998*;

b consumers who are not receiving the fixed price under sections 79.4, 79.5 and 79.16 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IESO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IESO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

Attachment 4

Transfer Request for Envida Generation Licence

EG-2004-0438

Guelph Hydro
Electric Systems Inc.

395 Southgate Drive
Guelph, Ontario N1G 4Y1
Phone: 519-822-3017
www.guelphhydro.com

February 27, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Electricity Generation Licence EG-2004-0438 - Transfer Request

Envida Community Energy Inc. ("Envida") and Guelph Hydro Electric Systems Inc. ("Guelph Hydro") are applying to the Board, pursuant to section 18(2) of the *Ontario Energy Board Act, 1998* ("OEB Act"), for leave to transfer Generation Licence EG-2004-0438 from Envida to Guelph Hydro. The purpose of this request is in relation to the amalgamation of Envida and Guelph Hydro.

Background

Envida is the holder of the electricity generation licence EG-2004-0438 issued by the Board on March 14, 2005 and last amended on August 30, 2012. The Generation Licence authorizes Envida to own and operate the Eastview Landfill Gas Facility ("Generation Facility") located in Guelph Ontario. Current generation capacity at the Generation Facility is 1.85 MW. The sale of electricity generation from the facility is governed by a Renewable Energy Supply (RES) contract with the IESO.

On November 20, 2017, Guelph Hydro filed a Notice of Proposal made under Section 80 of the OEB Act, to give notice to the Board of its intention to purchase shares of Envida. Pursuant to Section 86 of the OEB Act, Guelph Hydro is filing a MAADs application (EB-2018-0114), concurrent with this Generation Licence transfer request, to seek Board approval of the amalgamation of Envida and Guelph Hydro.

Guelph Hydro and Envida have contacted the IESO and are in the process of transferring the RES contract to Guelph Hydro. However, the transfer of the RES contract and Generation Facility cannot be completed until Guelph Hydro completes the legal amalgamation transaction and holds a Generation Licence.

Therefore, Guelph Hydro requests leave of the Board to transfer the Generation Licence from Envida to Guelph Hydro, without a hearing, on the date the Guelph Hydro-Envida amalgamation is approved by the Board (EB-2018-0114).

With the Board's approval of the Guelph Hydro and Envida amalgamation, the business activities of the merged entities will continue under the name: Guelph Hydro Electric Systems Inc. which remains, as was Envida, a wholly owned subsidiary of Guelph Municipal Holdings Inc. which is wholly owned by the City of Guelph. Aside from the change to the Licensee's name, the primary contact and information about key individuals should change to the following:

New Primary Licence Contacts:

Pankaj Sardana
Chief Executive Officer
Guelph Hydro Electric Systems Inc.
395 Southgate Drive
Guelph, Ontario
N1G 4Y1
519-837-4707
psardana@guelphhydro.com

Erik Veneman
Vice President, Innovation and Growth
Guelph Hydro Electric Systems Inc.
395 Southgate Drive
Guelph, Ontario
N1G 4Y1
591-837-4715
eveneman@guelphhydro.com

Should there be any questions, please contact me at the number below.

Respectfully submitted,

Cristina Birceanu

Guelph Hydro
Electric Systems Inc.

395 Southgate Drive
Guelph, Ontario N1G 4Y1
Phone: 519-822-3017
www.guelphhydro.com

Vice-President of Regulatory Affairs, Customer Care and Billing
Guelph Hydro Electric Systems Inc.

395 Southgate Drive,
Guelph, ON N1G 4Y1
Telephone - (519) 837-4735
Mobile - 226-218-2150
Fax - 519-836-6115
Email - cbirceanu@guelphhydro.com

Attachment 5

Resolutions

RESOLUTIONS OF THE DIRECTORS OF
GUELPH HYDRO ELECTRIC SYSTEMS INC. (“GHESI”)

WHEREAS The Corporation of the City of Guelph (the “City”) is the sole shareholder of Guelph Municipal Holdings Inc. ("GMHI");

AND WHEREAS, pursuant to a shareholder declaration executed by the City, dated October 24, 2016 (the “GMHI Shareholder Declaration”), GMHI requires the approval of the City for certain actions with respect to GMHI and its subsidiaries;

AND WHEREAS GMHI is the sole shareholder of each of GHESI, Envida Community Energy Inc. (“Envida”) and GMHI Development Corporation;

AND WHEREAS, pursuant to a shareholder declaration executed by the City on October 24, 2016, and by GMHI on October 25, 2016 (the “GHESI Shareholder Declaration”), GHESI requires the approval of the City and GMHI for certain actions with respect to GHESI;

AND WHEREAS GMHI and GHESI intend to enter into a merger participation agreement, with each of Alectra Inc. (“Alectra”) and Alectra Utilities Corporation, substantially in the form of the draft merger participation agreement previously presented to the directors of GHESI (the “Merger Participation Agreement”);

AND WHEREAS GMHI intends to sell to GHESI the debt owed to it by Envida pursuant to and as set out in a debt transfer agreement (the “Envida Debt Agreement”), substantially in the form previously presented the directors of GHESI (the “Envida Debt Transaction”);

AND WHEREAS GMHI intends to sell to GHESI all of the issued and outstanding shares it holds in Envida, pursuant to and as set out in a share purchase agreement (the “Envida Share Purchase Agreement”), substantially in the form previously presented to the directors of GHESI, in consideration for which GHESI will issue additional shares to GMHI (the “Envida Share Purchase Transaction”);

AND WHEREAS, pursuant to the terms and conditions of articles of amalgamation, substantially in the form of the draft articles of amalgamation previously presented to the directors of GHESI (“Envida Articles of Amalgamation” and together with the Merger Participation Agreement, the Envida Debt Agreement and the Envida Share Purchase Agreement, the “Principal Agreements”), and in accordance with Section 177(1) of the Act, Envida and GHESI intend to amalgamate and continue as Guelph Hydro Electric Systems Inc. (“GHESI Amalco”) (the “Amalgamation”, and together with the Envida Debt Transaction and the Envida Share Purchase Transaction, the “Envida Transactions”);

AND WHEREAS, following the completion of the Envida Transactions, pursuant to the terms and conditions of the Merger Participation Agreement, GMHI will sell all of the issued and outstanding shares in the capital of GHESI Amalco to Alectra in exchange for shares in the capital of Alectra (the “Share Transaction”, and together with the other transactions contemplated by the Merger Participation Agreement and the Envida Transactions, the “Transactions”);

AND WHEREAS GHESI (or GHESI Amalco, as applicable) will, after execution of the Merger Participation Agreement, be required to satisfy various conditions precedent prior to the closing of the Transactions (the “Closing”) and enter into, execute and deliver various agreements and documents with respect to each of the Merger Participation Agreement and the Envida Transactions (the “Transaction Documents”), all as further contemplated therein;

AND WHEREAS Section 9.01 of the GMHI Shareholder Declaration requires the approval of the City, and Section 10.01 of the GHESI Shareholder Declaration requires the approval of the City and GMHI, for GHESI to (i) enter into the Merger Participation Agreement and carry out the Share

Transaction, (ii) authorize the Envida Transactions, and (iii) otherwise authorize, approve and carry out Transactions;

NOW THEREFORE BE IT RESOLVED THAT:

(a) GHESI hereby recommends to the City and GMHI that they authorize GHESI to enter into the Principal Agreements and the Transaction Documents, and to carry out the Transactions, subject (as applicable) to the approval of the Ontario Energy Board; and

(b) Subject to the approval of the City and GMHI and (as applicable) the Ontario Energy Board:

(i) GHESI hereby authorizes and approves entry into the Principal Agreements and the Transactions Documents;

(ii) GHESI hereby authorizes and approves the Transactions;

(iii) GHESI hereby authorizes and directs the Chief Executive Officers (each a "CEO") of GHESI and GHESI Amalco, or each such officer's designate, for and on behalf of each such corporation to execute and deliver each of the Principal Agreements and the Transaction Documents, with such amendments to such Principal Agreements as may be acceptable to the City Solicitor in his discretion; and

(iv) GHESI hereby authorizes and directs the CEO, or the CEO's designate, to do all such other things or acts necessary to effect the Transactions, or otherwise to carry out the intention of this resolution, the doing of any such other act or thing by such person being conclusive evidence of such determination.

RESOLUTIONS OF THE DIRECTOR OF
ENVIDA COMMUNITY ENERGY INC. (“ENVIDA”)

WHEREAS The Corporation of the City of Guelph (the “**City**”) is the sole shareholder of Guelph Municipal Holdings Inc. ("**GMHI**");

AND WHEREAS, pursuant to a shareholder declaration executed by the City, dated October 24, 2016 (the “**GMHI Shareholder Declaration**”), GMHI requires the approval of the City for certain actions with respect to GMHI and its subsidiaries;

AND WHEREAS GMHI intends to sell to Guelph Hydro Electric Systems Inc. (“**GHESI**”) the debt owed to it by Envida pursuant to and as set out in a debt transfer agreement (the “**Envida Debt Agreement**”), substantially in the form previously presented to the director of Envida (the “**Envida Debt Transaction**”);

AND WHEREAS GMHI intends to sell to GHESI all of the issued and outstanding shares it holds in Envida, pursuant to and as set out in a share purchase agreement (the “**Envida Share Purchase Agreement**”), substantially in the form previously presented to the director of Envida, in consideration for which GHESI will issue additional shares to GMHI (the “**Envida Share Purchase Transaction**”);

AND WHEREAS, pursuant to the terms and conditions of articles of amalgamation, substantially in the form of the draft articles of amalgamation previously presented to the director of Envida for review (the “**Envida Articles of Amalgamation**”), and in accordance with Subsection 177(1) of the Act, Envida and GHESI intend to amalgamate and continue as Guelph Hydro Electric Systems Inc. (“**GHESI Amalco**”) (the “**Amalgamation**”, and together with the Envida Asset Transaction, the Envida Debt Transaction and the Envida Share Purchase Transaction, the “**Envida Transactions**”);

AND WHEREAS Section 9.01 of the GMHI Shareholder Declaration requires the approval of the City and GMHI for Envida to authorize the Envida Transactions;

NOW THEREFORE BE IT RESOLVED THAT:

(a) Envida hereby recommends to the City that it authorize Envida to enter into and to carry out the Envida Transactions; and

(b) Subject to the approval of the City:

(i) Envida hereby authorizes and approves entry into and to carry out the Envida Transactions;

(ii) Envida hereby authorizes and directs the Chief Executive Officer of Envida (the “**CEO**”), such officer’s designate, for and on behalf of the corporation to execute and deliver each of the documents necessary to carry out the Envida Transactions, with such amendments to such documents as may be acceptable to the City Solicitor in his discretion;

(iii) Envida hereby authorizes and directs the CEO, or the CEO’s designate, to do all such other things or acts necessary to effect the Envida Transactions, or otherwise to carry out the intention of this resolution, the doing of any such other act or thing by such person being conclusive evidence of such determination.

