Hydro Ottawa Holding Inc.

2014 Annual Report





Cover:

Hydro Ottawa believes that a workforce that is reflective of the diversity of the communities we serve provides us with a better understanding of the needs of our customers, and that by cultivating an inclusive culture that leverages diversity, we enhance employee engagement and innovation. Increasing the number of women working in trades and technical occupations at Hydro Ottawa is important to us. Hydro Ottawa is proud of its employees from left to right who occupy Field Operator, Professional Engineer, Stations Technician and Apprentice Stations Electrician positions.

Our Mission

Hydro Ottawa's mission is to create long-term value for our shareholder, benefiting our customers and the communities we serve.

Hydro Ottawa is both a community asset and an investment for our shareholder, the City of Ottawa. As a community asset, our goal is to provide effective, efficient and reliable service to our customers, and to be a strong strategic partner for our city, helping to deliver on its economic development and environmental agendas. As an investment, our goal is to provide stable, reliable and growing returns to our shareholder.

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Company Profile

Hydro Ottawa Holding Inc., (Hydro Ottawa) is 100 percent owned by the City of Ottawa. It is a private company, registered under the *Ontario Business Corporations Act*, and overseen by an independent board of Directors consisting of 11 members appointed by City Council. The core businesses of the Corporation are electricity distribution, renewable energy generation and related services. In 2014, Hydro Ottawa owned and operated two subsidiary companies.

Hydro Ottawa Limited

Hydro Ottawa Limited is a regulated electricity distribution company operating in the City of Ottawa and the Village of Casselman. As the third-largest municipally owned electrical utility in Ontario, Hydro Ottawa Limited maintains one of the safest, most reliable and cost-effective electricity distribution systems in the province, and serves over 320,000 residential and commercial customers across a service area of 1,100 square kilometres. As a condition of its distribution license, the company is required to meet conservation and demand management targets established by the Ontario Energy Board. Hydro Ottawa Limited added approximately 5,000 new customers to its distribution system in 2014, an increase of 1.6 percent, while the volume of electricity delivered through its distribution network decreased by approximately 0.9 percent over the prior year. The company's capital assets grew by $68 million, or 9.8 percent.

Energy Ottawa Inc.

Energy Ottawa is the largest municipally owned producer of green power in Ontario, and a provider of commercial energy management services. It owns and operates six run-of-the-river hydroelectric generation plants at Chaudière Falls in the city's core and holds interests in two landfill gas-to-energy joint ventures that convert millions of tonnes of previously flared-off methane gas into renewable energy at the Trail Road landfill site in Ottawa and the Laflèche landfill site in Moose Creek, Ontario. In total, this represents a generation capacity of more than 48 megawatts annually, which is enough to power 40,000 homes. Energy Ottawa has also embarked on a multi-year project to expand its Ontario generation facilities at Chaudière Falls with the expanded generation production capacity expected in the fourth quarter of 2017. This expansion will increase Energy Ottawa's total capacity from 48 megawatts to 68 megawatts.

Message from the Chair of the Board, and President and Chief Executive Officer

On behalf of management and the Board of Directors of both Hydro Ottawa Holding Inc. and Hydro Ottawa Limited, and our more than 650 dedicated employees – we are very pleased to provide this 2014 Annual Report to our shareholder, the City of Ottawa.

Jim Durrell, C.M., Chair, Board of Directors, and Bryce Conrad, President and Chief Executive Officer, at the 14th Annual Hydro Ottawa Special Needs Day, where more than 1,000 children with mental and physical challenges enjoyed exclusive access to the Capital Fair thanks to Hydro Ottawa employee volunteers

This report marks the third year of reporting against our *2012-2016 Strategic Direction*, which was endorsed by our shareholder in June 2012. Hydro Ottawa's mission over the term of that five-year plan is to deliver value, both as a community asset providing essential services to our customers, and as an investment for the City of Ottawa, our shareholder. With that mission in mind, our goal is two-fold: to continue to fulfil our core mandate to provide a safe, reliable, affordable and sustainable supply of electricity to the over 320,000 homes and businesses that rely on us every day; and to ensure a more sustainable energy future for our community.

In 2014, Hydro Ottawa continued to provide value to our shareholder. We advanced key elements of our business strategy, while once again achieving strong financial results that exceeded our targets for the year. This is a reflection of our focus on our four critical areas of performance that form the foundation of our strategic plan – financial strength, customer value, organizational effectiveness, and corporate citizenship.

In the area of financial strength, Hydro Ottawa's 2014 net income of $30.3 million surpassed the strategic plan projection by $3.3 million, resulting in $18.2 million in dividends to the City of Ottawa. With strong performance in 2012, 2013 and 2014, Hydro Ottawa has delivered $56.1 million of the $90 million dividend commitment set out in the *2012-2016 Strategic Direction*. Based on this record of performance and prudent management of business risks, Hydro Ottawa continued to maintain its "A" credit rating with a "Stable" trend in 2014.

Hydro Ottawa's strong financial performance for 2014 was achieved in large part through our continued focus on cost controls and enhanced revenues in our renewable energy generation business. Revenues from renewable generation for 2014 were nearly $20 million from its six run-of-the-river hydroelectric plants at Chaudière Falls, and its landfill gas-to-energy facilities at the Trail Road landfill site in Ottawa and at the Laflèche landfill site in Moose Creek, Ontario.

While Hydro Ottawa Limited, our regulated electricity distribution company, continued to be the largest contributor to our net income, electricity consumption continued to drop, while costs increased.

