Consolidated Financial Statements of

ENERSOURCE CORPORATION

Years ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Enersource Corporation

We have audited the accompanying consolidated financial statements of Enersource Corporation, which comprise the consolidated balance sheet as at December 31, 2011, the consolidated statement of income and comprehensive income, and consolidated cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enersource Corporation as at December 31, 2011, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 6, 2012

ENERSOURCE CORPORATION

Consolidated Balance Sheets
(In thousands of dollars)

December 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 107,127	$ 53,568
Accounts receivable (note 14(b))	59,881	56,016
Unbilled revenue	59,739	67,563
Inventory (note 3)	7,527	7,872
Prepaid expenses and deposits	2,267	1,787
Future income tax assets (note 5(b))	2,419	–
	238,960	186,806
Property, plant and equipment (notes 1(h) and 2)	465,403	446,494
Intangible assets (note 1(i) and 4)	18,694	15,583
Deposits and prudentials (note 6)	22,693	20,739
Regulatory assets (note 7)	7,719	20,013
Future income tax assets (note 5(b))	27,924	32,540
	542,433	535,369
	$ 781,393	$ 722,175
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 99,564	$ 90,888
Income taxes payable	2,875	3,418
Deferred revenue (note 1(h))	11,143	150
Advance payments	2,070	2,759
Future income tax liabilities (note 5(b))	–	189
Regulatory liability for future income tax assets (note 5(c))	98	149
Regulatory liabilities (note 7)	42,691	39,671
Bonds payable (note 8)	–	289,811
	158,441	427,035
Long-term liabilities:		
Debentures payable (note 8)	317,864	–
Deposits	22,693	20,739
Employee retirement and post-retirement benefits (note 9)	5,156	4,656
Regulatory liability for future income tax assets (note 5(c))	27,865	32,495
	373,578	57,890
Shareholders' equity:		
Capital stock (note 10)	175,691	175,691
Retained earnings	73,683	61,559
	249,374	237,250
Contingencies (note 12)		
Commitments (notes 6 and 13)		
	$ 781,393	$ 722,175

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

________________ Director ________________ Director

ENERSOURCE CORPORATION

Consolidated Statements of Income and Comprehensive Income
(In thousands of dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Revenue:		
Energy sales	$ 683,116	$ 675,255
Distribution	108,780	120,076
Recovery of regulatory accounts	7,772	7,429
Services	10,332	7,849
Other	14,351	11,267
	824,351	821,876
Operating expenses:		
Energy purchases	683,116	675,255
Operations, maintenance and administration	58,342	51,767
Services	7,454	6,669
Amortization of property, plant and equipment	23,863	36,311
Amortization of intangible assets	2,309	1,936
Amortization of regulatory accounts	7,772	7,429
	782,856	779,367
Operating income	41,495	42,509
Non-operating revenue (expense):		
Interest income	1,431	626
Interest expense	(17,975)	(18,999)
	(16,544)	(18,373)
Income before the undernoted	24,951	24,136
Income tax expense (note 5(a))	2,205	6,432
Net income and comprehensive income	$ 22,746	$ 17,704

Consolidated Statements of Retained Earnings
(In thousands of dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Retained earnings, beginning of year	$ 61,559	$ 54,393
Net income and comprehensive income	22,746	17,704
Dividends paid (note 10)	(10,622)	(10,538)
Retained earnings, end of year	$ 73,683	$ 61,559

See accompanying notes to consolidated financial statements.

ENERSOURCE CORPORATION

Consolidated Statements of Cash Flows
(In thousands of dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net income	$ 22,746	$ 17,704
Items not affecting cash:		
Amortization of debt issue costs	245	555
Amortization of property, plant and equipment	23,863	36,311
Amortization of intangible assets	2,309	1,936
Amortization of regulatory accounts	7,772	7,429
Gain on the disposal of property, plant and equipment	(169)	(187)
Employee retirement and post-retirement benefits	500	469
Future income tax expense (recovery)	(2,672)	611
	54,594	64,828
Change in non-cash operating working capital (note 11)	23,771	25,097
	78,365	89,925
Financing activities:		
Bonds	(290,000)	–
Debentures	317,808	–
Deposits	1,954	514
Dividends paid	(10,622)	(10,538)
	19,140	(10,024)
Investing activities:		
Deposits and prudentials	(1,954)	(514)
Additions to property, plant and equipment	(38,185)	(38,701)
Additions to intangible assets	(5,575)	(3,633)
Other deferred costs	–	(2,246)
Proceeds on disposal of property, plant and equipment	282	204
Decrease (Increase) in regulatory assets	1,486	(15,204)
	(43,946)	(60,094)
Increase in cash and cash equivalents	53,559	19,807
Cash and cash equivalents, beginning of year	53,568	33,761
Cash and cash equivalents, end of year	$ 107,127	$ 53,568
Supplemental cash flow information:		
Interest received	$ 1,374	$ 591
Interest paid	17,169	18,241
Income taxes paid	4,202	1,432

See accompanying notes to consolidated financial statements.

Enersource Corporation (the "Corporation"), incorporated under the Ontario Business Corporations Act, was formed to conduct electricity distribution and non-regulated utility service ventures. The Corporation is owned 90% by the City of Mississauga (the "City") and 10% by BPC Energy Corporation ("Borealis"), a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS").

1. Significant accounting policies:

(a) Basis of presentation:

The accompanying annual consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries: Enersource Hydro Mississauga Inc. ("Enersource Hydro"), Enersource Services Inc., Enersource Telecom Inc. ("Telecom"), Enersource Technologies Inc. (“Technologies”) and Enersource Hydro Mississauga Services Inc. (EHM Services”)

(b) Nature of operations:

Through its subsidiary, Enersource Hydro, the Corporation provides electricity distribution services to businesses and residences in the service area of Mississauga, Ontario.

