

Chief Financial Officer's Report to Council

TO: Brockton Council

FROM: Mark Gaynor CMO, CFO

DATE: October 3, 2006 - **Revising Sept 21 report**

RE: Allocation of Elmwood Hydro Assets

This report has been generated as a request for information from a member of the Brockton Council.

The Municipality of Brockton purchased the east side of the Elmwood PUC from the Municipal of West Grey for \$76,000 in the fall of 2000. These funds were sourced from the Walkerton PUC Reserve Fund prior to the sale of the complete hydro assets (Walkerton and Elmwood) to Westario Power. This means Walkerton hydro customers funded the purchase of the West Grey portion of Elmwood Hydro therefore the purchase price of \$76,000 should be allocated to the community of Walkerton. This means the value assigned to the west side of Elmwood Hydro is the only portion of Brockton's hydro assets that should be allocated to the Brockton portion of Elmwood.

A letter from Janice Hallahan dated October 31, 2000, referred to a BDO Dunwoody appraisal which quoted the following revised estimated fair market values for both the Walkerton and Elmwood hydro assets:

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|---------------------------------------|-------------|--------|
| • Elmwood Hydro (\$131,000 -\$76,000) | \$ 55,000 | 1.55% |
| • Walkerton Hydro value | \$3,506,000 | 98.45% |

Total Value of Hydro Assets	<u>\$3,561,000</u>
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Brockton received 10% of total asset value in cash which represented the buy in by Canadian Niagara Power (NPC) and these funds were put in an Electrical Reserve Fund

	<u>\$ 356,100</u>
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|------------------------------------|------------|--------|
| • Elmwood amount in Reserve Fund | \$ 5,520 | 1.55% |
| • Walkerton amount in Reserve Fund | \$ 350,580 | 98.45% |

	<u>\$ 356,100</u>
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Allocation of Hydro Assets invested in Westario Power (as of the date of transfer)

Amount in Shares	\$2,303,593	60.25%
Amount in Note	\$1,520,067	39.75%

Total investment in Westario (prior to tax shield)	<u>\$3,823,660</u>
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Elmwood share of investment in Westario (\$131,000 - \$76,000)	\$ 55,000	1.44%
Walkerton share of investment in Westario	\$3,768,660	98.56%

Total investment in Westario	<u>\$3,823,660</u>
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The information below is revised from September 21, 2006 report

The Elmwood's shares of Westario funds:

Westario Reserve fund in Brockton	\$21,862.50 part of the Westario Note that is Elmwood's share
Westario investment	\$33,137.50 part of the Westario Shares that are Elmwood's share
Electrical Reserve Fund	<u>\$ 5,520.00</u>
Total	<u>\$60,520.00</u>

I have transferred the Elmwood's share of the Westario Note being \$21,862.50 and the balance in the Electrical Reserve Fund being \$5,520.00 into the Westario Reserve Fund, within the Equipment Reserve Fund, for a total of \$27,382.50. This way we have the Westario Shares, Elmwood and the Westario Note, Elmwood balanced and recorded.

I concur with this report,

Mark Gaynor, CMO
Chief Financial Officer

Richard Radford
CAO/Clerk