Revenue growth in the electricity distribution business is not expected to keep pace with cost increases arising from customer growth, contractual and inflationary pressures, as well as changing regulatory requirements. Productivity improvement is a must to partially offset rising costs, and enhanced revenue growth from our renewable generation business will be critical to increasing shareholder value. That is why Hydro Ottawa continued to pursue business growth opportunities in 2014. In addition to being awarded a 40-year power purchase agreement by the Ontario Power Authority that will see the expansion of our renewable generation capacity at Chaudière Falls by over 50 percent, we also secured contracts for 2.3 megawatts of solar rooftop capacity from the Ontario Power Authority. Working with our shareholder, the City of Ottawa, we will be proceeding with eight solar rooftop installation projects in 2015 on City-owned facilities. The installations are estimated to generate 3,226 MWh/year – enough electricity to power 336 homes for a year.

Our *2012-2016 Strategic Direction* calls for a continued focus on enhancing customer value and that is why working to keep distribution rates stable for the more than 320,000 homes and businesses we serve remains a priority. While the overall customer bill increased in 2014, the approved distribution rate increase for the Hydro Ottawa portion was 1.4 percent effective January 1, 2014.

We also continued to make significant investments in service reliability. Like all utilities in Ontario, Hydro Ottawa must replace aging distribution system equipment at an accelerated pace. We are investing more than half a billion dollars over the course of our 2012-2016 plan to improve system reliability and reduce the occurrence of interruptions caused by aging and defective equipment.

Hydro Ottawa's reliability performance was noticeably improved in 2014 after several years of challenges due to episodes of bad weather as well as increasing failure rates for aging distribution assets. Our overall investment in electricity distribution assets was upward of $125.6 million, including the $8.3 million expansion of the Limebank transformer station to better serve the growing communities of Riverside South and Barrhaven.

Achieving our goals for customer and shareholder value requires a high performance workforce, and efficient and effective operations. At Hydro Ottawa, we strive for performance excellence in every area of our operations.

In light of shifting demographic trends, anticipated retirements and changing skill requirements, we continued to plan and prepare both for continuity of skilled trades and technical capacity, and management succession to ensure a prepared and sustainable workforce over the next five to ten years. Key initiatives in this regard included the continuation of our skilled trades apprenticeship programs, our engineering internship program and our development and performance management programs, the designation of our Algonquin College Powerline Technician Diploma Program partnership as the primary pool for co-op and apprentice candidates, and the launch of our Diversity Plan.

Hydro Ottawa also continued to be a responsible and engaged corporate citizen. In 2014, we renewed our partnership with Christie Lake Kids (CLK) and sponsored both the Hydro Ottawa Sustainable Youth Leadership Centre and the CLK 'Skills through Activity and Recreation' (STAR) Hockey and Skating Program. We also established the Hydro Ottawa STAR Cup. And our United Way fundraising efforts raised a record $254,427 in 2014, bringing our 14-year total to more than $1.75 million. Whether by helping our customers conserve energy, greening our operations, educating over 17,000 local elementary students about electricity safety and conservation, or providing nearly $170,000 in financial assistance to front-line agencies that serve people who are homeless or at risk of being homeless through our Brighter Tomorrow's Fund, Hydro Ottawa was there.

As a result of the company's achievements, Hydro Ottawa was recognized once again in 2014 by a number of awards including among others, for the sixth year in a row as one of the National Capital Region's Top Employers, for the fourth year in a row as one of Canada's Greenest Employers, and by the Best Ottawa Business Awards (the BOBS) as Sustainability Leader of the Year. We also had the enviable distinction of being honoured as one of Canada's Top Employers for Young People and by the Best Employers Award for 50 Plus Canadians in recognition of our program to engage experienced workers and retirees.

We are proud of the company's achievements and contributions in 2014 and sincerely thank our employees for their ongoing hard work and dedication. We look forward to advancing our *2012-2016 Strategic Direction* and continuing to deliver value in the years ahead.

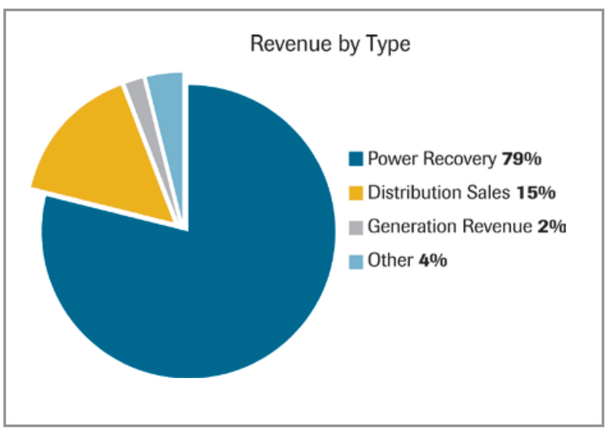
Sincerely,

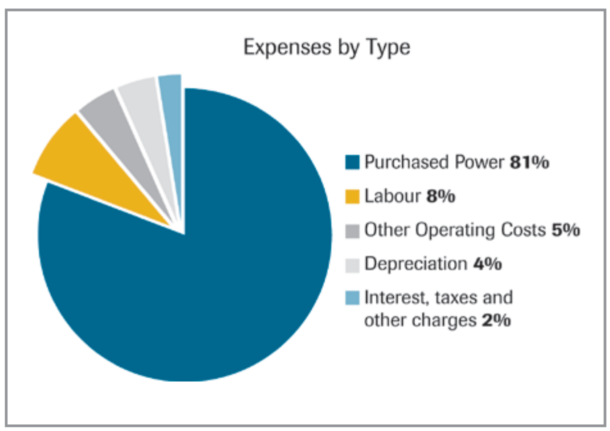
Jim Durrell, C.M.
Chair, Board of Directors