Enersource Services Inc. is the parent company for the Corporation's non-regulated businesses, which include Telecom and EHM Services.

(i) EHM Services provides utility services, including electricity distribution infrastructure design, construction and operations, street light construction and maintenance services to customers in Ontario.

(ii) In September 2011, the Corporation received the articles of amalgamation confirming that Telecom amalgamated with EHM Services. An amalgamation certificate was received indicating that the assets and liabilities of Telecom were amalgamated into EHMS Services. Intercompany balances and transactions have been eliminated.

1. Significant accounting policies (continued):

(c) Rate setting:

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

The OEB has the general power to include or exclude costs, revenue, losses or gains in the rates of a specified period, resulting in the change in the timing of accounting recognition from that which would be applied in an unregulated company. Specifically, the following accounting treatments have been applied:

(i) The Corporation capitalizes interest monthly based on an approved OEB allowance for the cost of funds used during construction and development.

(ii) The Corporation records future income tax assets and a corresponding regulatory tax liability for its regulated business activities to the extent that it is expected that the recovery or realization of these amounts will be included in future distribution rates.

(iii) The Corporation has deferred certain cost of power and retail settlement variances in accordance with Article 490 of the OEB's Accounting Procedures Handbook.

(iv) The Corporation has deferred all revenue and associated costs not included in Enersource Hydro's smart meter revenue requirement, as directed by the OEB.

(v) The Corporation has deferred costs related to the implementation of International Financial Reporting Standards ("IFRS") and costs relating to achieving compliance with Environment Canada's new polychlorinated biphenyls ("PCB") regulations.

The OEB has the power to establish electricity prices to be charged under a regulated price plan ("RPP"), as summarized in the following chart, to low volume consumers and designated consumers who do not choose an electricity retailer. The OEB may adjust consumption thresholds and electricity commodity prices charged to these RPP consumers every six months as required.

(In thousands of dollars)

1. Significant accounting policies (continued):

Regulated Price Plan:

	November 2011 - December 2011	May 2011 - October 2011	November 2010 - April 2011	May 2010 - October 2010	November 2009 - April 2010
Residential consumption threshold	1,000 kWh	600 kWh	1,000 kWh	600 kWh	1,000 kWh
Non-residential consumption threshold	750 kWh	750 kWh	750 kWh	750 kWh	750 kWh
Price below threshold	$.071/kWh	$.068/kWh	$.064/kWh	$.065/kWh	$.058/kWh
Price above threshold	$.083/kWh	$.079/kWh	$.074/kWh	$.075/kWh	$.067/kWh

Time of Use Rates:

In May 2009, The Ontario government announced the province-wide implementation of time of use rates. These rates will help customers make decisions about when they use electricity, and will encourage people to shift some of their electricity use to off-peak hours where they will benefit by being charged lower prices. Enersource Hydro commenced moving residential and small commercial customers to time of use rates in August 2011, and anticipates that all eligible customers will have migrated to time of use by May 2012. Time of use rates are reviewed every six months by the OEB, with any rate changes occurring on May 1 and November 1. A summary of TOU rates since May 2011 is listed below:

		Summer Weekdays May 2011 - October 2011	Winter Weekdays November 2011- April 2012
Off-Peak	7:00 p.m. – 7:00 a.m.	$.059/kWh	$.062/kWh
Mid-Peak	7:00 a.m. – 11:00 a.m.	$.089/kWh	
	5:00 p.m. – 7:00 p.m.	$.089/kWh	
	11:00 a.m. – 5:00 p.m.		$.092/kWh
On-Peak	11:00 a.m. – 5:00 p.m.	$.107/kWh	
	7:00 a.m. – 11:00 a.m.		$.108/kWh
	5:00 p.m. – 7:00 a.m.		$.108/kWh
Weekends & Holidays	All day	$.059/kWh	$.062/kWh

In November 2008, Enersource Hydro submitted a formula based rate application to the OEB for the rate period May 1, 2009 through April 30, 2010. On March 16, 2009, the OEB released its decision and order on this rate application. Enersource Hydro implemented this distribution rate decision, along with OEB-approved changes to electricity commodity prices May 1, 2009.

1. Significant accounting policies (continued):

On November 27, 2009 Enersource Hydro submitted an application to recover/refund all retail settlement variance account balances as at December 31, 2008, as well as energy variance and Global Adjustment variance account balances as at September 30, 2009. The net recovery of $12,800 was approved by the OEB on January 29, 2010. The $12,800 net balance in these accounts will be recovered over a two year period from February 1, 2010 through January 31, 2012.

Enersource Hydro submitted a formula based rate application in July 2009 to the OEB which was approved on March 29, 2010. Enersource Hydro implemented this distribution rate decision, along with OEB-approved changes to electricity commodity prices May 1, 2010 to April 30, 2011.

In October 2010, Enersource Hydro submitted a formula based rate application to the OEB to change distribution rates for the rate period May 1, 2011 through April 30, 2011. The application was approved by the OEB on March 17, 2011. Enersource Hydro implemented the distribution rate decision, along with the OEB-approved changes to electricity commodity prices, effective May 1, 2011.

(d) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and bank term deposits or equivalent financial instruments with original maturities upon issue of less than 90 days.

(e) Revenue recognition:

Distribution revenue attributable to the delivery of electricity is based upon OEB-approved distribution rates and charges that is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue that represents electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.

Service and other revenue are recognized as services are rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

1. Significant accounting policies (continued):

amounts of revenue and expenses during the years. Accounts receivable is reported based on amounts expected to be recovered less an appropriate allowance for unrecoverable amounts based on prior experience. Unbilled revenue and regulatory assets are reported based on amounts expected to be recovered. Inventory is recorded net of a provision for obsolescence. Amounts recorded for amortization of property, plant, equipment and intangible assets are based on estimates of useful life.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these consolidated financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

(g) Inventory:

Inventory consists primarily of parts and supplies acquired for internal construction, consumption or recoverable work. The Corporation accounts for major spare parts and standby equipment as property, plant and equipment.

