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CLINTON POWER CORPORATION

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January 28, 2005

JAN 31 2005

Ontario Energy Board
Attn: Mr John Zych, Secretary
2300 Yonge Street - 26th Floor
Toronto, Ontario
M4P 1E4

ONTARIO ENERGY BOARD

Dear Mr. Zych,

**Clinton Power Corporation
Application for 2005 Distribution Rate Adjustments
RP-2005-0013 / EB-2005-0018 /**

RP-2004-0203 / EB-2005-214

The 2005 Clinton Power Corporation Conservation & Demand Management Plan was inadvertently not included when the 2005 Rate Application was filed on January 17.

I would like the Board's approval to set up Deferral Account 1565 in Clinton Power Corporation's GL Accounts.

I am also enclosing copies of our 2003 Audited Financial Statements as I found a letter dated August 26st, 2004 addressed to the Board, but found six copies in a file folder. My Utilities Clerk had both her father and mother – in –law pass away during that week and I cannot confirm they were sent.

Five hard copies and one electronic copy in "pdf" of the Conservation & Demand Management Plan and six copies of 2003 Audited Financial Statements are enclosed.

Respectfully submitted for the Board's consideration.

Steve Gibbings

Steve Gibbings
Utilities Manager
Clinton Power Corporation
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2005 DSM Plan

Clinton Power Corporation

**Clinton Power Corporation
2005
Conservation and Demand Management Plan**

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1 Introduction

Clinton Power Corporation is the local distribution company serving the former Town of Clinton, which is now part of the Municipality of Central Huron due to municipal amalgamation in 2001.

Clinton Power is committed to customer service and sees that it can play a role in helping its customers to use electricity wisely to help reduce distribution system costs, customer bills, and the environmental and health impacts associated with electricity use.

Clinton Power is proposing to have information and programs that the OEB refers to as Distributor Conservation and Demand Management (DCDM) programs.

Overview

These proposals will include all classes of customers and encourage all consumers that we need to conserve energy in all aspects of life.

Clinton Power should ensure that electricity is used wisely by both the Utility and its customers. It should address any barriers to customers' efforts to use energy more efficiently, whether these barriers are information barriers, economic barriers, or institutional barriers and it is not to take over their responsibilities for wise electricity use for them.

Where a program is targeted at customers, it will be desirable for all customers to have access to programs that give an opportunity to use electricity more efficiently.

Core Programs

2.1 Customer Education

Clinton Power Corporation customers will be provided with information by a mail out to introduce various methods of hydro conservation within their homes and businesses and examples where further information can be accessed from such places as the Ontario Ministry of Energy, Ontario Energy Board and local energy efficiency businesses.

The cost for this is approximately \$7,978.

2.2 Water Heater Load Management

Clinton Power proposes to add timer controllers to its rental water heaters to offset their usage during the peak periods.

It is proposed to pay customers an incentive of \$1.50 per month and to review this after six months of installation of these devices.

The cost of implementing this program is approximately \$12,000.

2.3 Program Administration

Clinton Power will incur costs for initiating these programs and administrating them at an estimated cost of \$4,000.

3 Supplemental Programs

3.1 LED Christmas lighting

Clinton Power Corporation plans to work with the Municipality of Central Huron and local B.I.A. towards annual replacement of Christmas Decoration bulbs by encouraging replacement with LED products.

3.2 LED Traffic Lighting

Clinton Power Corporation is working with the Municipality of Central Huron towards implementing any changes or upgrades in traffic lights to be replaced with LED products.

Program Summary

Table 1 presents a summary of Clinton Power Corporation DSM budget. A total of \$23,978 is proposed and has been included in 2005 Rate Submission forwarded to the OEB.