Bryce Conrad
President and Chief Executive Officer

Financial Highlights

(in thousands of Canadian dollars)	2014	2013
Operations		
Total revenue	1,012,349	976,367
Distribution revenue	156,616	152,392
Generation revenue	19,617	21,047
EBITDA	93,388	96,925
Net income	30,318	32,142
Dividends	(18,200)	(19,300)
Balance Sheet		
Total assets	1,060,293	1,008,556
Capital assets	867,199	791,782
Long-term debt	403,208	400,413
Shareholder's equity	398,071	384,153
Cash Flows		
Operating	108,614	49,430
Investing	(101,145)	(112,184)
Financing	(14,571)	131,258





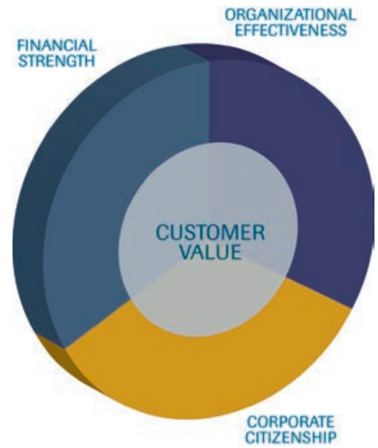
Progress Against Plan

Hydro Ottawa's 2014 Annual Report is the third to report against the company's *2012-2016 Strategic Direction: Creating Long-Term Value*.

The aim of the Strategic Direction is to move the company from 'good to great', leveraging our position as a leading and trusted service provider to become one of Canada's most successful integrated utilities.

This strategy is built on the company's strengths and achievements, and responds to a changing environment that presents significant opportunities for Hydro Ottawa and the community we serve.

To ensure we take full advantage of those opportunities, Hydro Ottawa is focused on the fundamentals of leading performance: Financial Strength, Customer Value, Organizational Effectiveness, and Corporate Citizenship. These four Key Areas of Focus guide our business strategy and form the basis of our annual reporting in the pages that follow.



One of our Key Areas of Focus — Customer Value — takes on central importance under the company's five-year plan. The essence of Hydro Ottawa's business strategy is to put the customer at the centre of everything we do.

FOUR KEY AREAS OF FOCUS

Financial Strength

STRATEGIC OBJECTIVE

We will create sustainable growth in our business and our earnings

By improving productivity and pursuing business growth opportunities that leverage our strengths — our core capabilities, our assets and our people

Customer Value

STRATEGIC OBJECTIVE

We will deliver value across the entire customer experience

By providing reliable, responsive and innovative services at competitive rates

Organizational Effectiveness

STRATEGIC OBJECTIVE

We will achieve performance excellence

By cultivating a culture of innovation and continuous improvement

Corporate Citizenship

STRATEGIC OBJECTIVE

We will contribute to the well-being of the community

By acting at all times as a responsible and engaged corporate citizen

Financial Strength

Strategic Objective: We will create sustainable growth in our business and our earnings by improving productivity and pursing business growth opportunities that leverage our strengths — our core capabilities, our assets and our people.

Our commitment is to provide sustained shareholder value now and in the future.

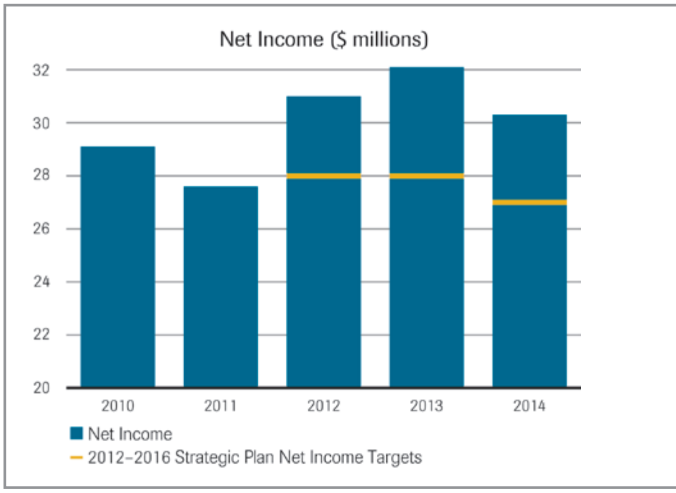
For a third consecutive year, Hydro Ottawa exceeded its financial targets as set out in our *2012-2016 Strategic Direction*. This continued to be due in large part to our focus on cost containment and strong performance in our renewable energy generation business line that has enhanced the company's ability to fulfil our core mandate to provide a safe, reliable, affordable and sustainable supply of electricity to the more than 320,000 homes and businesses that rely on us every day.

We exceeded our financial targets

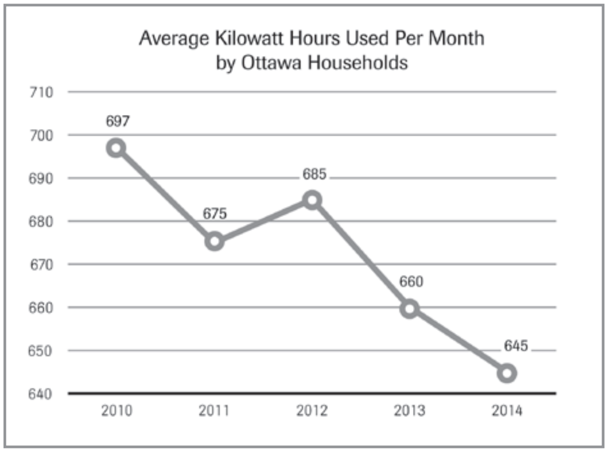
Hydro Ottawa's net income in 2014 was $30.3 million, exceeding the target forecast in the 2012-2016 Strategic Direction by $3.3 million. Cumulative net income for 2012 to 2014, the first three years of our five-year Strategic Direction, has exceeded target by $10.4 million.