Inventory is carried at the lower of cost and net realizable value, with cost determined on a weighted average cost basis net of a provision for obsolescence.

(h) Property, plant and equipment:

Property, plant and equipment are recorded at cost, which includes labour, materials, contracted services, engineering costs, allocated overhead and an OEB-approved allowance for the cost of funds used during construction when applied. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers.

When assets are retired or otherwise disposed of, their original cost and accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets, such as overhead and underground distribution systems, is removed from the accounts at the end of their estimated service lives.

As of January 1, 2011, the Corporation revised the useful lives of its depreciable assets based on an independent evaluation. The revised estimates were adopted prospectively and extended the lives of many depreciable assets and will reduce current and future amortization expense. Since amortization expense is a component of approved distribution

(In thousands of dollars)

1. Significant accounting policies (continued):

rates, Enersource Hydro has decided to defer distribution revenue equal to the decrease in amortization expense until the change in useful lives is approved by the OEB. Enersource Hydro will be seeking OEB approval for the revised useful lives in its 2013 cost of service application. The change in useful lives has resulted in $10,734 of distribution revenue being deferred onto the balance sheet, and is included in deferred revenue.

Amortization of property, plant and equipment values is charged to operations on a straight-line basis over their estimated service lives as follows:

Buildings and other fixtures	20 - 60 years
Distribution station equipment	15 - 40 years
Overhead and underground distribution system	15 - 55 years
Meters	15 - 25 years
Equipment and furniture	10 years
Rolling stock	4 - 12 years
Computer hardware	3 - 10 years

An allowance for the cost of funds used during the construction period has been applied and capitalized as a component of cost of property, plant and equipment where applicable. The prescribed interest rate used during the period equalled the average weighted bond yield of the DEX Mid Term Corporate Bond Index as published on the OEB website, updated quarterly.

(i) Intangible assets:

Intangible assets are assets that lack physical substance, other than financial assets. Intangible assets are recorded at cost and include expenditures associated with the initial acquisition or development, which are directly attributable to the acquisition, production and preparation of the asset for its intended use.

Indefinite life intangible assets such as easements are held in perpetuity and are not amortized. The amortization of other intangible asset values are charged to operations on a straight-line basis over their estimated service lives as follows:

Computer software	2 - 10 years

1. Significant accounting policies (continued):

The Corporation evaluates intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. For purposes of such an evaluation, the fair value estimate is compared to the carrying amount of the asset to determine if a write-down is required. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

An allowance for the cost of funds used during the development stage of internally developed / modified software has been applied and capitalized as a component of cost of intangible assets where applicable. The prescribed interest rate used during the period equalled the average weighted bond yield of the DEX Mid Term Corporate Bond Index as published on the OEB website, updated quarterly.

(j) Deferred debt issue costs:

Deferred debt issue costs represent the cost of the issuance of the bonds. In accordance with The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, the Corporation's deferred debt issuance costs, net of accumulated amortization, is included in the carrying amount of bonds payable. The bonds are accreted back to their face amount using the effective interest rate method over the remaining period to maturity.

(k) Deposits and prudentials:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits and prudentials, which are reported separately from the Corporation's own cash and cash equivalents. Interest rates paid on customer deposits are based on a variable rate of prime less 2.0%.

Also included in this balance are cash and securities lodged with the Corporation by counterparties under electricity supply agreements.

(l) Employee retirement and post-employment benefits:

The Corporation accounts for its participation in OMERS, a multi-employer public sector pension fund, as a defined contribution plan and all contributions made to OMERS by the Corporation are expensed in the year.

1. Significant accounting policies (continued):

The Corporation actuarially determines the cost of other employment and post-employment benefits offered to employees using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits. Net actuarial gains or losses exceeding 10% of the accrued benefit obligation are amortized into expense on a straight-line basis over the expected average remaining service lifetime.

The Corporation presently offers a retirement and post-retirement benefit plan that consists of life, health and dental benefits to those employees who retire on or after age 55 with at least 10 years of service with a specified cost sharing formula for participation from the time of early retirement to age 65.

(m) Income taxes:

Under the *Electricity Act, 1998*, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Energy Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the I*ncome Tax Act (Canada)*, the *Taxation Act, 2007 (Ontario)*, both as modified by the *Electricity Act, 1998,* and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and tax bases of the Corporation's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Corporation's income taxes payable in the year or a later period. A valuation allowance is recorded against a future income tax asset to the extent that it is more likely than not that the full asset value will not be realized in the future.

(n) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the consolidated balance sheet dates. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in income.

1. Significant accounting policies (continued):

(o) Financial instruments:

Financial assets, financial liabilities and non-financial derivatives are recorded on the consolidated balance sheets at their fair value or with cost-based measures under different circumstances. Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the consolidated balance sheets at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Corporation designates its cash and cash equivalents and deposits and prudentials as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Advance payments and deposits are classified as held-for-trading, which are measured at fair value. Bonds payable and debentures payable are classified as other financial liabilities and measured at amortized cost. The transaction costs are added to the carrying value of the bonds and amortized over the expected life using the effective interest rate method.

(p) Capital disclosures:

The Corporation's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns to its shareholders.

Effective May 1, 2008, Enersource Hydro was deemed by the OEB for rate setting purposes to have a capital structure that was funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB uses this deemed structure as a basis of how capital is funded for rate setting purposes only. The actual capital structure for Enersource Hydro may differ from the OEB deemed structure.

(In thousands of dollars)

1. Significant accounting policies (continued):

(q) Future accounting changes:

Transition to International Financial Reporting Standards:

In October 2010, the Accounting Standards Board ("AcSB") issued an amendment to the Introduction of Part 1 of the CICA Handbook to permit qualifying entities with rate-regulated activities the option to defer their adoption of IFRS to annual periods beginning on or after January 1, 2012. Entities using the deferral are required to disclose that fact.