Detailed Council Resolution

WHEREAS The Corporation of the City of Guelph (the "**City**") is the sole shareholder of Guelph Municipal Holdings Inc. ("**GMHI**");

AND WHEREAS, pursuant to a shareholder declaration executed by the City, dated October 24, 2016 (the "**GMHI Shareholder Declaration**"), GMHI requires the approval of the City for certain actions with respect to GMHI and its subsidiaries;

AND WHEREAS GMHI is the sole shareholder of each of Guelph Hydro Electric Systems Inc. ("**GHESI**"), Envida Community Energy Inc. ("**Envida**") and GMHI Development Corporation;

AND WHEREAS, pursuant to a shareholder declaration executed by the City on October 24, 2016, and by GMHI on October 25, 2016 (the "**GHESI Shareholder Declaration**"), GHESI requires the approval of the City and GMHI for certain actions with GHESI;

AND WHEREAS GMHI and GHESI intend to enter into a merger participation agreement with each of Alectra Inc. ("**Alectra**") and Alectra Utilities Corporation ("**AUC**"), substantially in the form of the draft merger participation agreement previously presented to Council for review (the "**Merger Participation Agreement**");

AND WHEREAS Envida intends to sell certain assets to the City, GMHI Development Corporation or one or more of the City's subsidiaries (such purchaser entity, whether currently existing or to be incorporated, referred to as "**PurchaseCo**") pursuant to and as set out in an asset purchase agreement (the "**Envida Asset Purchase Agreement**"), substantially in the form previously presented to Council for review (the "**Envida Asset Transaction**");

AND WHEREAS GMHI intends to sell to GHESI the debt owed to it by Envida pursuant to and as set out in a debt transfer agreement (the "**Envida Debt Agreement**"), substantially in the form previously presented to Council for review (the "**Envida Debt Transaction**");

AND WHEREAS GMHI intends to sell to GHESI all of the issued and outstanding shares it holds in Envida, pursuant to and as set out in a share purchase agreement (the "**Envida Share Purchase Agreement**"), substantially in the form previously presented to Council for review, in consideration for which GHESI will issue additional shares to GMHI (the "**Envida Share Purchase Transaction**");

AND WHEREAS, pursuant to the terms and conditions of articles of amalgamation, substantially in the form of the draft articles of amalgamation previously presented to Council for review (the "**Envida Articles of Amalgamation**"), and in accordance with Section 177(1) of the *Business Corporations Act* (Ontario) (the "**Act**"), Envida and GHESI intend to amalgamate and continue as Guelph Hydro Electric Systems Inc. ("**GHESI Amalco**") (the "**Amalgamation**", and together with the Envida Asset Transaction, the Envida Debt Transaction and the Envida Share Purchase Transaction, the "**Envida Transactions**");

AND WHEREAS, following the completion of the Envida Transactions, pursuant to the terms and conditions of the Merger Participation Agreement, GMHI will sell all of the issued and outstanding shares in the capital of GHESI Amalco to Alectra in exchange for shares in the capital of Alectra (the "**Share Transaction**", and together with the other transactions contemplated by the Merger Participation Agreement and the Envida Transactions, the "**Transactions**");

AND WHEREAS Section 9.01 of the GMHI Shareholder Declaration requires the approval of the City for GMHI to (i) enter into the Merger Participation Agreement and carry out the Share Transaction, (ii) authorize the Envida Transactions, and (iii) otherwise authorize, approve and carry out the Transactions, all in its own capacity and as sole shareholder of each of GHESI, GHESI Amalco, Envida and PurchaseCo (as applicable);

AND WHEREAS Section 10.01 of the GHESI Shareholder Declaration requires the approval of the City and GMHI for GHESI to (i) enter into the Merger Participation Agreement and carry out the transaction contemplated therein, and (ii) carry out the Transactions;

AND WHEREAS GMHI, GHESI (or GHESI Amalco, as applicable), Envida and PurchaseCo (as applicable) will, after execution of the Merger Participation Agreement, be required to satisfy various conditions precedent prior to the closing of the Transactions (the "**Closing**") and enter into, execute and deliver various agreements and documents with respect to each of the Merger Participation Agreement and the Envida Transactions (the "**Transaction Documents**"), all as further contemplated therein;

AND WHEREAS, on Closing, the City and GMHI intend to enter into a unanimous shareholder agreement with, Alectra, AUC (or its successor, following its amalgamation with GHESI Amalco as contemplated in the Merger Participation Agreement) and each of the existing Alectra shareholders, OMERS Infrastructure Corporation and their municipal shareholders, substantially in the form of the unanimous shareholder agreement attached as a schedule to the Merger Participation Agreement (the "**Alectra USA**" and together with the Merger Participation Agreement, Envida Asset Purchase Agreement, the Envida Debt Agreement, the Envida Share Purchase Agreement and the Envida Articles of Amalgamation, the "**Principal Agreements**").

NOW THEREFORE BE IT RESOLVED THAT:

(a) Council hereby authorizes and approves entry into the Principal Agreements and the Transaction Documents by each of the City, GMHI, GHESI, GHESI Amalco, Envida and PurchaseCo, as applicable;

(b) Council hereby authorizes and approves the Transactions to be carried out by each of the City, GMHI, GHESI, GHESI Amalco, Envida and PurchaseCo, as applicable;

(c) Council hereby authorizes and directs the Chief Executive Officers (each a "**CEO**") of GMHI, GHESI, GHESI Amalco, Envida and PurchaseCo, or each such officer's designate, for and on behalf of each such corporation, and the Mayor or the Chief Administrative Officer, or their respective designates, for and on behalf of the City, to execute and deliver each of the Principal Agreements and the Transaction Documents, with such amendments to such Principal Agreements as may be acceptable to the City Solicitor in his discretion;

(d) Council hereby authorizes and directs the Mayor or the Chief Administrative Officer, or their respective designates, to execute and deliver, in the City's capacity as sole shareholder of GMHI, a resolution authorizing and approving the Principal Agreements, the Transaction Documents and the Transactions; and

(e) Council hereby authorizes and directs each CEO, or the CEO's designate, and the Mayor or the Chief Administrative Officer, or their respective designates, to do all such other things or acts necessary to effect the Transactions, or otherwise to carry out the intention of this resolution, the doing of any such other act or thing by such person being conclusive evidence of such determination.

Attachment 6

Guelph Hydro 2015 Audited Financial Statements

Financial Statements of

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Year ended December 31, 2015
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the shareholder of Guelph Hydro Electric Systems Inc.

We have audited the accompanying financial statements of Guelph Hydro Electric Systems Inc., which comprise the balance sheet as at December 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guelph Hydro Electric Systems Inc. as at December 31, 2015, and its results of operations and its cash flows for the year ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 18, 2016
Waterloo, Canada

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Balance Sheets

December 31, 2015, with comparative information for 2014
(Expressed in thousands of dollars)

	2015	2014
Assets		
Current assets:		
Cash	$ 32,380	$ -
Accounts receivable (note 4)	21,508	17,887
Unbilled revenue	15,284	10,889
Income taxes recoverable	-	1,706
Inventory (note 5)	2,181	1,832
Other current assets	558	552
Total current assets	71,911	32,866
Property, plant and equipment (note 6)	150,634	141,277
Intangible assets (note 7)	807	388
Deferred income taxes (note 8)	2,364	2,758
Total non-current assets	153,805	144,423
Total assets	225,716	$ 177,289

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Balance Sheets

December 31, 2015, with comparative information for 2014
(Expressed in thousands of dollars)

	2015	2014
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 1,090
Accounts payable and accrued liabilities	23,425	22,556
Income taxes payable	4,336	-
Deferred credits - budget billing	858	1,142
Customer deposits - current portion (note 9)	2,651	5,577
Due to related parties	500	711
Total current liabilities	31,770	31,076
Senior unsecured debentures (note 12)	94,245	64,600
Employee future benefits (note 11)	10,474	10,039
Customer deposits - long-term portion (note 9)	4,506	2,874
Deferred revenue	20,038	15,460
Total non-current liabilities	129,263	92,973
Total liabilities	161,033	124,049
Shareholder's equity:		
Share capital (note 18)	43,374	43,374
Other comprehensive income (loss)	(933)	(933)
Retained earnings	22,242	10,799
	64,683	53,240
Commitments and contingencies (note 17)		
Guarantees (note 20)		
	$ 225,716	$ 177,289

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

On behalf of the Board:

_______________ Director

_______________ Director

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Comprehensive Income

Year ended December 31, 2015, with comparative information for 2014
(Expressed in thousands of dollars)

	2015	2014
Electricity sales	$ 242,665	$ 212,562
Cost of electricity sold	201,196	190,844
	41,469	21,718
Other operating revenue (note 13)	3,760	4,718
Net operating revenue	45,229	26,436
Expenses:		
Operations and maintenance	12,118	11,861
General and administrative	10,186	9,373
	22,304	21,234
Earnings before the undernoted	22,925	5,202
Financial and other expenses (income):		
Interest on notes payable, less amounts capitalized	3,643	3,323
Interest income	(121)	(19)
Other	80	92
	3,602	3,396
Earnings from operations before income taxes	19,323	1,806
Income taxes (note 8):		
Provision for payments in lieu of corporate taxes	4,485	(403)
Deferred income taxes	394	767
	4,879	364
Net earnings from operations for the year	14,444	1,442
Other comprehensive income (loss):		
Actuarial losses on employee future benefit plan	-	(774)
Total comprehensive income for the year	$ 14,444	$ 668

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Changes in Equity
(In thousands of Canadian dollars)

Year ended December 31, 2015, with comparative information for 2014

	Share capital	Other Comprehensive Income (loss)	Retained earnings	Total
Balance at December 31, 2013	43,374	(159)	12,355	55,570
Dividends			(3,000)	(3,000)
Total comprehensive income for the year		(774)	1,442	668
Balance at December 31, 2014	43,374	(933)	10,798	53,239
Dividends			(3,000)	(3,000)
Total comprehensive income for the year			14,444	14,444
Balance, December 31, 2015	$ 43,374	$ (933)	$ 22,242	$ 64,683

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Cash Flows

Year ended December 31, 2015, with comparative information for 2014
(Expressed in thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Total Comprehensive income for the year	14,444	$ 668
Adjustments for:		
Income tax expense	4,879	85
Depreciation and amortization	6,480	6,041
Amortization of deferred revenue	(562)	(426)
Interest income	(96)	(19)
Interest expense	3,723	3,415
Loss on disposal of property, plant and equipment	(31)	22
	28,837	9,786
Change in:		
Receivables	(3,620)	1,614
Unbilled revenue	(4,395)	(906)
Inventory	(349)	(328)
Other current assets	(6)	2
Accounts payable and accrued liabilities	538	1,395
Deferred credits - budget billing	(284)	83
Employee future benefits	434	1,490
	(7,682)	3,350
Income taxes refunded	1,556	165
Net cash from operating activities	22,711	13,301
Cash flows from investing activities:		
Purchase of property, plant and equipment	(15,517)	(12,924)
Purchase of intangible assets	(602)	(167)
Proceeds from disposal of property, plant and equipment	42	90
	(16,077)	(13,001)
Cash flows from financing activities:		
Issuance of long term debentures	29,607	-
Contributions in aid of construction	5,140	2,372
Net change in customer deposits	(1,294)	2,135
Dividends paid	(3,000)	(3,000)
Interest received	96	19
Interest paid	(3,502)	(3,513)
Change in amounts due to related parties	(211)	(23)
	26,836	(2,010)
Increase (decrease) in cash	33,470	(1,710)
Cash / (bank indebtedness), beginning of year	(1,090)	620
Cash / (bank indebtedness), end of year	$ 32,380	$ (1,090)

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

1. Reporting entity:

Guelph Hydro Electric Systems Inc. (the “Corporation” or “GHESI”) became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. (“GMHI”) on September 6, 2014 when GMHI amalgamated with Guelph Hydro Inc. (“GHI”). GMHI is a wholly-owned subsidiary of the City of Guelph. GHESI was incorporated on October 31, 2000 under the laws of the Province of Ontario, Canada. The address of the Corporation’s registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Guelph and the Village of Rockwood, under a license issued by the Ontario Energy Board (“OEB”). The Corporation is regulated by the OEB and adjustments to the Corporation’s distribution rates require OEB approval.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 18, 2016.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 3 (c) and note 20.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of presentation (continued):

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 4 and note 20(a) - Receivables: allowance for impairment.
(ii) Note 6 - Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
(iii) Note 11 - Employee future benefits: measurement of the defined benefit obligation.
(iv) Note 19 - Financial instruments and risk management: valuation of long-term debt.

f) Rate regulation:

Effect of rate-setting regulations on the Corporation's activities and on these financial statements:

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act (1988)*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On July 24, 2012, GHESI filed its 2014 electricity distribution rates application using the OEB's 3rd Generation Incentive Regulation Mechanism ("IRM") as the basis for its application. The OEB rendered its Decision on December 6, 2012, which approved a distribution rate increase of 1.08 per cent for all customers.