While our regulated local distribution company, Hydro Ottawa Limited, continued to be the largest contributor to our net income, electricity consumption continued to drop, while costs increased.

In order to manage these pressures, Hydro Ottawa maintained its focus on cost control and productivity. One important indicator of productivity is operating cost per customer. Each year the Ontario Energy Board (OEB) compares the operating costs per customers of all Ontario electricity distributors. In the OEB's most recent yearbook, Hydro Ottawa ranked 15th out of 73 distribution companies in terms of lowest costs per customer.



$30.3 million in net income

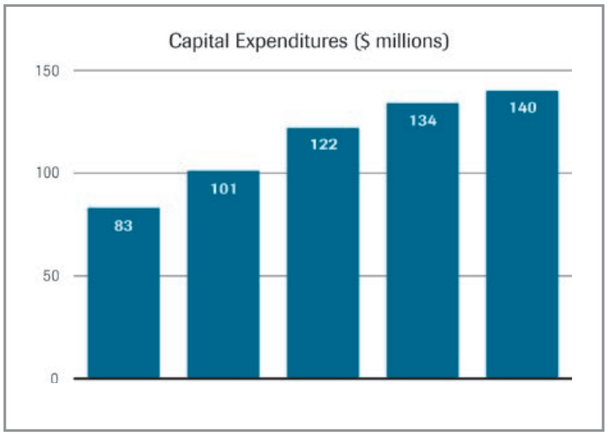


Hydro Ottawa's renewable energy generation business line earned nearly $20 million in revenue in 2014 from its six run-of-the-river hydroelectric plants at Chaudière Falls, and its landfill gas-to-energy facilities at the Trail Road landfill site in Ottawa and at the Laflèche landfill site in Moose Creek, Ontario.

The landfill gas-to-energy plant at the Trail Road landfill site hit its highest ever production level in 2014, resulting in a record royalty payment of $192K to the City

We continued to make significant investments in our infrastructure

In 2014, Hydro Ottawa invested $140 million in our electricity distribution system and generation assets – part of our plan to make significant investments over the course of our *2012-2016 Strategic Direction* to maintain and enhance reliability, and to address aging infrastructure and system growth.



$140 million capital program

$8.3M Limebank transformer station upgrade

$7M invested in generation asset sustainment including rebuilding the bulkhead at the Bronson Channel

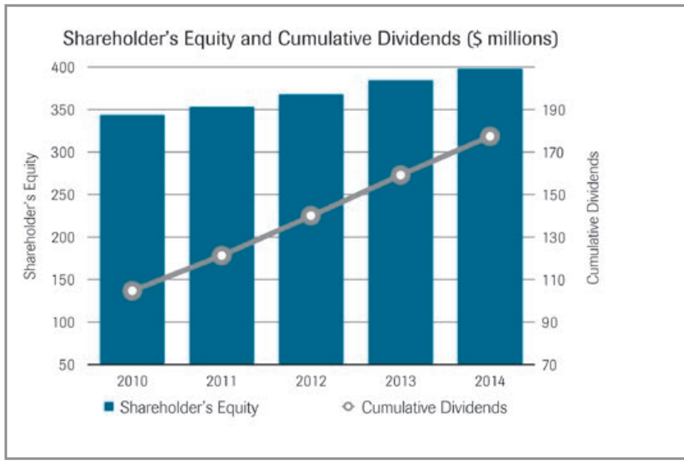
Shareholder value increased by 10%

Hydro Ottawa continued to provide excellent value to its shareholder in 2014, with a return on equity of 7.8 percent. Total shareholder value — including dividends paid and earnings retained with the company — increased 10 percent during the year.

Since 2005, Hydro Ottawa has delivered $177.4 million in dividends to the City of Ottawa, including $18.2 million arising from 2014 results.

With strong performance from 2012 through 2014, Hydro Ottawa has delivered $56.1 million of the $90 million dividend commitment set out in the 2012-2016 Strategic Direction.

Based on this record of strong operational performance and prudent management of business risks, Hydro Ottawa continued to maintain its “A” credit rating with a “Stable” trend in 2014.



$18.2 million in dividends to the City of Ottawa

We also continued to pursue business growth opportunities

To enhance the company’s ability to respond to changing needs and expectations, and to ensure long-term financial sustainability, Hydro Ottawa continued to pursue business growth opportunities. In 2014, Hydro Ottawa was awarded a forty-year power purchase agreement by the Ontario Power Authority that allowed us to proceed with the expansion of our renewable generation capacity at Chaudière Falls. This will see the construction of a new 29-megawatt generation facility, which will increase our hydroelectric generation capacity by 50 percent. Construction is to begin in 2015.

We also secured contracts for 2.3-megawatts of solar rooftop capacity from the Ontario Power Authority. Working with our shareholder, the City of Ottawa, we will be proceeding with eight solar rooftop installation projects in 2015 on City-owned facilities including the Articulated Bus Garage, Walter Baker Sports Centre, and the Kanata Recreation Complex. The installations are estimated to generate 3,226 MWh/year – enough electricity to power 336 homes for a year.

Ring Dam at Chaudière Falls

Rooftop Solar Panels at Ottawa City Hall

Customer Value

Strategic Objective: We will deliver value across the entire customer experience by providing reliable, responsive and innovative services at competitive rates.