Prior to this amendment, the AcSB required publicly accountable enterprises to adopt IFRS for interim and annual reporting periods beginning on or after January 1, 2011, including comparative amounts for the prior year.

The Corporation will continue to prepare its consolidated financial statements according to Canadian GAAP for 2011 and has elected to adopt IFRS for interim and annual financial statements relating to annual periods beginning on January 1, 2012.

2. Property, plant and equipment:

	Cost	Accumulated amortization	2011 net book value	2010 net book value
Land	$ 4,069	$ –	$ 4,069	$ 4,071
Buildings and other fixtures	20,996	6,677	14,319	12,451
Distribution station equipment	104,173	40,844	63,329	58,200
Overhead and underground distribution system	672,866	345,115	327,751	317,217
Meters	45,095	8,270	36,825	33,272
Equipment and furniture	8,605	4,324	4,281	4,646
Rolling stock	15,450	8,547	6,903	6,433
Computer hardware	7,199	3,560	3,639	3,608
Construction in progress	4,287	–	4,287	6,596
	$ 882,740	$ 417,337	$ 465,403	$ 446,494

During the year, $286 (2010 - $271), representing an allowance for the cost of funds used during construction, was capitalized to construction in progress.

(In thousands of dollars)

3. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during 2011 was $2,682 (2010 - $2,062). The amount of inventory that was written down due to obsolescence was $20 (2010 - $48).

4. Intangible assets:

	Cost	Accumulated amortization	2011 net book value	2010 net book value
Computer software	$ 22,529	$ 4,721	$ 17,808	$ 13,743
Software in development	554	–	554	1,804
Easements	332	–	332	36
	$ 23,415	$ 4,721	$ 18,694	$ 15,583

During the year, $114 (2010 - $43), representing an allowance for the cost of funds used during construction, was capitalized to software in development.

5. Income taxes:

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

	2011	2010
Federal and Ontario statutory income tax rate	28.25%	31.0%
Income before provision for income taxes	$ 24,951	$ 24,136
Provision for income taxes at statutory rate	$ 7,049	$ 7,482
Increase (decrease) resulting from:		
Amortization less than capital cost allowance	(4,212)	(638)
Tax effect of non-capital losses for which no benefit has been recorded	(563)	(203)
Other timing differences between accounting net income and net income for tax purposes	(69)	(209)
Provision for income taxes	$ 2,205	$ 6,432
Effective income tax rate	8.8%	26.6%

(In thousands of dollars)

5. Income Taxes (continued):

Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Corporation's future tax assets, liabilities and expense are as follows:

(a) Components of provision for income taxes:

	2011	2010
Current income tax expense	$ 4,877	$ 5,821
Future income tax expense (recovery)	(2,672)	611
	$ 2,205	$ 6,432

(b) Significant components of future income tax assets and liabilities on the consolidated balance sheet are as follows:

	2011	2010
Property, plant and equipment and intangible assets	$ 19,710	$ 23,450
Regulatory liability for future income taxes	7,044	8,025
Regulatory assets and liabilities	(469)	(388)
Employee retirement and post retirement benefits	1,289	1,164
Deferred revenue	2,777	–
Other temporary differences	(8)	100
	$ 30,343	$ 32,351

The future tax asset is presented on the consolidated balance sheet as follows:

	2011	2010
Future income tax assets, current	$ 2,419	$ –
Future income tax assets, non-current	27,924	32,540
	$ 30,343	$ 32,540

(In thousands of dollars)

5. Income Taxes (continued):

The future tax liability is presented on the consolidated balance sheet as follows:

	2011	2010
Future income tax liability, current	$ –	$ 189
Future income tax liability, non-current	–	–
	$ –	$ 189

(c) Management expects that $20,919 (2010 - $24,619) of the future income tax assets will be included in the future rates charged to customers and accordingly has recorded a corresponding regulatory liability. The regulatory liability will itself result in an additional future income tax asset of $7,044 (2010 - $8,025). Accordingly, $27,963 (2010 - $32,644) has been recorded as a regulatory liability for future income taxes.

The regulatory liability for future income tax assets is presented on the consolidated balance sheet as follows:

	2011	2010
Regulatory liability for future income taxes, current	$ 98	$ 149
Regulatory liability for future income taxes, non-current	27,865	32,495
	$ 27,963	$ 32,644

At December 31, 2011, certain other subsidiaries have estimated non-capital loss carryforwards totalling $376 (2010 - $2,368) available, which will expire in 2015. The potential benefit relating to these amounts has not been recorded given the uncertainty as to their realization.

(In thousands of dollars)

6. Deposits and prudentials:

The following outlines the deposits and prudentials of the Corporation, posted as security. The amounts are comprised of cash and cash equivalents in the form of deposits, letters of credit and letters of guarantee, under which the Corporation is contingently liable.

	2011		2010	
	Cash and cash equivalents	Letters of credit/ letters of guarantee	Cash and cash equivalents	Letters of credit/ letters of guarantee
Customer deposits	$ 22,693	$ –	$ 20,739	$ –
Security with IESO	–	10,588	–	10,588
Security with the City of Brampton	–	5,026	–	5,026
	$ 22,693	$ 15,614	$ 20,739	$ 15,614

Security deposits:

(a) Customer deposits:

The Corporation collects cash and cash equivalents as deposits from certain customers to reduce credit risk.

Contingent obligations:

(b) Security with the Independent Electricity System Operator:

Entities that purchase electricity in Ontario through the Independent Electricity System Operator ("IESO") are required to post security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Corporation failed to make payment required by a default notice issued by the IESO. The Corporation has posted a letter of credit as security in the amount of $10,588 (2010 - $10,588)

(c) Security with the City of Brampton:

The Corporation has posted letters of credit in the amount of $5,026 (2010 - $5,026) relating to contracts with the City of Brampton to provide routine and emergency maintenance of streetlighting and related services. The City of Brampton could draw on this security by issuing a certificate demonstrating that the Corporation has failed to fulfill its obligations related to these contracts.