On August 16, 2013, GHESI filed its 2014 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 5, 2014 which approved a distribution rate increase of 1.4 per cent for all customers.

2. Basis of presentation (continued):

f) Rate Regulation (continued):

On August 13, 2014, GHESI filed its 2015 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 4, 2014 which approved a distribution rate increase of 1.3 per cent for all customers.

In addition to the distribution rate increase, the OEB approved GHESI's recovery of deferral and variance account balances in the amount of $6.9 million to be recovered over a one-year period. These recoveries relate to past difference between the costs charged by the IESO and Hydro One (including whole market, transmission connection and network, commodity, global adjustment, and low voltage charges) and OEB-approved non-distribution charges billed to GHESI's customers.

On April 24, 2015, GHESI filed a cost of service rate application for its 2016 electricity distribution rates application. The OEB rendered its Decision on November 26, 2015 which approved a distribution rate increase of 4.86 per cent for all customers.

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

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Cash and cash equivalents:

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Revenue for the Corporation is recognized as electricity is delivered to customers and is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

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

3. Significant accounting policies (continued):

b) Revenue recognition (continued):

amounts from customers. The Corporation has determined that it is acting as a principal for the electricity distribution and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Deferred revenue relating to contributions in aid of construction is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and items considered major spare parts are recorded as capital assets.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost or deemed cost established on the transition date, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's average cost of borrowing.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

d) Property, plant and equipment (continued):

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service.

The estimated useful lives are as follows:

Buildings and fixtures	15 - 50 years
Distribution lines	40 – 70 years
Distribution transformers	35 – 55 years
Distribution meters	30 years
Smart meters	15 years
General office equipment	5 - 10 years
Computer equipment	5 years
Major tools	5 - 15 years
Data acquisition system	5 years
Trucks and rolling stock	5 - 10 years
Other capital assets	10 - 25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

(e) Intangible assets:

(i) Computer software:

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

(ii) Land rights:

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

(iii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

3. Significant accounting policies (continued):

(e) Intangible assets (continued):

(iii) Amortization (continued):

The estimated useful lives for the current and comparative years are:

Computer software	5 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

(f) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it is a single cash-generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair

3. Significant accounting policies (continued):

f) Impairment (continued):

ii) Non-financial assets (continued):

value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning or dismantling:

When there is a legal or constructive obligation to remove and dispose of property, plant and equipment at the end of their useful life, a provision is recorded to cover such future removal and disposal costs.

(h) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment

3. Significant accounting policies (continued):

(h) Employee future benefits (continued):

(i) Pension plan (continued):

earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members. In this case, GHESI and its employees could face the prospect of higher contributions until the funded status of the Fund is restored. GHESI is only likely to recover additional contribution amounts in distribution rates if increased contribution rates are factored into GHESI's rebasing rates applications before the OEB.

(ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Any actuarial gains (losses) will require a re-measurement of the net defined benefit liability or asset and will be recognized as other comprehensive income or loss in the year that it is known.

(i) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as current liabilities. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to 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.

The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

3. Significant accounting policies (continued):

(j) Leased assets:

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance costs comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets.

(l) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

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

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(l) Income taxes (continued):

and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

4. Accounts receivable:

	2015	2014
Revenue	$ 18,981	$ 15,603
Regulatory	867	1,047
Due from the City of Guelph	1,894	1,612
	21,742	18,262
Less allowance for doubtful accounts	(235)	(375)
	$ 21,507	$ 17,887

5. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2015 was $243 (2014 - $211).

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2014	$ 20,474	$ 122,624	$ 7,739	$ 2,981	$ 153,818
Additions	484	5,403	2,487	4,675	13,049
Transfers	-	2,981	-	(2,981)	-
Disposals/retirements	-	-	(132)	-	(132)
Balance at December 31, 2014	$ 20,958	$ 131,008	$ 10,094	$ 4,675	$ 166,735

(Expressed in thousands of dollars)

6. Property, plant and equipment (continued):

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2015	$ 20,958	$ 131,008	$ 10,094	$ 4,675	$ 166,735
Additions	75	6,848	1,380	7,362	15,665
Transfers	-	4,675	-	(4,675)	-
Disposals/retirements	-	-	(112)	-	(112)
Balance at December 31, 2015	$ 21,033	$ 142,531	$ 11,362	$ 7,362	$ 182,288

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2014	$ 1,985	$ 13,897	$ 3,661	$ -	$ 19,543
Depreciation charge for the year	700	3,616	1,619	-	5,935
Disposals/retirements	-	-	(20)	-	(20)
Balance at December 31, 2014	$ 2,685	$ 17,513	$ 5,260	$ -	$ 25,458

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2015	$ 2,685	$ 17,513	$ 5,260	$ -	$ 25,458
Depreciation charge for the year	712	4,402	1,183	-	6,297
Disposals/retirements	-	-	(101)	-	(101)
Balance at December 31, 2015	$ 3,397	$ 21,915	$ 6,342	$ -	$ 31,654

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
December 31, 2014	$ 18,273	$ 113,495	$ 4,834	$ 4,675	$ 141,277
December 31, 2015	17,636	120,616	5,020	7,362	150,634

(d) Borrowing costs:

During the year, borrowing costs of $148 (2014 - $123) were capitalized as part of the cost of property, plant and equipment.

(Expressed in thousands of dollars)

6. Property, plant and equipment (continued):

(e) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets have been allocated to profit or loss as follows:

	Cost of electricity sold	Distribution expenses	Administration expenses	Total
December 31, 2014:				
Depreciation of property, plant and equipment	$ -	$ 5,778	$ 157	$ 5,935
Amortization of intangible assets	-	-	106	106
	$ -	$ 5,778	$ 263	$ 6,041
December 31, 2015:				
Depreciation of property, plant and equipment	$ -	$ 6,199	$ 98	$ 6,297
Amortization of intangible assets	-	-	183	183
	$ -	$ 6,199	$ 281	$6,480

(Expressed in thousands of dollars)

7. Intangible assets:

(a) Cost or deemed cost:

	Computer software	Land rights	Total
Balance at January 1, 2014	447	-	447
Additions in 2014	167	-	167
Balance at December 31, 2014	614	-	614
Additions in 2015	602	-	602
Balance at December 31, 2015	$ 1,216	$ -	$ 1,216

(b) Accumulated amortization:

	Computer software	Land rights	Total
Balance at January 1, 2014	120	-	120
Amortization charges in 2014	106	-	106
Balance at December 31, 2014	226	-	226
Amortization charges in 2015	183	-	183
Balance at December 31, 2015	$ 409	-	$ 409

(c) Carrying amounts:

	Computer software	Land rights	Total
Balance at December 31, 2014	$ 388	$ -	$ 388
Balance at December 31, 2015	$ 807	$ -	$ 807

(Expressed in thousands of dollars)

8. Income taxes:

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 income tax	$ 5,120	$ 479
Increase (decrease) in income tax resulting from:		
Adjustment to prior year's taxes	(241)	(115)
Income tax expense	$ 4,879	$ 364
Effective rate applied to profit before income taxes	25.3%	20.2%

Significant components of the Corporation's deferred tax balances are as follows:

	2015	2014
Deferred tax assets (liabilities):		
Plant and equipment	$ (6,324)	$ (4,647)
Cumulative eligible capital	602	648
Employee benefits	2,776	2,660
Deferred revenue - contributed capital	5,310	4,097
Net deferred tax asset	$ 2,364	$ 2,758

As at December 31, 2015, a deferred tax asset of $2,364 (2014 - $2,758) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

(Expressed in thousands of dollars)

9. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate 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.

Customer deposits comprise:

		2015		2014
Customer deposits	$	2,504	$	4,040
Construction deposits	$	4,653		4,411
Total customer deposits	$	7,157	$	8,451

10. Pension agreement:

GHESI provides a pension plan for its employees through the Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employee Retirement Fund (“the Fund”) and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. GHESI uses defined contribution plan accounting as it is only liable for contributions to the Plan. GHESI’s contribution for employees’ current service for the year ended December 31, 2015 was $1,096 (2014 - $1,054).

(Expressed in thousands of dollars)

11. Employee future benefits:

Components of employee future benefits recognized are as follows:

	2015	2014
Post-retirement benefits – accrued benefit liability as previously reported	$ 9,814	$ 9,359
Accrued sick leave benefit	660	681
	$ 10,474	$ 10,040

Post-retirement benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services are rendered. The accrued benefit liability at December 31, 2015 of $9,814 was based on an actuarial valuation completed in 2014 and rolled forward using updated membership data and a discount rate of 4.05%. The accrued benefit liability at December 31, 2014 of $9,359 was based on an actuarial valuation completed in 2014, using a discount rate of 4.05%.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2015	2014
Defined benefit obligation, beginning of year	$ 9,359	$ 7,929
Current service cost	273	211
Interest cost	374	387
Re-measurement of obligation	-	1,053
Benefits paid during the year	(192)	(221)
Accrued benefit liability, end of year	$ 9,814	$ 9,359

(Expressed in thousands of dollars)

11. Employee future benefits (continued):

Components of net benefit expense recognized are as follows:

		2015		2014
Current service cost	$	273	$	211
Interest cost		374		387
Net benefit expense recognized	$	647	$	598

The full amount of the Corporation's net benefit expense was charged to operations in 2014 and 2015.

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2015	2014
Accrued benefit obligation:		
Discount rate	4.05%	4.05%
Benefit cost for the year:		
Withdrawal rate	1%	1%
Assumed health care cost trend rates:		
Initial health care cost trend rate	5%	5%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

		Defined Benefit Obligation		Periodic Benefit Cost
1% increase in health care trend rate	$	11,542	$	787
1% decrease in health care trend rate		8,348		538

(Expressed in thousands of dollars)

11. Employee future benefits (continued):

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2015	2014
Defined benefit obligation	$ 9,814	$ 9,359
Experience adjustments	-	1,053

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.0% in 2015, and thereafter (2014 - 2.0%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2015, was 4.05% (2014 - 4.05%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2014 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 5% for 2014, 5% for 2015, 5% for 2016, and 5% thereafter.

Dental costs - dental costs were assumed to increase 5% for 2014, 5% for 2015, 5% for 2016, and 5% thereafter.

Accrued sick leave benefit:

The Corporation allows regular employees the equivalent of one and one-half days per month sick time credit to be applied in case of illnesses or accidents not covered by Workers' Compensation. A maximum of eighteen days sick time credit is accrued to each employee's credit each year and is reduced by the amount of sick time utilized each year. At the end of the year, the remaining credit, if any, is added to each employee's sick time credit accumulation. Any unused sick time credit is forfeited when employment ceases with the Corporation. As at December 31, 2015, the estimated valued of the expected future payment to be made as a result of the unused sick time credits amounts to $660 (2014 - $681).

(Expressed in thousands of dollars)

12. Long-term debt:

A senior unsecured debentures have a maturity date of December 6, 2030 and have an interest rate of 5.264% per annum. Interest is payable in equal semi-annual installments, in arrears, on June 6 and December 6 each year commencing June 6, 2014 until maturity. The debentures were issued on December 6, 2013. The debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, the Corporation incurred debt issuance costs in the amount of $500.

A senior unsecured debentures have a maturity date of September 25, 2045 and have an interest rate of 4.121% per annum. Interest is payable in equal semi-annual installments, in arrears, on March 25 and September 25 each year commencing March 25, 2016 until maturity. The debentures were issued on September 25, 2015. The debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, the Corporation incurred debt issuance costs in the amount of $393.