The essence of Hydro Ottawa's business strategy is to put the customer at the centre of everything we do. Understanding and responding to the customer's needs and expectations – for quality service, cleaner energy, and help in controlling their energy consumption and electricity costs – is the key to success in an evolving energy landscape.

We strive to deliver a reliable product while keeping our service efficient and friendly and our rates as low as possible.

Customer satisfaction remained strong

Overall customer satisfaction remained strong at 83 percent. This was slightly lower than in previous years primarily due to external industry events.

83 percent customer satisfaction rate

We kept our focus on improving the customer's experience

Hydro Ottawa completed a smooth transition to monthly billing for our customers in 2014 and continued to promote customer self-serve and paperless billing and payment options; by year end, more than 122,000 of our customers were subscribed to MyHydroLink, while nearly 86,000 had signed up for e-billing.

We continued to support our customers and other stakeholders on a variety of social media platforms including Twitter, Facebook, YouTube and LinkedIn – part of our plan to communicate with customers on their own terms – when and how they want. Our Twitter followers increased by 53 percent over the prior year.

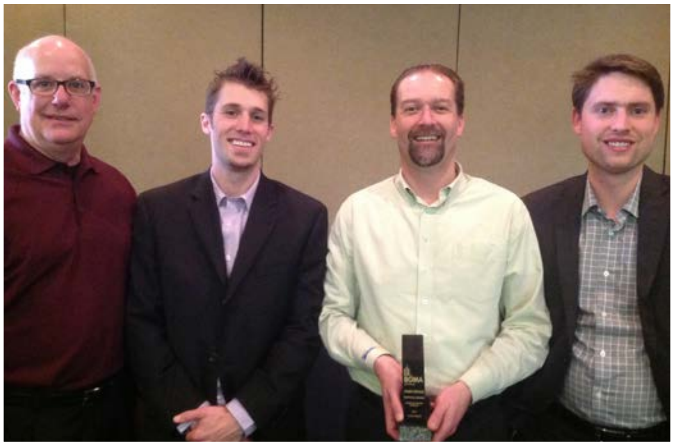
Hydro Ottawa is an e-billing adoption leader among industry peers in Ontario

We continued to help people conserve and control their electricity costs

Hydro Ottawa continued to be a leader in promoting energy conservation in our community, helping residents and businesses use our product efficiently and wisely.

It was another excellent year for Small Business Lighting with 2,400 small businesses taking advantage of professionally installed energy efficient lighting. Another 750 larger commercial customers took advantage of our retrofit program trade to much more efficient energy systems.

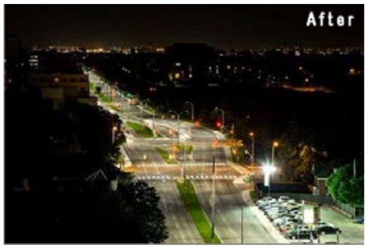
The offer of a free programmable thermostat for participation in the *peaksaver*PLUS program was discontinued in 2014. There are now more than 37,000 households participating in the program.



Hydro Ottawa's Conservation and Demand Management (CDM) team was recognized for providing exceptional customer service to its commercial customers with a Pinnacle Award from the Building Owners and Managers Association (BOMA) of Ottawa

More than 50 GWh saved from our residential, small business and large commercial conservation programs – enough electricity to power 6,000 homes for a year

Our Energy Services team also completed a number of retrofits to LED technologies for City of Ottawa services, notably for 700 street light fixtures on Carling Avenue and 8 OC Transpo Stations, as well as for 30 Ottawa Community Housing buildings.

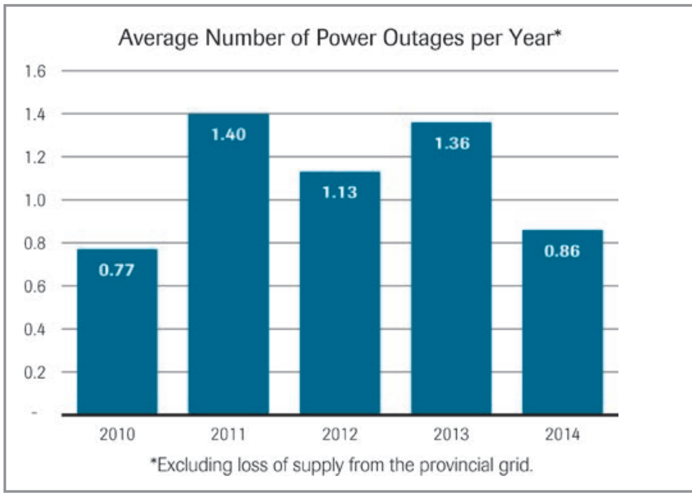


Hydro Ottawa joined Ottawa Senators President, Cyril Leeder, Ontario Minister of Energy, Bob Chiarelli and Hydro Ottawa Chair, Jim Durrell, in announcing a state-of-the-art LED lighting upgrade at the Canadian Tire Centre on November 28

A reliable supply of electricity remained our top priority

Hydro Ottawa's reliability performance was noticeably improved in 2014 after several years of challenges due to episodes of bad weather as well as increasing failure rates for aging distribution assets.

Like most utilities in Ontario, Hydro Ottawa faces a need to replace aging distribution system equipment at an accelerated pace. Our plan is to continue to make significant investments of more than half a billion dollars over the course of our 2012-2016 Strategic Direction to achieve the maximum benefit for our customers and reduce the occurrence of interruptions caused by defective equipment.