7. Regulatory assets and liabilities:

Regulatory assets primarily represent costs that have been deferred because they are expected to be recovered in future distribution rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers under the regulated pricing mechanism and the corresponding wholesale market cost of power incurred by the utility.

Enersource Hydro is also required to record a regulatory liability or asset relating to the amount of future tax assets that are expected to be refunded or recovered through distribution rates.

Regulatory balances are comprised principally as follows:

(i) Retail settlement variances are caused by the difference between the actual price of the electricity commodity throughput and the prices set by the OEB. Specifically, these amounts include variances between the amounts charged by Hydro One and the IESO for the operation of the electricity markets and grid, as well as various wholesale market settlement charges and transmission charges as compared to the amount billed to consumers based on the OEB-approved rates.

(ii) Unrecognized revenue and costs associated with the smart meter program, and costs relating to stranded conventional meters have been deferred and will continue to be deferred until directed by the OEB.

(In thousands of dollars)

7. Regulatory assets and liabilities (continued):

The following table demonstrates the impact on 2011 earnings net of income taxes as a result of regulated accounting requirements. Explanatory notes follow the table below.

	2011	2010	Estimated remaining settlement period (years)	2011 impact on earnings net of income taxes ((a)(i))
Regulatory assets (liabilities):				
Other regulatory assets ((a)(ii))	$ 3,495	$ 2,590	2	$ (905)
Smart meter revenue/expense ((a)(iii))	6,639	9,572	2	3,119
Special Purpose Charge ((a)(iv))	(140)	1,705	1 – 2	(7)
Late Payment Penalty ((a)(v))	323	1,006	1 – 2	(683)
Net regulatory liabilities/assets approved for refund/recovery ((a)(vi))	(2,598)	5,140	1 – 2	(34)
	$ 7,719	$ 20,013		$ 1,490
Regulatory liabilities (assets):				
Retail Settlement & Global Adjustment variances ((a)(vii))	42,691	- 39,671	1 - 2	656
	$ 42,691	$ 39,671		$ 656
Regulatory liability for future income tax assets ((a)(viii))	$ 27,963	$ 32,644	–	$ –

(a) Explanatory notes:

(i) The 2011 impact on earnings net of income taxes represents the effect on the net income as a result of the treatment under rate regulated accounting.

(ii) The OEB has approved deferral accounts to record incremental costs associated with the implementation of IFRS, and any incremental costs needed to comply with Environment Canada's new regulations associated with PCBs. The OEB also requires that Enersource Hydro record and defer the difference between revenue and costs associated with providing retailers with customer settlement services as retail cost variance account deferrals. The remaining balance reflects PILs differences resulting from legislative or regulatory changes to tax rates or rules as compared to rate-setting.

7. Regulatory assets and liabilities (continued):

(iii) On June 13, 2006, the OEB issued an update to the Accounting Procedures Handbook regarding the accounting treatment for smart meter expenditures. On December 8, 2008, the OEB issued its decision approving the recognition of smart meter revenue and costs as at December 31, 2007. On October 1, 2009, the OEB issued a decision approving the on-going accounting recognition of investments in smart meters. Based on this decision, Enersource Hydro has recognized revenue and costs for smart meter investments to December 31, 2011. The OEB also established guidelines for the accounting treatment for stranded meter costs, which directed distributors to defer stranded meter costs as a regulatory asset. This amount represents the cumulative costs related to stranded conventional meters.

(iv) On April 9, 2010, the OEB informed electricity distributors of a Special Purpose Charge ("SPC") assessment for the Ministry of Energy conservation and renewable energy program costs and that the SPC would be recoverable through distribution rates. Enersource Hydro was assessed $3,016 for its apportioned share of the total provincial amount of $53,695. This amount represents Enersource Hydro's remaining assessment to be refunded or recovered.

(v) On March 2, 2010, the Electricity Distributors Association ("EDA") reached a settlement, in principle, in a class action suit which claimed that Local Distribution Companies ("LDCs") were charging late payment interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The settlement received consent and approval by all LDCs. On July 22, 2010 the Ontario Superior Court of Justice approved the settlement which stipulates that LDCs will collectively pay $17,000 in damages by June 30, 2011 to the Winter Warmth Fund or similar charities, after deducting legal fees. On February 22, 2011 the OEB approved the recovery of the late payment penalty through distribution rates effective May 1, 2011.

(vi) On November 27, 2009, Enersource Hydro submitted an application to the OEB to recover/refund all retail settlement variance account balances as at December 31, 2008, as well as energy variance and global adjustment variance account balances a at September 30, 2009. The net recovery of $12,800 was approved by the OEB on January 29, 2010 to be recovered from February 1, 2010 to January 31, 2012.

7. Regulatory assets and liabilities (continued):

(vii) The OEB requires Enersource Hydro to record and defer the difference between energy charged to its customers and the actual cost of power incurred and paid to the IESO and to Hydro One. The retail settlement variance reflects this difference for all accounts plus interest at an OEB approved rate since January 1, 2009, excluding energy variance account which reflects this difference from October 1, 2009. The Global Adjustment amount is the difference between market prices and rates paid to regulated and contracted generators which are set by the IESO. This adjustment may be positive or negative. The Global Adjustment retail settlement variance captures the unpaid or recoverable amounts due to or recoverable from Enersource Hydro's customers. The global adjustment variance reflects this difference since October 1, 2009 plus interest charged at an OEB approved rate.

(viii) This amount represents the regulatory liability for future income taxes expected to be refunded to customers through future distribution rates.