	2015	2014
Senior unsecured debentures, maturity 2030	$ 65,000	$ 65,000
Senior unsecured debentures, maturity 2045	30,000	-
Less: cost of debt issuance	(755)	(400)
Senior unsecured debentures, net proceeds	$ 94,245	$ 64,600

13. Other income:

Other income comprises:

	2015	2014
Late payment charges	$ 152	$ 116
Pole and other rental income	432	343
Collection and other service charges	410	436
Waterworks revenue	1,244	1,172
Intercompany services	749	734
Customer contributions	562	426
Conservation and Demand Management Performance Bonus	-	1,255
Miscellaneous	211	236
Total other income	$ 3,760	$ 4,718

(Expressed in thousands of dollars)

14. Employee benefits:

		2015		2014
Salaries, wages and benefits	$	8,659	$	8,182
Contributions to multi-employer plan		1,096		1,054
Expenses related to defined benefit plans		647		598
	$	10,402	$	9,834

15. Finance income and expense:

		2015		2014
Interest income on bank deposits	$	(121)	$	(19)
Finance income		(121)		(19)
Interest expense on long-term debt		3,794		3,446
Interest adjustment re: capitalized borrowing costs		(148)		(123)
Interest expense on deposits		32		37
Other		45		55
Net finance costs recognized in profit or loss	$	3,602	$	3,396

(Expressed in thousands of dollars)

16. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Guelph Municipal Holdings Inc. (“GMHI”), effective September 8, 2014 when GMHI amalgamated with Guelph Hydro Inc. (“GHI”). GMHI is a wholly-owned subsidiary of the City of Guelph. The City produces financial statements that are available for public use.

(b) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and is summarized below.

	2015	2014
Directors’ fees	$ 108	$ 115
Salaries and other short-term benefits	1,912	2,024
Post-employment benefits	48	64
	$ 2,068	$ 2,203

(c) Transactions with ultimate parent (the City):

The following summarizes the Corporation’s related party transactions, recorded at the exchange amounts and balances with the City for the years ended December 31:

	2015	2014
Revenue:		
Energy sales (at commercial rates)	$ 8,245	$ 8,238
Waterworks revenue	1,243	1,172
Street light maintenance	353	303
Expenses:		
Subcontracting	7	16
Property taxes	327	325
Balances:		
Accounts receivable	1,894	1612
Accounts payable and accrued charges	-	-

(Expressed in thousands of dollars)

16. Related party transactions (continued):

(d) Transactions with subsidiaries of the City:

A listing of the various entities under the control of the City is set out on the City's website.

The Corporation had the following transactions with GMHI and its subsidiary, Envida Community Energy Inc.:

	2015	2014
Revenue:		
Energy sales (at commercial rates)	$ 43	$ 30
Multiple function support services	749	734
Expenses:		
Planning services through Board of Directors	-	93
Management services	656	648
Balances:		
Accounts receivable	1,185	853
Accounts payable and accrued charges	1,685	2,654

17. Commitments and contingencies:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation’s financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2015, no assessments have been made.

(Expressed in thousands of dollars)

18. Share capital:

		2015		2014
Authorized:				
Unlimited number of common shares				
Issued:				
1,000 common shares	$	43,374	$	43,374

19. 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.

The fair value of the $65,000 senior unsecured debenture at December 31, 2015 was $73,068 (2014 - $75,008) and the fair value of the new $30,000 senior unsecured debenture at December 31, 2015 was $29,648. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2015 was 4.140% (2014 - 3.985%) on the $65,000 debenture and was 4.190% on the $30,000 debenture.

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

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could 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 City. No single customer accounts for revenue in excess of 10% of total revenue.

19. 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 $235 (2014 - $375). An impairment loss of $142 (2014 - $135) was recognized during the year. The Corporation's credit risk associated with accounts receivable is primarily related to payments from ratepayers. At December 31, 2015, approximately $327 (2014 - $478) was considered 60 days past due. The Corporation has over 53 thousand customers, the majority of whom are residential customers. 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 held security deposits amounting to $4,653 (2014 - $4,411).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

The Corporation estimates that a 1% increase in interest rates at December 31, 2015 would have increased interest expense on the long-term debt by $950 (2014 - $650), assuming all other variables remained constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

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. As at December 31, 2015, the Corporation, through its parent company Guelph Municipal Holdings Inc. Centralized Banking Agreement, had access to a $20,000 credit facility. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2015, no amounts had been drawn under this $20,000 credit facility (2014 - $10,000).

As part of the $20,000 credit facility, The Corporation has a bilateral facility for $5,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $4,000 has been drawn and posted with the IESO (2014 - $4,000).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

20. Financial instruments and risk management (continued):

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation’s definition of capital includes shareholder’s equity and long-term debt. As at December 31, 2015, shareholder’s equity amounted to $64,668 (2014 - $53,240) and long-term debt amounted to $94,245 (2014 - $64,600).

21. Guarantees:

GHESI has a Connection and Cost Recovery Agreement with Hydro One Networks Inc. (Networks) for the supply of two additional breaker positions at the Campbell transformer station (cost $599), and the installation of a new metal clad switchgear to the two existing idle windings at Cedar TS (transformer station) with eight new feeder positions (cost $5,582). The costs of the connections are debts owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformation connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate any additional payments to Networks.

GHESI has another Connection and Cost Recovery Agreement with Networks for the line connection associated with the Arlen municipal transformer station. The $1,688 cost of the connection is a debt owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformer connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate an additional payment to Networks.

Attachment 7

Guelph Hydro 2016 Audited Financial Statements

Financial Statements of

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Year ended December 31, 2016
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Guelph Hydro Electric Systems Inc.

We have audited the accompanying financial statements of Guelph Hydro Electric Systems Inc., which comprise the statement of financial position as at December 31, 2016, the statements comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guelph Hydro Electric Systems Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 26, 2017
Waterloo, Canada

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Balance Sheet

December 31, 2016, with comparative information for 2015
(Expressed in thousands of dollars)

		2016		2015
Assets				
Current assets:				
Cash	$	23,935	$	32,380
Accounts receivable (note 4)		22,096		21,508
Unbilled revenue		14,699		15,284
Income taxes recoverable		2,420		-
Inventory (note 5)		1,898		2,181
Other current assets		626		558
Due to related parties		1,579		-
Total current assets		67,253		71,911
Property, plant and equipment (note 6)		158,944		150,634
Intangible assets (note 7)		641		807
Deferred income taxes (note 8)		1,542		2,364
Total non-current assets		161,127		153,805
Total assets	$	228,380	$	225,716

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Balance Sheet

December 31, 2016, with comparative information for 2015
(Expressed in thousands of dollars)

	2016	2015
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,436	$ 23,425
Income taxes payable	-	4,336
Deferred credits - budget billing	906	858
Customer deposits - current portion (note 9)	3,058	2,651
Due to related parties	-	500
Total current liabilities	27,400	31,770
Senior unsecured debentures (note 12)	94,283	94,245
Employee future benefits (note 11)	10,297	10,474
Customer deposits - long-term portion (note 9)	5,196	4,506
Deferred revenue	22,472	20,038
Total non-current liabilities	132,248	129,263
Total liabilities	159,648	161,033
Shareholder's equity:		
Share capital (note 18)	43,374	43,374
Accumulated other comprehensive loss	(555)	(933)
Retained earnings	25,913	22,242
	68,732	64,683
Commitments and contingencies (note 17)		
Guarantees (note 21)		
	$ 228,380	$ 225,716

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

On behalf of the Board:

____________________ Director

____________________ Director

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statement of Comprehensive Income

Year ended December 31, 2016, with comparative information for 2015
(Expressed in thousands of dollars)

	2016	2015
Electricity sales	$ 245,812	$ 242,665
Cost of electricity sold	214,504	201,196
	31,308	41,469
Other operating revenue (note 13)	4,668	3,760
Net operating revenue	35,976	45,229
Expenses:		
Operations and maintenance	12,921	12,118
General and administrative	9,716	10,186
	22,637	22,304
Earnings before the undernoted	13,339	22,925
Financial and other expenses (income):		
Interest on notes payable, less amounts capitalized	4,531	3,643
Interest income	(323)	(121)
Other	150	80
	4,358	3,602
Earnings from operations before income taxes	8,981	19,323
Income taxes (note 8):		
Provision for payments in lieu of corporate taxes	1,623	4,485
Deferred income taxes	687	394
	2,310	4,879
Net earnings from operations for the year	6,671	14,444
Other comprehensive income:		
Actuarial gains on employee future benefit plan	378	-
Total comprehensive income for the year	$ 7,049	$ 14,444

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statement of Changes in Equity
(In thousands of Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at December 31, 2013	43,374	(933)	10,798	53,239
Dividends			(3,000)	(3,000)
Total comprehensive income for the year			14,444	14,444
Balance at December 31, 2015	43,374	(933)	22,242	64,683
Dividends			(3,000)	(3,000)
Total comprehensive income for the year		378	6,671	7,049
Balance, December 31, 2016	$ 43,374	$ (555)	$ 25,913	$ 68,732

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015
(Expressed in thousands of dollars)

	2016	2015
Cash flows from operating activities:		
Total Comprehensive income for the year	$ 7,049	$ 14,444
Adjustments for:		
Income tax expense	2,445	4,879
Depreciation and amortization	6,831	6,480
Amortization of deferred revenue	(632)	(562)
Interest income	(323)	(96)
Interest expense	4,681	3,723
Gain on disposal of property, plant and equipment	(48)	(31)
	20,003	28,837
Change in:		
Receivables	(588)	(3,620)
Unbilled revenue	585	(4,395)
Inventory	283	(349)
Other current assets	(68)	(6)
Accounts payable and accrued liabilities	11	538
Deferred credits - budget billing	48	(284)
Employee future benefits	(177)	434
	94	(7,682)
Income taxes (paid) refunded	(8,379)	1,556
Net cash from operating activities	11,718	22,711
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,733)	(15,517)
Purchase of intangible assets	(77)	(602)
Proceeds from disposal of property, plant and equipment	48	42
	(14,762)	(16,077)
Cash flows from financing activities:		
Issuance of long term debentures	-	29,607
Contributions in aid of construction	3,066	5,140
Net change in customer deposits	1,097	(1,294)
Dividends paid	(3,000)	(3,000)
Interest received	323	96
Interest paid	(4,808)	(3,502)
Change in amounts due to related parties	(2,079)	(211)
	(5,401)	26,836
Increase (decrease) in cash	(8,445)	33,470
Cash / (bank indebtedness), beginning of year	32,380	(1,090)
Cash, end of year	$ 23,935	$ 32,380

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

1. Reporting entity:

Guelph Hydro Electric Systems Inc. (the “Corporation” or “GHESI”) became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. (“GMHI”) on September 6, 2015 when GMHI amalgamated with Guelph Hydro Inc. (“GHI”). GMHI is a wholly-owned subsidiary of the City of Guelph. GHESI was incorporated on October 31, 2000 under the laws of the Province of Ontario, Canada. The address of the Corporation’s registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Guelph and the Village of Rockwood, under a license issued by the Ontario Energy Board (“OEB”). The Corporation is regulated by the OEB and adjustments to the Corporation’s distribution rates require OEB approval.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 26, 2017.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 3 (c) and note 20.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of presentation (continued):

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and will affect any future period going forward

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 4 and note 20(a) - Receivables: allowance for impairment.
(ii) Note 6 - Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
(iii) Note 11 - Employee future benefits: measurement of the defined benefit obligation.
(iv) Note 19 - Financial instruments and risk management: valuation of long-term debt.

f) Rate regulation:

Effect of rate-setting regulations on the Corporation's activities and on these financial statements:

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act (1988)*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On August 13, 2014, GHESI filed its 2015 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 4, 2014 which approved a distribution rate increase of 1.3% for all customers.

2. Basis of presentation (continued):

f) Rate Regulation (continued):

In addition to the distribution rate increase, the OEB approved GHESI's recovery of deferral and variance account balances in the amount of $6.9 million to be recovered over a one-year period. These recoveries relate to past difference between the costs charged by the IESO and Hydro One (including whole market, transmission connection and network, commodity, global adjustment, and low voltage charges) and OEB-approved non-distribution charges billed to GHESI's customers.