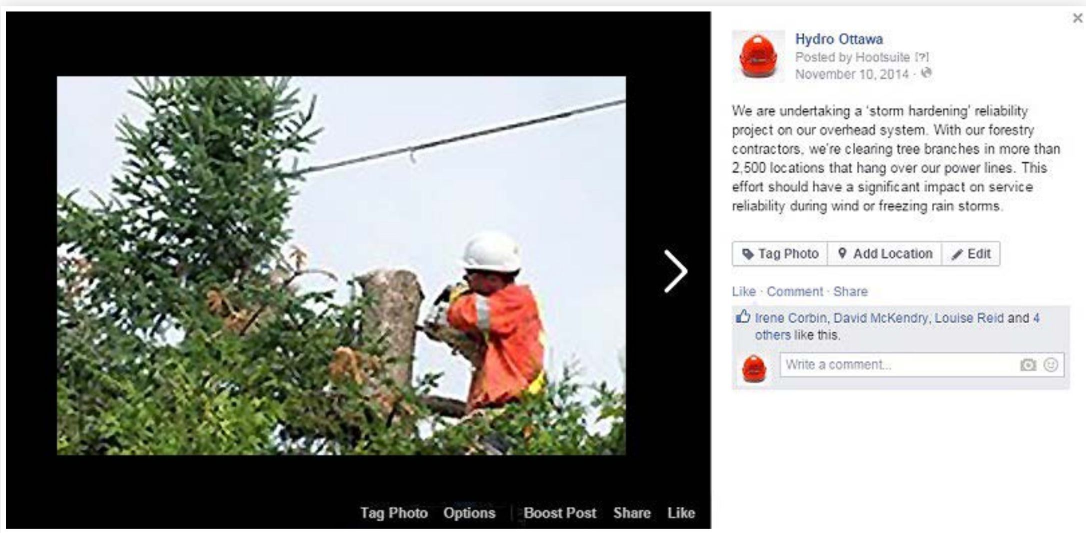


Significant distribution system investments: $125.6 million to address reliability, aging infrastructure and growth

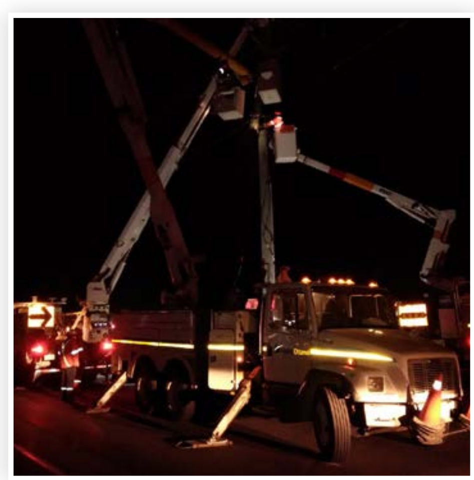
Our overall investment in asset management projects in 2014 was upward of $125.6 million, with a particular focus on areas with chronic reliability issues, new station capacity, plant relocation, system expansion, and commercial infill.

Significant milestones in 2014 included the expansion of the Limebank transformer station to supply the growing communities of Riverside South and Barrhaven and improve their reliability, the addition of a second transmission connection to Marchwood station to provide a higher level of reliability to the North Kanata area, and extensive work to replace aging infrastructure including poles, underground cables, transformers and switchgear, and line extensions throughout our service territory.

Also in 2014, we enhanced our regular year-round tree trimming program that helps reduce contact between trees and overhead power lines. We took 'storm-hardening' measures to ensure that our equipment can withstand extreme weather events such as high winds and heavy snowfall and ice. We identified more than 2,600 spans of overhead power lines where overhanging branches require trimming and completed work to ensure adequate clearance from electrical lines. The investments made are expected to yield significant long-term reliability and productivity benefits.



On September 5, 2014, Hydro Ottawa's distribution system was significantly damaged by high winds, fallen trees and lightning. At its peak, the storm knocked out power to 17,000 customers. Within hours, electrical service was restored to more than half of those affected. Hydro Ottawa initiated emergency response procedures immediately and crews were deployed across the city on a priority basis. Our crews continued to work around the clock to restore power to all affected.



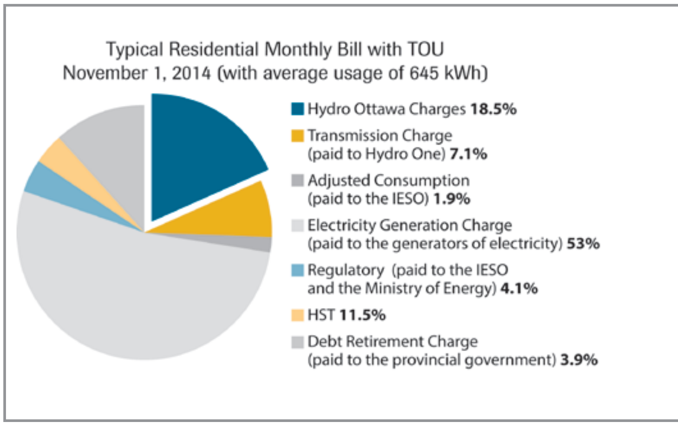
Distribution rates remained stable

Hydro Ottawa's electricity distribution rates are set through open public hearings by the Ontario Energy Board (OEB), Ontario's electricity and natural gas regulator, which regulates the sector and receives policy direction from the Government of Ontario. The OEB approves rates for the distribution of electricity by utilities such as Hydro Ottawa with the goal of protecting the interests of consumers with respect to prices while ensuring that the electrical service provided by utilities is adequate, safe and reliable.

In 2014, Hydro Ottawa's distribution rates made up 20 percent of the customer's total electricity bill. The remaining 80 percent consists of pass-through charges that Hydro Ottawa collects for others, with no markup, including the cost of the electricity commodity.