The Corporation has accrued interest on the deferral account balances for the regulatory assets and liabilities, as directed by the OEB. As at December 31, 2011, this net accrued interest amounted to $532 (2010 - $104).

(b) Financial statement effects of rate regulation:

(i) General information regarding rate regulation and its economic effects:

The operations of the Corporation's subsidiary, Enersource Hydro, are regulated by the OEB. The OEB exercises statutory authority over matters such as distribution asset construction, rates and underlying accounting practices, and rate setting issues with Enersource Hydro's customers.

(ii) Regulatory risk and uncertainties affecting recovery or settlement:

The regulatory assets and liabilities recorded in the consolidated financial statements are based upon an expectation of the future actions of the OEB. To the extent that the OEB's future actions are different from Enersource Hydro's expectations, the timing and amount of recovery or settlement of amounts recorded on the consolidated balance sheets could be significantly different from the timing and amounts that are eventually recovered or settled.

(In thousands of dollars)

7. Regulatory assets and liabilities (continued):

(iii) Financial statement effects:

In order to recognize the economic effects of the actions or expected actions of the regulator, the timing of recognition of certain revenue and expenses in these operations may differ from that otherwise expected under GAAP for non rate-regulated entities.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through the rate setting process. In the absence of rate regulated accounting, GAAP would not permit deferral of regulatory assets and, therefore, the earnings impact would be recorded in the period of recovery.

Regulatory liabilities represent amounts that are expected to be refunded to customers as a result of the rate-setting process. The GAAP treatment of regulatory liabilities and the resulting earnings impact is the same as that under rate regulated accounting because the liabilities represent contractual obligations.

8. Debentures and bonds payable:

Bonds	2011	2010
6.29% Borealis-Enersource Series Bonds, Tranche 1, due May 3, 2011	$ –	$ 290,000
Deferred debt issue costs	–	(4,336)
Accumulated amortization	–	4,147
Net bonds payable	$ –	$ 289,811

Debentures	2011	2010
4.52% Series A Debentures Due April 29, 2021	$ 110,000	$ –
Deferred debt issue costs (net of accumulated amortization of $43 (2010 - $nil))	(748)	–
5.30% Series B Debentures Due April 29, 2041	$ 210,000	$ –
Deferred debt issue costs (net of accumulated amortization of $13 (2010 - $nil))	(1,388)	–
Net debentures payable	$ 317,864	$ –

8. Debentures and bonds payable (continued):

The Borealis-Enersource Series Bonds matured on May 3, 2011. On April 29, 2011, the Corporation completed its private placement debt offering of $320,000. The placement is comprised of $110,000 of Series A, 10-year debentures with a fixed coupon rate of 4.521%, and $210,000 of Series B, 30-year debentures with a fixed coupon rate of 5.297%. The net proceeds of the debentures were used to repay the amount owed by the Corporation to Borealis Infrastructure Trust and the balance will be used for general corporate purposes.

The debentures and bonds payable are considered as financial instruments and measured at amortized cost.

Interest expense for the year ended December 31, 2011 included $17,091 (2010 - $18,241) in respect of interest on this debt and amortization of debt issue costs in the amount of $245 (2010 - $555).

The Corporation has the following material covenants associated with its long-term debt:

(a) The Corporation will duly and punctually pay or cause to be paid payments of principal and interest to each holder of the debentures.

(b) The Corporation will, and will cause each designated subsidiary to maintain its corporate existence (unless all of its assets are or have been conveyed to the Corporation or another designated subsidiary), and will carry on and conduct its business in a proper and efficient manner.

(c) The Corporation will provide to the Trustee copies of (i) within 120 days of each fiscal year end of the Corporation, annual audited consolidated financial statements of the Corporation together with a report of the Corporation's auditors thereon; (ii) within 60 days of the end of the first, second and third quarters of the Corporation's fiscal year, consolidated interim financial statements other than with respect to the consolidated interim financial report prepared in accordance with IFRS for the first quarter in which such report is required to be prepared, which may be provided within 90 days of the end of such quarter.

(d) The Corporation will, and will cause each Designated Subsidiary to, from time to time pay or cause to be paid all taxes (including transfer taxes), rates, levies, payments in lieu of taxes, assessments (ordinary or extraordinary), government fees or dues lawfully levied, assessed or imposed upon or in respect of its respective property or any part thereof or upon its income and profits as and when the same become due and payable and to withhold and remit any amounts required to be withheld by it from payments due to others and remit the same to any government or agency thereof.

8. Debentures and bonds payable (continued):

(e) The Corporation will not, and will not permit any designated subsidiary to, create, assume or suffer to exist any security interest, other than permitted encumbrances, on any of its assets to secure any obligation, unless at the same time it secures equally and rateably therewith all the debentures issued pursuant to the Trust Indenture then outstanding.

(f) The Corporation shall not issue, incur or become liable for obligations that exceed 75% of the total consolidated capitalization.

(g) The Corporation may not amalgamate or consolidate with or merge into any other Person, or permit any other Person to amalgamate or consolidate with or merge into with the Corporation, or directly or indirectly transfer, sell, lease or otherwise dispose of all or substantially all of its property or assets. Notwithstanding the foregoing, a Designated Subsidiary shall be permitted to merge with another entity provided that, after giving effect to such merger, it continues to be a Designated Subsidiary.

(h) No default or event of default shall have occurred and be continuing, or shall occur.

The Corporation is in compliance with all credit agreement covenants and limitations associated with its debt.

9. Employee retirement and post-retirement benefits:

(a) Pensions:

During fiscal 2011, the Corporation expensed contributions made to OMERS of $2,956 (2010 - $2,489).

(b) Other retirement and post-retirement benefits:

The Corporation measures its accrued benefit obligations for accounting purposes at December 31 each year. The latest actuarial valuation was performed as at December 31, 2009.