On April 24, 2015, GHESI filed a cost of service rate application for its 2016 electricity distribution rates application. The OEB rendered its Decision on November 26, 2015 which approved a distribution rate increase of 4.86% for all customers.

On August 15, 2016, GHESI filed its 2017 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 8, 2016 which approved a distribution rate increase of 1.6% for all customers.

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

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Cash and cash equivalents:

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Revenue for the Corporation is recognized as electricity is delivered to customers and is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

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

3. Significant accounting policies (continued):

b) Revenue recognition (continued):

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 it is acting as a principal for electricity distribution and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation (“OEFC”) once each year.

Deferred revenue relating to contributions in aid of construction is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and items considered major spare parts are recorded as capital assets.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost or deemed cost established on the transition date, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation’s average cost of borrowing.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued)

In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service.

The estimated useful lives are as follows:

Buildings and fixtures	15 - 50 years
Distribution lines	40 – 70 years
Distribution transformers	35 – 55 years
Distribution meters	30 years
Smart meters	15 years
General office equipment	5 - 10 years
Computer equipment	5 years
Major tools	5 - 15 years
Data acquisition system	5 years
Trucks and rolling stock	5 - 10 years
Other capital assets	10 - 25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

(e) Intangible assets:

(i) Computer software:

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

(ii) Land rights:

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

3. Significant accounting policies (continued):

(e) Intangible assets (continued):

(iii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative years are:

Computer software	5 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

(f) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(iii) Non-financial assets (continued):

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it is a single cash-generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning or dismantling:

When there is a legal or constructive obligation to remove and dispose of property, plant and equipment at the end of their useful life, a provision is recorded to cover such future removal and disposal costs.

3. Significant accounting policies (continued):

(h) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members. In this case, GHESI and its employees could face the prospect of higher contributions until the funded status of the Fund is restored. GHESI may only fully recover additional contribution amounts in distribution rates if increased contribution rates are factored into GHESI's rebasing rates applications before the OEB.

(i) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Any actuarial gains (losses) will require a re-measurement of the net defined benefit liability or asset and will be recognized as other comprehensive income or loss in the year that it is known.

(i) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as current liabilities. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to 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. Significant accounting policies (continued):

(i) Deferred revenue and assets transferred from customers (continued):

The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(j) Leased assets:

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Corporation’s balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance costs comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets.

(l) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

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

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(l) Income taxes (continued):

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

4. Accounts receivable:

	2016	2015
Revenue	$ 19,471	$ 18,981
Regulatory	842	868
Due from the City of Guelph	1,943	1,894
	22,256	21,743
Less allowance for doubtful accounts	(160)	(235)
	$ 22,096	$ 21,508

5. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2016 was $252 (2015 - $243).

(Expressed in thousands of dollars)

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2015	$ 20,958	$ 131,008	$ 10,094	$ 4,675	$ 166,735
Additions	75	6,848	1,380	7,362	15,665
Transfers	-	4,675	-	(4,675)	-
Disposals/retirements	-	-	(112)	-	(112)
Balance at December 31, 2015	$ 21,033	$ 142,531	$ 11,362	$ 7,362	$ 182,288

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2016	$ 21,033	$ 142,531	$ 11,362	$ 7,362	$ 182,288
Additions	213	7,915	1,407	5,362	14,897
Transfers	-	7,362	-	(7,362)	-
Disposals/retirements	-	-	(132)	-	(132)
Balance at December 31, 2016	$ 21,246	$ 157,808	$ 12,637	$ 5,362	$ 197,053

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2015	$ 2,685	$ 17,513	$ 5,260	$ -	$ 25,458
Depreciation charge for the year	712	4,402	1,183	-	6,297
Disposals/retirements	-	-	(101)	-	(101)
Balance at December 31, 2015	$ 3,397	$ 21,915	$ 6,342	$ -	$ 31,654

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2016	$ 3,397	$ 21,915	$ 6,342	$ -	$ 31,654
Depreciation charge for the year	718	4,725	1,144	-	6,587
Disposals/retirements	-	-	(132)	-	(132)
Balance at December 31, 2016	$ 4,115	$ 26,640	$ 7,354	$ -	$ 38,109

(Expressed in thousands of dollars)

6. Property, plant and equipment (continued):

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
December 31, 2015	$ 17,636	$ 120,616	$ 5,020	$ 7,362	$ 150,634
December 31, 2016	17,131	131,168	5,283	5,362	158,944

(d) Borrowing costs:

During the year, borrowing costs of $165 (2015 - $148) were capitalized as part of the cost of property, plant and equipment.

(e) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets have been allocated to profit or loss as follows:

	Distribution expenses	Administration expenses	Total
December 31, 2015:			
Depreciation of property, plant and equipment	$ 6,199	$ 98	$ 6,297
Amortization of intangible assets	-	183	183
	$ 6,199	$ 281	$ 6,480
December 31, 2016:			
Depreciation of property, plant and equipment	$ 6,498	$ 89	$ 6,587
Amortization of intangible assets	-	244	244
	$ 6,498	$ 333	$ 6,831

(Expressed in thousands of dollars)

7. Intangible assets:

(a) Cost or deemed cost:

	Computer software
Balance at January 1, 2015	$ 614
Additions in 2015	602
Balance at December 31, 2015	1,216
Additions in 2016	78
Balance at December 31, 2016	$ 1,294

(b) Accumulated amortization:

	Computer software
Balance at January 1, 2015	$ 226
Amortization charges in 2015	183
Balance at December 31, 2015	409
Amortization charges in 2016	244
Balance at December 31, 2016	$ 653

(c) Carrying amounts:

	Computer software
Balance at December 31, 2015	$ 807
Balance at December 31, 2016	$ 641

(Expressed in thousands of dollars)

8. Income taxes:

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

	2016	2015
Basic rate applied to profit before income tax	$ 2,380	$ 5,120
Decrease in income tax resulting from:		
Adjustment to prior year’s taxes	(70)	(241)
Income tax expense	$ 2,310	$ 4,879
Effective rate applied to profit before income taxes	25.7%	25.3%

Significant components of the Corporation’s deferred tax balances are as follows:

	2016	2015
Deferred tax assets (liabilities):		
Plant and equipment	$ (7,702)	$ (6,324)
Cumulative eligible capital	560	602
Employee benefits	2,865	2,776
Deferred revenue - contributed capital	5,955	5,310
Net deferred tax asset	$ 1,678	$ 2,364

As at December 31, 2016, a deferred tax asset of $1,678 (2015 - $2,364) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

(Expressed in thousands of dollars)

9. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate 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.

Customer deposits comprise:

	2016	2015
Customer deposits	$ 3,260	$ 2,504
Construction deposits	4,994	4,653
Total customer deposits	$ 8,254	$ 7,157

10. Pension agreement:

GHESI provides a pension plan for its employees through the Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employee Retirement Fund (“the Fund”) and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. GHESI uses defined contribution plan accounting as it is only liable for contributions to the Plan. GHESI’s contribution for employees’ current service for the year ended December 31, 2016 was $1,161 (2015 - $1,096).

(Expressed in thousands of dollars)

11. Employee future benefits:

Components of employee future benefits recognized are as follows:

	2016	2015
Post-retirement benefits – accrued benefit liability as previously reported	$ 9,764	$ 9,814
Accrued sick leave benefit	533	660
	$ 10,297	$ 10,474

Post-retirement benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services are rendered. The accrued benefit liability at December 31, 2016 of $9,764 was based on an actuarial valuation completed in 2017 using a discount rate of 3.90%. The accrued benefit liability at December 31, 2015 of $9,814 was based on an actuarial valuation completed in 2015, using a discount rate of 4.05%.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2016	2015
Defined benefit obligation, beginning of year	$ 9,814	$ 9,359
Current service cost	285	273
Interest cost	393	374
Re-measurement of obligation	(513)	-
Benefits paid during the year	(215)	(192)
Accrued benefit liability, end of year	$ 9,764	$ 9,814

(Expressed in thousands of dollars)

11. Employee future benefits (continued):

Components of net benefit expense recognized are as follows:

	2016	2015
Current service cost	$ 285	$ 273
Interest cost	393	374
Net benefit costs	$ 678	$ 647

In 2016, $475 of the corporation's net benefit costs were charged as an operational expense and the remaining $203 was capitalized. In 2015, $647 of the corporation's net benefit costs were charged as an operational expense.

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2016	2015
Accrued benefit obligation:		
Discount rate	3.90%	4.05%
Benefit cost for the year:		
Withdrawal rate	1%	1%
Assumed health and dental care cost trend rates:		
Initial health and dental care cost trend rate	5%	5%
2018 and thereafter	6%	6%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 9,841	$ 755
1% decrease in health care trend rate	8,467	619

(Expressed in thousands of dollars)

11. Employee future benefits (continued):

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2016	2015
Defined benefit obligation	$ 9,764	$ 9,814
Experience adjustments	513	-

The main actuarial assumptions utilized for the valuation are as follows:

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.0% in 2016, and thereafter (2015 - 2.0%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2016, was 3.90% (2015 - 4.05%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2015 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 5% for 2016, 5% for 2017, and 6% thereafter.

Dental costs - dental costs were assumed to increase 5% for 2016, 5% for 2017, and 6% thereafter.

Accrued sick leave benefit:

The Corporation allows regular employees the equivalent of one and one-half days per month sick time credit to be applied in case of illnesses or accidents not covered by Workers' Compensation. A maximum of eighteen days sick time credit is accrued to each employee's credit each year and is reduced by the amount of sick time utilized each year. At the end of the year, the remaining credit, if any, is added to each employee's sick time credit accumulation. Employees can accumulate sick time credit up to a capped amount of 200 days with the following exception. Any employee on payroll at the date the cap went into effect (May 2, 2013), did not lose any credit for accumulated sick time exceeding 200 days. These employees had their sick time capped individually at the level of the sick time accumulation accrued when the cap came into effect. Any unused sick time credit is forfeited when employment ceases with the Corporation. As at December 31, 2016, the estimated value of the expected future payments to be made because of unused sick time credits amounts to $533 (2015 - $660).

(Expressed in thousands of dollars)

12. Long-term debt:

Series A senior unsecured debentures have a maturity date of December 6, 2030 and have an interest rate of 5.264% per annum. Interest is payable in equal semi-annual installments, in arrears, on June 6 and December 6 each year commencing June 6, 2014 until maturity. The debentures were issued on December 6, 2010. The debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, the Corporation incurred debt issuance costs in the amount of $500.

Series B senior unsecured debentures have a maturity date of September 25, 2045 and have an interest rate of 4.121% per annum. Interest is payable in equal semi-annual installments, in arrears, on March 25 and September 25 each year commencing March 25, 2016 until maturity. The debentures were issued on September 25, 2015. The debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, the Corporation incurred debt issuance costs in the amount of $393.

	2016	2015
Senior unsecured debentures, maturity 2030	$ 65,000	$ 65,000
Senior unsecured debentures, maturity 2045	30,000	30,000
Less: cost of debt issuance	(717)	(755)
Senior unsecured debentures, net proceeds	$ 94,283	$ 94,245

13. Other income:

Other income comprises:

	2016	2015
Late payment charges	$ 163	$ 152
Pole and other rental income	332	381
Collection and other service charges	447	376
Waterworks revenue	1,420	1,244
Storm water revenue	188	-
Intercompany services	577	749
Customer contributions	632	562
Shared Services	159	76
Conservation and Demand Management Performance Bonus	630	-
Miscellaneous	120	220
Total other income	$ 4,668	$ 3,760

(Expressed in thousands of dollars)

14. Employee benefits:

		2016		2015
Salaries, wages and benefits	$	8,769	$	8,659
Contributions to multi-employer plan		1,161		1,096
Expenses related to defined benefit plans		678		647
	$	10,608	$	10,402

15. Finance income and expense:

		2016		2015
Interest income on bank deposits	$	(323)	$	(121)
Finance income		(323)		(121)
Interest expense on long-term debt		4,696		3,794
Interest adjustment re: capitalized borrowing costs		(165)		(148)
Interest expense on deposits		31		32
Other		119		45
Net finance costs recognized in profit or loss	$	4,358	$	3,602

16. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Guelph Municipal Holdings Inc. (“GMHI”), effective September 8, 2014 when GMHI amalgamated with Guelph Hydro Inc. (“GHI”). GMHI is a wholly-owned subsidiary of the City of Guelph. The City produces financial statements that are available for public use.