Hydro Ottawa's distribution rates ensure there are sufficient revenues to maintain a reliable electricity distribution system and provide high quality service.

While the overall customer bill increased in 2014, the approved distribution rate increase for the Hydro Ottawa portion was 1.4 percent effective January 1, 2014.



Organizational Effectiveness

Strategic Objective: We will achieve performance excellence by cultivating a culture of innovation and continuous improvement.

Achieving our goals for customer and shareholder value requires a high performance workforce, and efficient and effective operations. At Hydro Ottawa, we strive for performance excellence in every area of our operations.

Maintaining a healthy and safe work environment remained a top priority

Maintaining a healthy and safe work environment is a critical commitment to our employees. In 2014, Hydro Ottawa provided an average of more than 24 hours of safe work practices training per employee, focusing on higher risk trade employees, who received an average of 46 hours per employee.

Employees worked a total of **1.25 million hours** in 2014 – only 128 hours were lost to workplace injury

Several Hydro Ottawa programs and initiatives were highlighted by the Canadian Electricity Association in their 2014 report *Achieving Excellence in Health and Safety*.

- Our Safe Supervisor Program
- Our National Day of Mourning all-employee ceremony
- Our 2013 North American Occupational Safety and Health (NAOSH) Week events
- Our participation in the GridEx II, a Grid Security Exercise that involved more than 230 utilities and government agencies across North America in order to assess our capability to respond to both physical and cyber security incidents

And our integrated Occupational Health, Safety and Environment management system continued to be certified to the internationally-recognized standards of OHSAS 18001 and ISO 14001.

We kept our focus on ensuring a prepared and sustainable workforce

In light of shifting demographic trends, anticipated retirements and changing skill requirements, we continued to plan and prepare both for continuity of skilled trades and technical capacity, and management succession to ensure a prepared and sustainable workforce over the next five to ten years.

- We forecast our trades and technical requirements to 2024
- We continued to position our workforce for success and advancement through our development and performance management programs

- We launched a Diversity Plan and implemented a number of initiatives focusing on the designated diversity groups; we released our multi-year accessibility plan, supported mental health, and provided cultural competency training for people leaders
- Our five Apprenticeship Programs (Cable Jointer, Meter Technician, Powerline Maintainer, Station Electrician and System Operator) continued to grow — nine new apprentices were hired in 2014, bringing the total to 37 apprentices, representing 22 percent of our trades workforce – and nine apprentices received journeyperson status
- We designated our Algonquin College Powerline Technician Diploma Program partnership as the primary pool for co-op and apprentice candidates; graduated 40 students in 2014 and hired six from the second program cohort in May 2014
- Our Summer and Co-op Student Programs continued to be a vital part of our talent supply strategies; we hired 45 summer and 19 co-op students for a total of 64 — growing our workforce by almost 10 percent in order to provide opportunities to young workers
- Our Engineering Intern Program continued to create a talent pool with five interns receiving their P.Eng. designation for a total of 14 to date
- Our Retiree and Older Worker Engagement Strategy programs continued to be key to engaging workers and managing knowledge transfer

obaa WINNER!

CANADIAN HR Awards 2014 WINNER 2014

Our innovative apprenticeship program and partnership with Algonquin College was recognized with both an Ontario Business Achievement Award and a Canadian HR Award

And we continued to look for ways to improve our operations

As part of our commitment to efficient and effective operations, we maintained our focus on productivity and leveraging technology to enhance service.

We made a number of improvements in 2014 including implementing a technology system to streamline the capital planning process and enhance distribution system investment decisions, and redistributing and improving the scheduling and planning of work to increase the productivity of our workforce and reduce operational overtime hours. We also equipped our mobile field workers with technology to allow them to capture outage information in the field and make it available centrally to improve restoration times. Using mobile resources minimizes customer impact, reduces restore times and keeps repair costs under control. These improvements were direct contributors to the success of our capital and maintenance programs last year.

We also advanced our Facilities Rationalization Plan. The plan involves the sale of three of our existing facilities that are nearing the end of useful life and require major capital investments in the next several years, and the construction of two combined facilities in the east and south ends of the city on two properties that were acquired in 2013 – one near Hunt Club Road and Highway 417 and the other near Fallowfield Road and Highway 416. In 2014, work progressed on the procurement process for the design and build phase, and options for the disposal of existing facilities were explored. When fully implemented, the plan is expected to deliver savings of $3 million annually through a combination of cost reductions and productivity improvements. It will also enhance service through more strategically located and better-equipped facilities, and help to reduce the environmental impact of our operations.

Corporate Citizenship

Strategic Objective: We will contribute to the well-being of the community by acting at all times as a responsible and engaged corporate citizen.

At Hydro Ottawa, we seek to contribute to positive outcomes in our community and beyond.

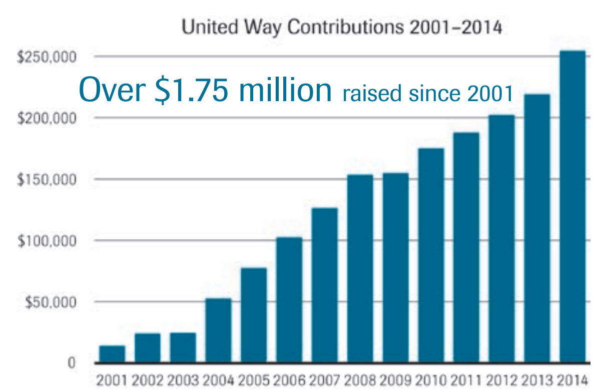
We continued to be active in our community

As a community company that delivers essential services to Ottawa residents, contributing to the well-being of our community has always been a part of Hydro Ottawa's core mandate. In 2014, we continued to be active in our community. We renewed our partnership with Christie Lake Kids (CLK) and sponsored the Hydro Ottawa Sustainable Youth Leadership Centre, which provides a unique opportunity for disadvantaged youths to learn experientially about alternative energy, while building leadership skills. We also sponsored the CLK "Skills through Activity and Recreation" (STAR) Hockey and Skating Program and established the Hydro Ottawa STAR Cup.