Table 1

Customer Education	\$7,978
Water Heater Load Management	\$12,000
Program Administration	\$4,000
Total	\$23,978

CLINTON POWER CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2003

VODDEN, BENDER & SEEBACH LLP
Chartered Accountants

Vodden, Bender & Seebach LLP

Chartered Accountants

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AUDITOR'S REPORT

We have examined the balance sheet for Clinton Power Corporation as at December 31, 2003 and the statements of operations and retained earnings and of cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Clinton Power Corporation as at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vodden, Bender & Seebach LLP

Chartered Accountants

Clinton, Ontario

February 16, 2004

CLINTON POWER CORPORATION

BALANCE SHEET

see accompanying notes to financial statements

As at December 31	2003	2002
ASSETS		
Current assets		
Cash	391,682	56,470
Accounts receivable	154,447	225,960
Unbilled distribution revenue	361,400	391,700
Inventories	33,310	32,415
Prepaid expenses	-	3,245
	<u>940,839</u>	<u>709,790</u>
Regulatory amounts recoverable (note 2)		
Deferred transition costs	108,362	108,362
Retail service and settlement variances	15,928	45,346
	<u>124,290</u>	<u>153,708</u>
Capital assets (note 3)		
Distribution system	932,594	977,491
Trucks and equipment	19,114	24,336
	<u>951,708</u>	<u>1,001,827</u>
	<u>\$ 2,016,837</u>	<u>\$ 1,865,325</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities		
Due to Independent Electricity Market Operator	190,143	220,476
Other	43,615	47,684
Due to Municipality of Central Huron		
Water and sewer rate billings	207,828	82,361
Other	23,720	16,049
Due to Clinton Hydro Electric Retail Affiliate Inc.	25,642	23,550
Deferred payment in lieu variance	26,239	-
	<u>517,187</u>	<u>390,120</u>
Other liabilities		
Consumers deposits	43,523	45,200
Note payable - Municipality of Central Huron (note 4)	698,786	698,786
	<u>742,309</u>	<u>743,986</u>
Shareholder's equity		
Common shares	698,786	698,786
Retained earnings	58,555	32,433
	<u>757,341</u>	<u>731,219</u>
	<u>\$ 2,016,837</u>	<u>\$ 1,865,325</u>

CLINTON POWER CORPORATION**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

see accompanying notes to financial statements

For the year ended December 31	2003	2002
Distribution revenue	446,947	357,309
Other revenue		
Interest and late payment charges	26,143	42,695
Other rentals, materials and charges	11,020	10,145
	484,110	410,149
Expenditure		
Distribution system	153,122	109,660
Billing and collecting	77,337	69,306
Administration	134,618	138,339
Building operation	13,399	16,108
Amortization of capital assets	46,756	46,139
Interest on long-term debt	32,756	29,698
	457,988	409,250
Net earnings for year	26,122	899
Retained earnings beginning of year	\$ 32,433	\$ 31,534
Retained earnings end of year	\$ 58,555	\$ 32,433

CLINTON POWER CORPORATION**STATEMENT OF CASH FLOW**

see accompanying notes to financial statements

For the year ended December 31	2003	2002
Operating activities		
Net earnings for year	26,122	899
Add: Amortization of capital assets	48,459	47,842
Working capital provided by (used for) operations	74,581	48,741
Cash provided by (used for) changes in working capital		
Accounts receivable	71,513	177,215
Unbilled revenue	30,300	(216,700)
Inventories	(895)	9,047
Prepaid expenses	3,245	2,905
Regulatory amounts recoverable	29,418	(105,145)
Accounts payable	98,736	16,748
Consumer deposits	(1,677)	5,418
Due to Clinton Hydro Electric Retail Affiliate Inc.	2,092	(3,439)
Payments in lieu variance	26,239	-
Cash provided by (used for) operations	333,552	(65,210)
Investment activities		
Additions to capital assets	(70,512)	(25,192)
Cash used for investments	(70,512)	(25,192)
Financing activities		
Contributed capital	72,172	-
Cash provided by financing	72,172	-
Increase (decrease) in cash	335,212	(90,402)
Cash and cash equivalents beginning of year	56,470	146,872
Cash and cash equivalents end of year	\$ 391,682	\$ 56,470

CLINTON POWER CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2003

1. Significant accounting policies

The financial statements of the Clinton Power Corporation are the representation of management prepared in accordance with generally accepted accounting principles including accounting principles prescribed by the Ontario Energy Board ("OEB") in the handbook "Accounting Procedures Handbook for Electric Distribution Utilities".