(In thousands of dollars)

9. Employee retirement and post-retirement benefits (continued):

Retirement and post-retirement life, health and dental benefits plan:

(i) Post-employment benefits obligation:

	2011	2010
Change in benefit obligations:		
Accrued benefit obligation, beginning of year	$ 5,168	$ 4,559
Current service cost	207	178
Amortization of transition obligation	167	167
Interest cost	289	279
Benefits paid	(163)	(155)
Transition obligation	(167)	(167)
Amortization of actuarial gain	-	-
Net actuarial loss	-	307
Post-employment benefits obligation, end of year	$ 5,501	$ 5,168

(ii) Reconciliation of retirement and post-retirement life, health and dental benefits plan:

	2011	2010
Accrued benefit, end of year	$ 5,501	$ 5,168
Unrecognized transition obligation	(498)	(665)
Unrecognized actuarial gain	153	153
Accrued benefit liability	$ 5,156	$ 4,656

(iii) Significant assumptions:

	2011	2010
Discount rate	5.50%	6.00%
Health care cost increases	9.00%	9.00%
Dental cost increases	4.00%	4.00%
Rate of compensation increase	3.00%	3.00%

The total post-employment benefits liability for this plan at December 31, 2011 is $5,156 (2010 - $4,656). The unrecognized transition obligation relating to this plan is being amortized over the expected average remaining service lifetime on the date of transition.

(In thousands of dollars)

9. Employee retirement and post-retirement benefits (continued):

The Corporation's net life, health and dental benefit expense relating to this plan is as follows:

	2011	2010
Amortization of transition obligation	$ 167	$ 167
Current service cost	207	178
Interest cost	289	279
Amortization of actuarial gain	-	-
	$ 663	$ 624

The December 31, 2011 accounting report assumed health care costs would increase by 9% in 2011, then grading down to 5% per annum after 8 years. Dental costs were assumed to increase by 4% per annum.

A 1% increase (decrease) in the interest assumption would decrease (increase) the expected post-retirement benefit obligation, the interest cost and the service cost by approximately $411.

10. Capital stock:

	2011	2010
Authorized:		
Unlimited Class A shares, voting		
1,000 Class B shares, non-voting		
100 Class C shares, voting		
Issued:		
180,555,562 Class A shares	$ 155,628	$ 155,628
1,000 Class B shares	1	1
100 Class C shares	20,062	20,062
	$ 175,691	$ 175,691

Dividends may be declared by the Board of Directors through a resolution.

In 2011, a dividend of $10,622 (2010 - $10,538) was declared and paid to the Shareholders of the Corporation.

(In thousands of dollars)

11. Change in non-cash operating working capital:

	2011	2010
Accounts receivable	$ (3,865)	$ 2,449
Unbilled revenue	7,824	(15,965)
Income taxes receivable	–	535
Inventory	345	199
Prepaid expenses and deposits	(480)	144
Accounts payable and accrued liabilities	8,676	(5,561)
Accounts payable and accrued liabilities in assets	(1,510)	(585)
Income taxes payable	(543)	3,418
Deferred revenue	10,993	104
Advance payments	(689)	688
Regulatory liabilities	3,020	39,671
	$ 23,771	$ 25,097

Accrued liabilities relating to additions to property, plant, equipment and intangible assets for the year ended December 31, 2011 of $7,124 (2010 - $5,614) have been excluded from the change in non-cash operating working capital and from cash used in investing activities.

12. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current liability coverage is provided to a level of $24,000 per occurrence. The Corporation has also obtained additional general liability insurance of $10,000 per occurrence.

Enersource Hydro has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as Enersource Hydro expects that these claims are adequately covered by its insurance.

12. Contingencies (continued):

(b) Environmental matters:

(i) The Corporation is subject to Canadian federal, provincial and municipal environmental regulations. As part of the Corporation's risk mitigation strategy, environmental assessments and environmental remediation is underway at various sites. The Corporation records a liability for the estimated future expenditures associated with testing and remediation of contaminated lands at various municipal substations and neighbouring properties. Actual future environmental expenditures may vary from these estimates. As at December 31, 2011, the Corporation provided $160 (2010 - $217) for testing and future remediation.

(ii) Environment Canada has issued new regulations governing the management of PCB’s. On December 1, 2008, the OEB approved the Corporation's request to defer any expenses incurred to comply with the new regulations. As at December 31, 2011, the Corporation deferred $1,236 (2010 - $974) included in regulatory assets, representing costs incurred for compliance with the new regulations.

13. Commitments:

Property, plant, equipment and intangible asset purchase commitments outstanding as at December 31, 2011 total $12,800 (2010 - $7,524).

As at December 31, 2011, the future minimum annual lease payments under property operating leases totalled $127 (2010 - $121).

14. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, deposits and prudentials, accounts payable and accrued liabilities and advance payments approximate their fair values because of the short term to maturity of these financial instruments.

The Borealis-Enersource series bonds with a face value of $290,000 matured on May 3, 2011. They had a fair value of $294,318 at December 31, 2010.

The private placement debt offering, having a principal amount of $320,000 (2010 - $nil), have a fair value of $376,766 (2010 - $nil), based on year-end quoted market prices.

Exposure to market risk, credit risk, liquidity risk and interest rate risk arises in the normal course of the Corporation's business.

14. Financial instruments (continued):

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Corporation does not have commodity risk due to the flow through nature of commodity costs and its foreign exchange risk is not considered material since the Corporation's exposure is limited to U.S. dollar cash and cash equivalent holdings of $4 as at December 31, 2011 (2010 - $103).

Distribution rates and charges are currently based on a revenue requirement less other income, which includes interest income. The difference between actual interest income earned by the Corporation and the interest revenue reduction approved by the OEB may have a negative impact on the results of operations.