(b) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and is summarized below.

		2016		2015
Directors’ fees	$	110	$	108
Salaries and other short-term benefits		2,914		1,912
Post-employment benefits		57		48
	$	3,081	$	2,068

(Expressed in thousands of dollars)

16. Related party transactions (continued):

(c) Transactions with ultimate parent (the City):

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with the City for the years ended December 31:

	2016	2015
Revenue:		
Energy sales (at commercial rates)	$ 9,047	$ 8,245
Waterworks revenue	1,419	1,243
Storm water revenue	188	-
Street light maintenance	-	353
Expenses:		
Subcontracting	5	7
Property taxes	355	327
Balances:		
Accounts receivable	1,943	1,894

(d) Transactions with subsidiaries of the City:

A listing of the various entities under the control of the City is set out on the City's website.

The Corporation had the following transactions with GMHI and its subsidiary, Envida Community Energy Inc.:

	2016	2015
Revenue:		
Energy sales (at commercial rates)	$ 50	$ 43
Multiple function support services	577	749
Street light maintenance	380	-
Expenses:		
Management services	278	656
Balances:		
Accounts receivable	1,580	1,185
Accounts payable and accrued charges	-	1,685

(Expressed in thousands of dollars)

17. Commitments and contingencies:

From time to time, the Corporation may be involved in various litigation matters arising in the ordinary course of its business. As at the end of 2016, there were no litigation matters facing the Corporation.

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2015, no assessments have been made.

18. Share capital:

	2016	2015
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 43,374	$ 43,374

19. 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.

The fair value of the $65,000 senior unsecured debenture at December 31, 2016 was $73,612 (2015 - $73,068) and the fair value of the new $30,000 senior unsecured debenture at December 31, 2015 was $30,044. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2016 was 4.012% (2015 - 4.140%) on the $65,000 debenture and was 4.112% (2015 – 4.190%) on the $30,000 debenture.

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

19. Financial instruments and risk management (continued):

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could 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 City. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2016 is $160 (2015 - $235). An impairment loss of $59 (2015 - $142) was recognized during the year. The Corporation's credit risk associated with accounts receivable is primarily related to payments from ratepayers. At December 31, 2016, approximately $232 (2015 - $327) was considered 60 days past due. The Corporation has over 55,000 customers, the majority of whom are residential customers. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2016, the Corporation held security deposits amounting to $4,993 (2015 - $4,653).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

The Corporation estimates that a 1% increase in interest rates at December 31, 2016 would have increased interest expense on the long-term debt by $950 (2015 - $950), assuming all other variables remained constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

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.

20. Financial instruments and risk management (continued):

(c) Liquidity risk (continued):

As at December 31, 2016, the Corporation, through its parent company Guelph Municipal Holdings Inc. Centralized Banking Agreement, had access to a $20,000 credit facility. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2016, no amounts had been drawn under this $20,000 credit facility (2015 - $20,000).

As part of the $20,000 credit facility, The Corporation has a bilateral facility for $5,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $4,000 has been drawn and posted with the IESO (2015 - $4,000).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2016, shareholder's equity amounted to $68,732 (2015 - $64,683) and long-term debt amounted to $94,283 (2015 - $94,245).

21. Guarantees:

GHESI has a Connection and Cost Recovery Agreement with Hydro One Networks Inc. (Networks) for the supply of two additional breaker positions at the Campbell transformer station (cost $599), and the installation of a new metal clad switchgear to the two existing idle windings at Cedar TS (transformer station) with eight new feeder positions (cost $5,582). The costs of the connections are debts owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformation connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate any additional payments to Networks.

GHESI has another Connection and Cost Recovery Agreement with Networks for the line connection associated with the Arlen municipal transformer station. The $1,688 cost of the connection is a debt owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformer connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate an additional payment to Networks.

Attachment 8

Envida 2015 Audited Financial Statements

Financial Statements of

ENVIDA COMMUNITY ENERGY INC.

Year ended December 31, 2015
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South, 2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the shareholder of Envida Community Energy Inc.

We have audited the accompanying financial statements of Envida Community Energy Inc., which comprise the balance sheet as at December 31, 2015 and the statements of comprehensive loss and deficit, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Envida Community Energy Inc. as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 25, 2016
Waterloo, Canada

ENVIDA COMMUNITY ENERGY INC.

Balance Sheets
(In thousands of dollars)

December 31, 2015, with comparative information for 2014

		2015		2014
Assets				
Current assets:				
Cash	$	441	$	716
Accounts receivable (note 5)		217		155
Other current assets		53		55
		711		926
Property, plant and equipment (note 6)		4,002		8,047
Deferred charges		-		40
	$	4,713	$	9,013
Liabilities and Shareholder's Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities	$	260	$	392
Current portion of long-term debt (note 8)		178		-
		438		392
Due to related parties (note 7)		2,039		7,658
Long-term debt (note 8)		10,791		9,223
Total liabilities		13,268		17,273
Shareholder's deficiency:				
Share capital (note 10)		1		1
Contributed surplus		10,497		1,375
Deficit		(19,053)		(9,636)
		(8,555)		(8,260)
Commitments (note 11)				
	$	4,713	$	9,013

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

On behalf of the Board:

_______________________________ Director

_______________________________ Director

ENVIDA COMMUNITY ENERGY INC.

Statements of Comprehensive Loss and Deficit
(In thousands of dollars)

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue	$ 978	$ 918
Cost of gas	37	41
Net operating income	941	877
Expenses:		
Operations and maintenance	1,024	676
General and administrative	282	196
Management fee	142	2,120
Impairment of property, plant and equipment	8,677	-
	10,125	2,992
Loss before financial items and income taxes	(9,184)	(2,115)
Financial expense:		
Interest expense	238	435
Interest income	(5)	(8)
Total comprehensive loss for the year	(9,417)	(2,542)
Deficit, beginning of year	(9,636)	(7,094)
Deficit, end of year	$ (19,053)	$ (9,636)

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

ENVIDA COMMUNITY ENERGY INC.

Statements of Changes in Equity
(In thousands of dollars)

Year ended December 31, 2015, with comparative information for 2014

	Share capital	Contributed surplus	Accumulated deficit	Total
Balance at December 31, 2013	1	$ 1,375	$ (7,094)	$ (5,718)
Total comprehensive loss for the year			(2,542)	(2,542)
Balance at December 31, 2014	1	1,375	(9,636)	(8,260)
Equity contribution from the parent company	-	9,122	-	9,122
Total comprehensive loss for the year	-	-	(9,417)	(9,417)
Balance, December 31, 2015	1	$ 10,497	$ (19,053)	$ (8,555)

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

ENVIDA COMMUNITY ENERGY INC.

Statements of Cash Flows
(In thousands of dollars)

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (applied to):		
Operations:		
Total comprehensive loss for the year	$ (9,417)	$ (2,542)
Items not involving cash:		
Depreciation	494	311
Impairment of property, plant and equipment	8,677	-
Interest income	(5)	(8)
Interest expense	238	435
	(13)	(1,804)
Change in:		
Accounts receivable	(62)	(102)
Other current assets	2	(45)
Deferred charges	40	-
Accounts payable and accrued liabilities	(132)	94
Net cash used by operating activities	(165)	(1,857)
Financing:		
Increase (decrease) in related party payables	(5,619)	3,206
Increase in related parties promissory notes	1,746	6,208
Increase in contributed capital from related parties	9,122	-
Interest received	5	8
Interest paid	(238)	(435)
	5,016	8,987
Investments:		
Purchase of property, plant and equipment	(5,126)	(6,666)
Increase (decrease) in cash	(275)	464
Cash, beginning of year	716	252
Cash, end of year	$ 441	$ 716

The accompanying notes are an integral part of the financial statements

1. Reporting entity:

Envida Community Energy Inc. (the “Company” or “Envida”) became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. pursuant to an amalgamation between Guelph Holdings Inc. (the company’s predecessor parent company) and Guelph Municipal Holdings Inc. on September 6, 2014. The Company was incorporated on April 19, 2005 under the laws of the Province of Ontario, Canada. The address of the Company’s registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activities of the Company are the generation of electricity from a landfill gas field and from solar photovoltaic projects, and to manage and operate district energy facilities located in the City of Guelph.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 25, 2016.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2. Basis of presentation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 6 - Property, plant and equipment: impairment, useful lives and the identification of significant components of property, plant and equipment.

(ii) Note 9 - Income taxes: utilization of tax losses.

3. Significant accounting policies:

(a) Revenue recognition:

Revenue is recorded on the basis of regular meter readings recording electricity production at the generation plant, solar energy facilities as well as the district energy combined heat and power facilities. In addition, there is a small amount of contracted fixed revenue being generated by the district energy combined heat and power business.

(b) Property, plant and equipment:

Buildings and fixtures	10 years
Electricity generation equipment	10 - 15 years
District energy equipment	10 – 50 years
Other assets	15 - 45 years

(c) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

3. Significant accounting policies (continued):

(c) Impairment (continued):

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company has determined that it has two cash generating units. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(In thousands of dollars)

3. Significant accounting policies (continued):

(d) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as capital leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Company’s balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

4. Continuity of Operations:

A significant portion of the Company's liabilities are comprised of an amount due to its parent company of $11,847 (2014 - $16,028) which is made up of $878 (2014 - $6,805) non-interest bearing with no fixed terms of repayment, a $9,169 Promissory Note repayable in semi-annual blended payments of $100 on each 6 month anniversary date, bearing interest at a fixed rate of 1.00% and has a maturity date of January 1, 2024 and a $1,800 Promissory Note repayable in monthly blended payments of $9, bearing interest at a fixed rate of 2.78% with a maturity date of August 5, 2017. The $9,169 Promissory Note replaced an existing note with a December 31, 2014 outstanding balance of $9,223, a maturity date of January 1, 2024, and semi-annual principal payments of $243, at a fixed rate of 5.264%. If the Company does not receive continuing financial support from its parent or if the Company does not raise additional funds, it may not be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. The parent company has indicated its intention to not call for repayment of the non-interest bearing amounts due to it for at least one year from December 31, 2015.

5. Accounts receivable:

		2015		2014
Revenue	$	217	$	155
	$	217	$	155

(In thousands of dollars)

6. Property, plant and equipment:

(a) Cost:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2014	$ 1,676	$ 1,479	$ 706	$ -	$ 3,861
Additions	-	-	343	6,323	6,666
Balance at December 31, 2014	$ 1,676	$ 1,479	$ 1,049	$ 6,323	$ 10,527

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2015	$ 1,676	$ 1,479	$ 1,049	$ 6,323	$ 10,527
Additions	-	190	20	4,916	5,126
Impairment of property, plant and equipment	-	-	-	(8,677)	(8,677)
Balance at December 31, 2015	$ 1,676	$ 1,669	$ 1,069	$ 2,562	$ 6,976

(b) Accumulated depreciation:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2014	$ 1,106	$ 973	$ 90	$ -	$ 2,169
Depreciation charge for the year	94	83	45	89	311
Balance at December 31, 2014	$ 1,200	$ 1,056	$ 135	$ 89	$ 2,480

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2015	$ 1,200	$ 1,056	$ 135	$ 89	$ 2,480
Depreciation charge for the year	95	104	54	241	494
Balance at December 31, 2015	$ 1,295	$ 1,160	$ 189	$ 330	$ 2,974

(In thousands of dollars)

6. Property, plant and equipment (continued):

(c) Carrying amounts:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
December 31, 2014	$ 476	$ 423	$ 914	$ 6,234	$ 8,047
December 31, 2015	$ 381	$ 509	$ 880	$ 2,232	$ 4,002

(d) Borrowing costs:

During the year, borrowing costs of $ nil (2014 - $ nil) were capitalized as part of the cost of property, plant and equipment.