Inventories

Inventories are stated at lower of cost and net realizable value.

Regulatory amounts recoverable

Costs incurred, but expected to be recovered from future revenues, are, by OEB regulatory authority, recorded as regulatory amounts recoverable. Costs deferred are those relating to the transition to a competitive electricity market as mandated by the Electricity Act, 1998, and variances between the cost of energy purchased and energy sales. Disposition of these deferred charges will be determined by the OEB.

Capital assets

Capital assets are stated at cost less accumulated amortization. The cost is amortized on the straight line basis over the estimated useful lives of the assets as follows:

Distribution system	25-30 years
Trucks and equipment	10 years

Contributions to capital assets are included as a reduction to the cost of the related asset.

Revenue recognition

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

Income taxes

As a wholly owned subsidiary company of the Municipality of Central Huron, the company is exempt from income taxes under the Income Tax Act (Canada). Under the Electricity Act (1998) (Ontario), the company is required to make payments in lieu of taxes to the Ontario Electricity Financial Corporation equivalent to taxes that would be payable if the company was a taxable corporation under the Income Tax Act (Canada).

The corporation provides for payments in lieu of taxes using the taxes payable method as permitted by the OEB and CICA. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the regulated business at that time.

Measurement of uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Due to these uncertainties, actual results might differ from those estimates. The impact will be reported in the period that the results become known.

2. Regulatory amounts recoverable

In compliance with OEB regulations, transition costs required to prepare for the competitive electricity market and the retail service and settlement variances are deferred. Recovery through future rate application procedures is dependent on ultimate OEB authorization. At present, the recovery and timing are uncertain. In the period in which an OEB order is made, deferred costs not authorized for inclusion in future rates will be included in operating expenses.

Retail service and settlement variances comprise variances between amounts charged by the Independent Market Operator for the operation of the wholesale electricity market and the supply and transmission of energy commodities and the amounts billed to customers by the company based on the Ontario Energy Board approved rates. Ontario Energy Board policy indicates that such variances will be recovered in future rates.

3. Capital assets

	Cost	Accumulated Amortization	Net Book Value
Distribution stations	150,791	15,916	134,875
Overhead distribution lines	264,043	33,484	230,559
Underground distribution system	446,930	55,558	391,372
Distribution transformers	116,851	14,311	102,540
Distribution meters	83,607	10,359	73,248
Transportation equipment	2,169	1,373	796
Tools and equipment	<u>32,761</u>	<u>14,443</u>	<u>18,318</u>
	<u>1,097,152</u>	<u>145,444</u>	<u>951,708</u>

During the year, the Municipality of Central Huron contributed \$72,172. to the cost of distribution system line construction. That amount has been deducted from the cost of the related capital assets.

4. Due to Municipality of Central Huron

The note payable to the municipality, the sole shareholder of Clinton Power Corporation, issued November 2000 has no specified maturity date and bears interest at the municipality's prime borrowing rate.

Under the provisions of the Municipal Act, such investments may not be held by a municipality for more than ten years from the date of issuance.

5. Lease commitment

The Clinton Power Corporation has contracted for use of computer software until August 2006. Lease costs are approximately \$6,200. per month of which 40% is recovered from other users.

6. Financial instruments and Credit risk

Financial instruments

Management estimates that the fair values of all financial assets and liabilities are not materially different from their carrying values.

Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligation to the company reducing the expected cash inflow from the company assets recorded at the balance sheet date. The company has assessed that there are no significant concentrations of credit risk other than the present uncertainty relating to collection of regulatory amounts recoverable which are subject to regulatory approval and disposition.