(b) Credit risk:

The Corporation manages counterparty credit risk through various techniques including limiting total exposure levels with individual counterparties consistent with the Corporation's policies and monitoring the financial condition of counterparties. Short-term investments held as at December 31, 2011, met the criteria specified under the Corporation's Investment Policy.

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Corporation's distribution revenue is earned on a broad base of customers principally located in Mississauga. As a result, the Corporation did not earn a significant amount of revenue from any individual customer. As at December 31, 2011, there were no significant balances of accounts receivable due from any single customer.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

(i) There is a broad base of customers with no single customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance in either year.

(In thousands of dollars)

(ii) Enersource Hydro, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or letter of credit from customers to mitigate risk of payment default.

14. Financial instruments (continued):

(iii) The percentage of accounts receivable that is past due for more than 75 days is approximately 8.7% (2010 - 9.0%) of the total net outstanding balance.

(iv) Enersource Hydro included an amount for accounts receivable write-offs within operations, maintenance and administration expense for rate setting purposes.

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2011	2010
Total accounts receivable	$ 63,554	$ 58,552
Less allowance for doubtful accounts	(3,673)	(2,536)
Total accounts receivable, net	$ 59,881	$ 56,016
Of which:		
Not yet due	$ 33,054	$ 37,052
Past due 1 day but not more than 15	17,647	8,513
Past due 15 days but not more than 45	5,691	6,207
Past due 45 days but not more than 75	1,931	1,721
Past due 75 days but not more than 105	1,335	1,354
Past due more than 105 days	3,896	3,705
Less: Allowance for doubtful accounts	(3,673)	(2,536)
Total accounts receivable, net	$ 59,881	$ 56,016

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, as well as an established $50,000 banking line of credit, if required. Short-term liquidity is expected to be sufficient to fund normal operating requirements. The liquidity risks associated with financial commitments are as follows:

(In thousands of dollars)

14. Financial instruments (continued):

	Due within 1 year	Due between 1 and 5 years	Due past 5 years
Financial liabilities:			
Accounts payable and accrued liabilities	$ 99,564	$ –	$ –
Debenture interest and principle payable	16,097	64,387	614,910
	$ 115,561	$ 64,387	$ 614,910

(d) Interest rate risk:

The Corporation minimizes interest rate risk by issuing long-term fixed rate debt.

15. Related party transactions:

The Corporation's operations include the provision of electricity and services to its principal shareholder, the City. Electricity is billed to the City at the prices and terms established between the City and its electricity retailer. Streetlighting maintenance and construction services are provided at an exchange amount, being that amount agreed to by the parties. A summary of amounts charged by the Corporation to the City is as follows:

	2011	2010
Electrical energy	$ 9,415	$ 9,677
Streetlighting maintenance and construction	4,578	6,355
Streetlighting energy	6,315	6,098

At December 31, 2011, accounts payable and accrued liabilities include $28 (2010 - $33) due to the City and accounts receivable include $2,610 (2010 - $3,093) due from the City.

At December 31, 2011, the Corporation incurred property taxes which are paid to the City in the amount of $820 (2010 - $814).

(In thousands of dollars)

The Corporation charged Borealis $9 (2010 - $9) for an access agreement. These transactions were recorded at the exchange amount being the amount agreed to by the parties. At December 31, 2011, accounts receivable included $nil (2010 - $nil) due from Borealis.

15. Related party transactions (continued):

Enerpower Corporation is an organization in which the Corporation holds a 10% minority ownership interest. The Corporation was charged $10,103 (2010 - $8,530) by Enerpower Corporation during 2011 for the construction of distribution system infrastructure. At December 31, 2011, accounts payable and accrued liabilities due to Enerpower Corporation were $2,193 (2010 - $1,651).

The Corporation received a dividend from Enerpower Corporation during 2011 of $247 (2010 - $332).

16. Segmented information:

The Corporation operates primarily in two operating segments, electricity distribution services and other operations. Other operations are primarily comprised of engineering design, construction and maintenance services for utilities and developers and streetlighting design and maintenance services.

The designation of segments is based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies.

2011	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	$ 813,959	10,760	(368)	824,351
Operating expenses	(740,575)	(8,705)	368	(748,912)
Amortization	(33,810)	(134)	–	(33,944)
	(774,385)	(8,839)	368	(782,856)
	39,574	1,921	–	41,495
Interest income	1,154	277	–	1,431
Interest expense	(17,958)	(17)	–	(17,975)
Income before the under noted	22,770	2,181	–	24,951
Income taxes	2,131	74	–	2,205

(In thousands of dollars)

Net income	$ 20,639	2,107	–	22,746
Capital expenditures	$ 43,574	186	–	43,760
Increase in cash and cash equivalents	51,742	1,817	–	53,559

16. Segmented information (continued):

2010	Electricity distribution services	Other operations	Intersegment eliminations	Total
Revenue	$ 813,896	$ 8,390	$ (410)	$ 821,876
Operating expenses	(726,379)	(7,722)	410	(733,691)
Amortization	(45,542)	(134)	–	(45,676)
	(771,921)	(7,856)	410	(779,367)
	41,975	534	–	42,509
Interest income	463	163	–	626
Interest expense	(18,982)	(17)	–	(18,999)
Income before the under noted	23,456	680	–	24,136
Income taxes	6,404	28	–	6,432
Net income	$ 17,052	$ 652	$ –	$ 17,704
Capital expenditures	$ 42,302	$ 32	$ –	$ 42,334
Increase in cash and cash equivalents	18,260	1,547	–	19,807

Total assets for the Corporation's two operating segments are as follows:

	2011	2010
Electricity distribution services	$ 752,285	$ 694,515
Other operations	29,108	27,660
Total assets	$ 781,393	$ 722,175

17. Energy purchases:

All electricity purchases for standard supply customers are subject to pricing determined by the IESO, a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2011 is $58,893 (2010 - $63,438) owed in respect of electricity purchases through the IESO.

18. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2011.