(e) Impairment of fixed assets:

	Cost	Accumulated Depreciation	Total
Hanlon Creek Business Park	$ 5,170	$ 116	$ 5,054
Galt District Energy System	3,776	153	3,623
	$ 8,946	$ 269	$ 8,677

(i) Assessment:
At December 31, 2015, due to continuing negative business segment cash flows, poor economic performance and the re-evaluation of its business contracts, the Company determined that these financial impairment triggers were present on its district energy cash generating units (DE CGUs). The Company tested its DE CGUs for impairment. The recoverable amounts of the Company's DE CGUs were estimated as the value in use based on the net present value of the before tax cash flows from DE operations. The cash inflows were estimated using the remaining contract periods for current customers. The cash outflows were projected for the remaining contract periods based on the Company's detailed business plan for the business segment for the upcoming 2016 year.

In determining the appropriate discount rate of 4.17%, the Company applied the long term Bank of Canada Bond rate of 2.32% as the risk free rate and included an additional 1.85% premium to reflect an appropriate risk factor related to future cash flows.

(In thousands of dollars)

6. Property, plant and equipment (continued):

(ii) Results of 2015 assessment:
At December 31, 2015 it was determined that the net book value of the Company's DE CGUs exceeded the recoverable amount and the Company recognized $8,677 in impairment charges.

7. Related party transactions:

Guelph Municipal Holdings Inc. ("GMHI"), the Company's parent, develops and manages the District Energy business on behalf of the Company. Fees for these management services amounted to $142 (2014 - $2,120). The Company also has financed its investment in this new business through GMHI which generated interest expense of $210 (2014 - $428). The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). The name of the insured is GMHI and the Company is a named additional insured on the policy.

Guelph Hydro Electric System Inc. ("GHESI"), a sister company, performs the review of settlement statements and associated reports regarding the generation output of the Company from the Eastview landfill gas generation plant. GHESI also performs services related to the collection of revenues, payment of purchases and government remittances, engineering, information services, accounting, financial reporting and treasury of the Company. During the year, the Company incurred expenses of $229 (2014 - $140) for these services.

Amounts due to related parties at December 31, 2015, for transactions in the normal course of operations, are as follows:

		2015		2014
Due to GMHI	$	878	$	6,805
Due to GHESI		1,161		853
	$	2,039	$	7,658

8. Long-term debt:

		2015		2014
Promissory note payable to GMHI, maturity 2024	$	9,169	$	9,223
Promissory note payable to GMHI, maturity 2017		1,800		-
		10,969		9,223
Less: current portion		178		-
	$	10,791	$	9,223

8. Long-term Debt (continued):

(In thousands of dollars)

a) Promissory note payable to GMHI, maturity 2024:

The Company's parent company, ("GMHI"), has provided financial support by way of a promissory note in the amount of $9,169 (2014 - $9,223). The purpose of the Note was to finance the company's investment in its new district energy initiative and to retire the company's previous promissory note, which had an outstanding balance of 2,856. The new promissory note is repayable in semi-annual blended payments of $100 on each 6 month anniversary date, bearing interest at a fixed rate of 1.00% and has a maturity date of January 1, 2024

b) Promissory note payable to GMHI, maturity 2017:

In 2015, the Company's parent company, ("GMHI"), provided additional financial support by way of a second promissory note in the amount of $1,800. The purpose of this note was to complete the financing of the company's investment in its district energy initiative. This promissory note is repayable in monthly blended payments of $9, bearing interest at a fixed rate of 2.78% and has a maturity date of August 5, 2017.

9. Deferred income taxes:

As at December 31, 2015, the Company had $7,341 (2014 - $7,935) of unused non-capital loss carry-forwards, available to reduce taxable income in future years. Deferred income tax assets related to these unused tax losses will be recorded when taxable income is generated or management makes the assessment that it is more likely than not that the Company will generate taxable income sufficient to realize the benefit of these unused deductions.

10. Share capital:

	2015	2014
Authorized:		
Unlimited number of common shares		
Issued:		
1 common share	$ 1	$ 1

11. Commitments:

In November 2004, the Company entered into a renewable energy supply contract with the Ontario Electricity Financial Company ("OEFC"). In November 2005, the agreement was assigned by the OEFC to the Ontario Power Authority ("OPA"). Under this agreement, the Company has agreed to supply contract energy up to a maximum amount for twenty years at a fixed contract price. In 2015, the OPA was merged with the Independent Electricity System Operator ("IESO").

In 2012, the renewable supply agreement with the IESO was amended by re-setting the capacity to be delivered under the contract. The amended agreement sets the contract capacity of the

11. Commitments (continued):

landfill generator to 2.5 MW for the seven contract-years, and 1.7 MW for each contract-year thereafter.

In September 2004, the Company entered into a lease and gas utilization agreement with the City of Guelph. Under the agreement, on an annual basis, the Company agrees to pay the City:

a) $5 in advance of each fiscal year, for the use of the Lands and Access Lands.

b) An amount for the cubic feet of landfill gas used by the Company for the preceding fiscal year based on a rate agreed upon at the time of signing the agreement adjusted annually by the Consumer Price Index - Ontario.

c) A percentage rent based on 10% (2014 – 10%) of the difference between gross revenues arising from the sale of electricity and the value of electricity generated at a rate of $57/MWh. In 2015, the amount incurred was $11 (2014 - $15).

In June 2011, the Company commenced supplying the IESO with electrical energy under a twenty-year Feed-in-Tariff power purchase agreement. The electrical energy is produced by a roof-top mounted array of photo-voltaic solar panels with a total capacity of 125 kW. The IESO purchases all the energy produced by photo-voltaic array. The price that the IESO pays for the electrical energy is fixed by the contract.

The Company also earns revenue from 8 solar photo-voltaic projects that are operated and managed for the City of Guelph. The projects supply electrical energy to the grid under twenty-year MicroFit Feed-in-Tariff power purchase agreements that the City of Guelph has with the IESO. Under the terms of the Agreement between the Company and the City, 96% of the payments from the IESO to the City of Guelph are remitted to the Company.

12. Financial instruments:

At December 31, 2015, the estimated fair market value of cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities was equal to the book value, given the short-term nature of the items.

(a) Credit risk:

The energy generated by the Company is sold to one buyer, the IESO. As an Agency of the Government of Ontario, there is low credit risk associated with this customer.

(b) Market risk:

Market risks primarily refer to the risks of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have commodity or foreign exchange risk and all debt has a fixed interest rate.

12. Financial instruments (continued):

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company will obtain advances from GMHI and monitor cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Company when managing capital are to ensure ongoing access to funding to maintain its assets, compliance with covenants related to its credit facilities, prudent management of its capital structure, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. During 2015, the Company's parent company, Guelph Municipal Holdings Inc., injected $9,122 of additional equity as part of the funding formula related to their investment in the Company's District Energy equipment. As at December 31, 2015, shareholder's deficit amounts to $8,555 (2014 - $8,260) and long-term debt amounts to $10,969 (2014 - $9,223).

Attachment 9

Envida 2016 Audited Financial Statements

Financial Statements of

ENVIDA COMMUNITY ENERGY INC.

Year ended December 31, 2016
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the shareholder of Envida Community Energy Inc.

We have audited the accompanying financial statements of Envida Community Energy Inc., which comprise the balance sheet as at December 31, 2016 and the statements of comprehensive loss and deficit, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Envida Community Energy Inc. as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017
Waterloo, Canada

ENVIDA COMMUNITY ENERGY INC.

Balance Sheet
(In thousands of dollars)

December 31, 2016, with comparative information for 2015

		2016		2015
Assets				
Current assets:				
Cash	$	332	$	441
Accounts receivable (note 5)		207		217
Other current assets		42		53
		581		711
Property, plant and equipment (note 6)		1,501		4,002
	$	2,082	$	4,713
Liabilities and Shareholder's Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities	$	425	$	260
Current portion of provision for liabilities and charges (note 8)		50		-
Current portion of long-term debt (note 9)		141		178
		616		438
Due to related parties (note 7)		3,404		2,039
Provision for liabilities and charges (note 8)		490		-
Long-term debt (note 9)		10,665		10,791
Total liabilities		15,175		13,268
Shareholder's deficiency:				
Share capital (note 11)		1		1
Contributed surplus		10,497		10,497
Deficit		(23,591)		(19,053)
		(13,093)		(8,555)
Commitments (note 12)				
	$	2,082	$	4,713

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

On behalf of the Board:

_______________________________ Director

_______________________________ Director

ENVIDA COMMUNITY ENERGY INC.

Statement of Comprehensive Loss and Deficit
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

		2016		2015
Revenue	$	858	$	978
Cost of gas		35		37
Net operating income		823		941
Expenses:				
Operations and maintenance		1,021		1,024
General and administrative		394		282
Management fee		107		142
Other provision expense (note 8)		540		-
Impairment of property, plant and equipment (note 6)		3,255		8,677
		5,317		10,125
Loss before financial items and income taxes		(4,494)		(9,184)
Financial expense:				
Interest expense		44		238
Interest income		-		(5)
Total comprehensive loss for the year		(4,538)		(9,417)
Deficit, beginning of year		(19,053)		(9,636)
Deficit, end of year	$	(23,591)	$	(19,053)

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

ENVIDA COMMUNITY ENERGY INC.

Statement of Changes in Equity
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	Share capital	Contributed surplus	Accumulated deficit	Total
Balance at December 31, 2014	1	$ 1,375	$ (9,636)	$ (8,260)
Equity contribution from the parent company	-	9,122	-	9,122
Total comprehensive loss for the year	-	-	(9,417)	(9,417)
Balance at December 31, 2015	1	10,497	(19,053)	(8,555)
Total comprehensive loss for the year	-	-	(4,538)	(4,538)
Balance, December 31, 2016	$ 1	$ 10,497	$ (23,591)	$ (13,093)

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

ENVIDA COMMUNITY ENERGY INC.

Statement of Cash Flows
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (applied to):		
Operations:		
Total comprehensive loss for the year	$ (4,538)	$ (9,417)
Items not involving cash:		
Depreciation	331	494
Impairment of property, plant and equipment	3,255	8,677
Interest income	-	(5)
Interest expense	44	238
	(908)	(13)
Change in:		
Accounts receivable	10	(62)
Other current assets	11	2
Deferred charges	-	40
Accounts payable and accrued liabilities	165	(132)
Provision for liabilities and charges	540	-
Net cash used by operating activities	(182)	(165)
Financing:		
Increase (decrease) in related party payables	1,365	(5,619)
Increase (decrease) in related party promissory notes	(163)	1,746
Increase in contributed capital from related parties	-	9,122
Interest received	-	5
Interest paid	(44)	(238)
	1,158	5,016
Investments:		
Purchase of property, plant and equipment	(1,085)	(5,126)
Decrease in cash	(109)	(275)
Cash, beginning of year	441	716
Cash, end of year	$ 332	$ 441

The accompanying notes are an integral part of the financial statements

1. Reporting entity:

Envida Community Energy Inc. (the “Company” or “Envida”) became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. pursuant to an amalgamation between Guelph Holdings Inc. (the company’s predecessor parent company) and Guelph Municipal Holdings Inc. on September 6, 2015. The Company was incorporated on April 19, 2005 under the laws of the Province of Ontario, Canada. The address of the Company’s registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activities of the Company are the generation of electricity from a landfill gas field and from solar photovoltaic projects, and to manage and operate district energy facilities located in the City of Guelph.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on May 16, 2017.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2. Basis of presentation (continued):

(e) Use of estimates and judgements (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 6 - Property, plant and equipment: impairment, useful lives and the identification of significant components of property, plant and equipment.

(ii) Note 9 - Income taxes: utilization of tax losses.

3. Significant accounting policies:

(a) Revenue recognition:

Revenue is recorded on the basis of regular meter readings recording electricity production at the generation plant and solar energy facilities. In addition, there is a small amount of contracted fixed metered revenue being generated by the district energy business.

(b) Property, plant and equipment:

Buildings and fixtures	10 years
Electricity generation equipment	10 - 15 years
District energy equipment	10 – 50 years
Other assets	15 - 45 years

(c) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

3. Significant accounting policies (continued):

(c) Impairment (continued):

(i) Financial assets (continued):

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Company has determined that it has two cash generating units. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(d) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as capital leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(In thousands of dollars)

4. Continuity of Operations:

A significant portion of the Company's liabilities are comprised of an amount due to its parent company of $12,720 (2015 - $11,847) which is made up of $1,914 (2015 - $878) non-interest bearing with no fixed terms of repayment, a $9,069 (2015 - $9,169) Promissory Note repayable in semi-annual principal payments on each 6-month anniversary date, bearing interest at a fixed rate of 0% and has a maturity date of January 1, 2024 and a $1,737 (2015 - $1,800) Promissory Note repayable in monthly blended payments of $9, bearing interest at a fixed rate of 2.78% with a maturity date of August 5, 2017. The parent company has indicated that it will not call repayment on this note for at least one year from December 31, 2016. The $9,169 Promissory Note replaced an existing note with a December 31, 2015 outstanding balance of $9,223, a maturity date of January 1, 2024, and semi-annual principal payments of $50, non-interest bearing (2015 - 1.0%).

If the Company does not receive continuing financial support from its parent or if the Company does not raise additional funds, it may not be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. In 2017, the parent company has indicated its intention to transfer some of its electricity generating assets (landfill gas field and Southgate solar photovoltaic project) to a sister company (Guelph Hydro Electric Systems Inc.). As a result, the parent company is continuing to look at alternative solutions regarding how it plans to operate the company and at what level of future financial support it plans on continuing to provide. The parent company has indicated its intention to not call for repayment of any loan due to it for at least one year from December 31, 2016.

5. Accounts receivable:

	2016	2015
Revenue	$ 203	$ 217
Other	4	-
	$ 207	$ 217

(In thousands of dollars)

6. Property, plant and equipment:

(a) Cost:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2015	$ 1,676	$ 1,479	$ 1,049	$ 6,323	$ 10,527
Additions	-	190	20	4,916	5,126
Impairment of property, plant and Equipment	-	-	-	(8,677)	(8,677)
Balance at December 31, 2015	$ 1,676	$ 1,669	$ 1,069	$ 2,562	$ 6,976

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2016	1,676	1,669	1,069	2,562	6,976
Additions	-	-	-	1,085	1,085
Impairment of property, plant and equipment	-	-	-	(3,255)	(3,255)
Balance at December 31, 2016	$ 1,676	$ 1,669	$ 1,069	$ 392	4,806

(b) Accumulated depreciation:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2015	$ 1,200	$ 1,056	$ 135	$ 89	$ 2,480
Depreciation charge for the year	95	104	54	241	494
Balance at December 31, 2015	$ 1,295	$ 1,160	$ 189	$ 330	$ 2,974

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2016	$ 1,295	$ 1,160	$ 189	$ 330	$ 2,974
Depreciation charge for the year	133	83	53	62	331
Balance at December 31, 2016	$ 1,428	$ 1,243	$ 242	$ 392	$ 3,305

(In thousands of dollars)

6. Property, plant and equipment (continued):

(c) Carrying amounts:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
December 31, 2015	$ 381	$ 509	$ 880	$ 2,232	$ 4,002
December 31, 2016	248	426	827	-	1,501

(d) Borrowing costs:

During the year, borrowing costs of $ nil (2015 - $ nil) were capitalized as part of the cost of property, plant and equipment.

(e) Impairment of fixed assets:

	Cost	Accumulated Depreciation	Total
West End Community Centre	$ 781	$ -	$ 781
Hanlon Creek Business Park	(40)	-	(40)
Galt District Energy System	2,637	123	2,514
Impairment of fixed assets as at December 31, 2016	$ 3,378	123	$ 3,255

	Cost	Accumulated Depreciation	Total
Hanlon Creek Business Park	$ 5,170	$ 116	$ 5,054
Galt District Energy System	3,776	153	3,623
Impairment of fixed assets as at December 31, 2015	$ 8,946	$ 269	$ 8,677

6. Property, plant and equipment (continued):

(f) Assessment:

At December 31, 2015 and 2016, due to continuing negative business segment cash flows, poor economic performance and the re-evaluation of its business contracts, the Company determined that these financial impairment triggers were present on its district energy cash generating units (DE CGUs). The Company tested its DE CGUs for impairment. The recoverable amounts of the Company's DE CGUs were estimated as the value in use based on the net present value of the before tax cash flows from DE operations. The cash inflows were estimated using the remaining contract periods for current customers. The cash outflows were projected for the remaining contract periods based on the Company's detailed business plan for the business segment for the 2017 year.

In determining the appropriate discount rate of 4.26% (2015 - 4.17%), the Company applied the long term Bank of Canada Bond rate of 2.41% (2015 - 2.32%) as the risk free rate and included an additional 1.85% (2015 – 1.85%) premium to reflect an appropriate risk factor related to future cash flows.

(i) Results of 2016 assessment:

At December 31, 2016 it was determined that the net book value of the Company's DE CGUs exceeded the recoverable amount and the Company recognized $3,255 (2015 - $8,677) in impairment charges.

7. Related party transactions:

Guelph Municipal Holdings Inc. ("GMHI"), the Company's parent, develops and manages the District Energy business on behalf of the Company. Fees for these management services amounted to $107 (2015 - $142). The Company also has financed its investment in this new business through GMHI which generated interest expense of $42 (2015 - $210). The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). The name of the insured is GMHI and the Company is a named additional insured on the policy.

Guelph Hydro Electric Systems Inc. ("GHESI"), a sister company, performs the review of settlement statements and associated reports regarding the generation output of the Company from the Eastview landfill gas generation plant. GHESI also performs services related to the collection of revenues, payment of purchases and government remittances, engineering, information services, accounting, financial reporting and treasury of the Company. During the year, the Company incurred expenses of $199 (2015 - $229) for these services.

(In thousands of dollars)

7. Related party transactions (continued):

Amounts due to related parties at December 31, 2016, for transactions in the normal course of operations, are as follows:

	2016	2015
Due to GMHI	$ 1,914	$ 878
Due to GHESI	1,490	1,161
	$ 3,404	$ 2,039

8. Provision for liabilities and charges

Opening balance, January 1, 2016	$ -
Additions	540
Closing balance, December 31, 2016	540
Less: current portion	(50)
Provision for liabilities and charges, long-term	$ 490

The onerous contract provision is discounted. No provision has been released or utilized.

The onerous contract provision relates to the Hanlon Creek Business Park system.

The provision is expected to be utilized over the next 18 years.

9. Long-term debt:

	2016	2015
Promissory note payable to GMHI, maturity 2024	$ 9,069	$ 9,169
Promissory note payable to GMHI, maturity 2017	1,737	1,800
	10,806	10,969
Less: current portion	141	178
	$ 10,665	$ 10,791

(In thousands of dollars)

9. Long-term debt (continued):

a) Promissory note payable to GMHI, maturity 2024:

The Company's parent company, ("GMHI"), has provided financial support by way of a promissory note in the amount of $9,069 (2015 - $9,169). The purpose of the Note was to finance the company's investment in its new district energy initiative and to retire the company's previous promissory note. The new promissory note is repayable in semi-annual principal payments on each 6-month anniversary date, bearing interest at a fixed rate of 0% (2015: 1.0%) and has a maturity date of January 1, 2024.

b) Promissory note payable to GMHI, maturity 2017:

In 2015, the Company's parent company, ("GMHI"), provided additional financial support by way of a second promissory note in the amount of $1,737 (2015 - $1,800). The purpose of this note was to complete the financing of the company's investment in its district energy initiative. This promissory note is repayable in monthly blended payments of $9, bearing interest at a fixed rate of 2.78% and has a maturity date of August 5, 2017. The parent company has indicated that it will not call repayment on this note for at least one year from December 31,2016.

10. Deferred income taxes:

As at December 31, 2016, the Company had $7,750 (2015 - $7,341) of unused non-capital loss carry-forwards, available to reduce taxable income in future years. Deferred income tax assets related to these unused tax losses will be recorded when taxable income is generated or management makes the assessment that it is more likely than not that the Company will generate taxable income sufficient to realize the benefit of these unused deductions.

11. Share capital:

	2016	2015
Authorized:		
Unlimited number of common shares		
Issued:		
1 common share	$ 1	$ 1

12. Commitments:

In November 2004, the Company entered into a renewable energy supply contract with the Ontario Electricity Financial Company ("OEFC"). In November 2005, the agreement was assigned by the OEFC to the Independent Electricity System Operator ("IESO") (formerly the Ontario Power Authority). Under this agreement, the Company has agreed to supply contract energy up to a maximum amount for twenty years at a fixed contract price.

In 2012, the renewable supply agreement with the IESO was amended by re-setting the capacity to be delivered under the contract. The amended agreement sets the contract capacity of the landfill generator to 2.5 MW for the seven contract-years, and 1.7 MW for each contract-year thereafter.

In September 2004, the Company entered into a lease and gas utilization agreement with the City of Guelph. Under the agreement, on an annual basis, the Company agrees to pay the City:

a) $5 in advance of each fiscal year, for the use of the Lands and Access Lands.

b) An amount for the cubic feet of landfill gas used by the Company for the preceding fiscal year based on a rate agreed upon at the time of signing the agreement adjusted annually by the Consumer Price Index - Ontario.

c) A percentage rent based on 20% (2015 - 20% amended from 10%) of the difference between gross revenues arising from the sale of electricity and the value of electricity generated at a rate of $57/MWh. In 2016, the amount incurred was $17 (2015 - $21 amended from $11).

In June 2011, the Company commenced supplying the IESO with electrical energy under a twenty-year Feed-in-Tariff power purchase agreement. The electrical energy is produced by a roof-top mounted array of photo-voltaic solar panels with a total capacity of 125 kW. The IESO purchases all the energy produced by photo-voltaic array. The price that the IESO pays for the electrical energy is fixed by the contract.

The Company also earns revenue from 8 solar photo-voltaic projects that are operated and managed for the City of Guelph. The projects supply electrical energy to the grid under twenty-year MicroFit Feed-in-Tariff power purchase agreements that the City of Guelph has with the IESO. Under the terms of the Agreement between the Company and the City, 96% of the payments from the IESO to the City of Guelph are remitted to the Company.

13. Financial instruments:

At December 31, 2016, the estimated fair market value of cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities was equal to the book value, given the short-term nature of the items.

(a) Credit risk:

The energy generated by the Company is sold to one buyer, the IESO. As an Agency of the Government of Ontario, there is low credit risk associated with this customer.

(b) Market risk:

Market risks primarily refer to the risks of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have commodity or foreign exchange risk and all debt has a fixed interest rate.

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company will obtain advances from GMHI and monitor cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Company when managing capital are to ensure ongoing access to funding to maintain its assets, compliance with covenants related to its credit facilities, prudent management of its capital structure, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. During 2015, the Company's parent company, Guelph Municipal Holdings Inc., injected $9,122 of additional equity as part of the funding formula related to their investment in the Company's District Energy equipment. As at December 31, 2016, shareholder's deficit amounts to $13,093 (2015 - $8,555) and long-term debt amounts to $10,806 (2015 - $10,969).