$170,000 in financial assistance to front-line agencies that serve people who are homeless or at risk of being homeless

Our United Way fundraising efforts raised a record $254,427 in 2014, bringing our 14-year total to more than $1.75 million. As a result of last year's efforts, we were able to provide nearly $170,000 in financial assistance through our Brighter Tomorrows Fund (our United Way corporate matching dollars) to front-line agencies that serve people who are homeless or at risk of being homeless to complete small capital projects that will improve their energy efficiency.

$254,427 raised for United Way Ottawa from employee donations and corporate matching



We educated **17,676 elementary school students** about electricity safety and conservation and were recognized with the Electrical Safety Authority, Ontario Consumer / Home Electrical Safety Award for our program

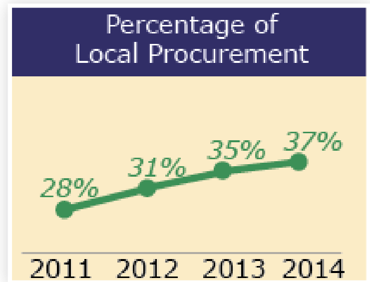
More than **1,600 students** in 71 classes from 42 schools registered for our Bright Ideas Contest. Knoxdale Public School and Katimavik Elementary School both received $1,000 to put toward classroom resources

1,700 visitors toured Hydro Ottawa's historic Generation Station No. 2 at Chaudière Falls as part of Doors Open Ottawa on June 5, 2014; we received a Silver Leaf Award of Mention from the International Association of Business Communicators for our event

More than **1,000 children** with disabilities enjoyed exclusive access to the Capital Fair, thanks to Hydro Ottawa employee volunteers

We managed our own impacts on the environment

Given the inextricable link between energy and the environment, Hydro Ottawa's approach to corporate citizenship includes a strong focus on environmental sustainability. In 2014, we continued to practice what we preach by carefully managing our own impacts on the environment. We added two flex-fuel vehicles to our fleet, maintained a high rate of non-hazardous waste diversion at over 90 percent, introduced technology for remote disconnects / reconnects as opposed to dispatching workers and vehicles, and continued to green our supply chain and procurement processes by purchasing 37 percent of our goods and services from local suppliers. We received the Canadian Electricity Association Environmental Commitment Award. And for the fourth year in a row, Hydro Ottawa was recognized as one of Canada's Greenest Employers for incorporating environmental values into our corporate culture.



Over 90% non-hazardous waste diverted from landfill

We continued to 'walk the talk' through good governance

At Hydro Ottawa, we believe that good governance is the glue that holds together responsible business practices. By making governance a core focus over the past several years, we have established leading practices for a company of our size and mandate. For that reason, in 2014 we engaged third party expertise on governance and undertook a review to ensure more efficient and cost effective governance structures and practices. Reforms were brought forward and approved by the Shareholder, including term limits for Board directors. We also trained all employees and board members on our refreshed Code of Business Conduct that provides greater clarity and guidance to employees and board members in making the right decisions. In addition, we produced our inaugural Corporate Social Responsibility Report to demonstrate our commitment and leadership in this area and share our progress with our stakeholders.

And our performance was recognized once again

NATIONAL CAPITAL REGION'S TOP EMPLOYERS 2014 LES MEILLEURS EMPLOYEURS DE LA RÉGION DE LA CAPITALE

50+ B·E·A BEST EMPLOYERS AWARD for 50-PLUS CANADIANS PRIX DU MEILLEUR EMPLOYEUR CANADIEN POUR LES 50 ANS ET PLUS

the BOBS 2014 RECIPIENT

For the sixth consecutive year

Sustainability Leader of the Year

CANADA'S TOP EMPLOYERS FOR YOUNG PEOPLE 2014

New Jersey Governor Chris Christie signed a proclamation declaring December 5, 2014 as "Canadian Utility Appreciation Day" and thanked Canadian electrical and natural gas utilities for their assistance in Super-storm Sandy recovery efforts in 2012

Management's Discussion and Analysis

The Management's Discussion and Analysis ['MD&A'] is intended to provide a narrative review of Hydro Ottawa Holding Inc.'s operational performance and financial position, and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2014. The consolidated financial statements are prepared in accordance with pre-changeover Canadian generally accepted accounting principles ['pre-changeover Canadian GAAP'], including accounting principles prescribed by the Ontario Energy Board ['OEB'] in the Accounting Procedures Handbook, and are expressed in thousands of Canadian dollars.

The MD&A contains forward-looking statements, including, but not limited to, statements as to future operating results and plans. These statements reflect management's expectations as of the date of release. The impacts of risks and uncertainties may cause actual results, performance or achievements to differ materially from those projected here.

Business of Hydro Ottawa Holding Inc.

Hydro Ottawa Holding Inc. ['Hydro Ottawa' or 'the Corporation'] was created as a result of the *Electricity Act*, *1998* ['Electricity Act'], which required all hydro utilities to operate as business corporations. It was incorporated on October 3, 2000 under the *Business Corporations Act (Ontario)* as a for-profit holding company that continues to be wholly owned by the City of Ottawa ['the Shareholder'] and is governed by an independent Board of Directors appointed by its Shareholder.

The core businesses of the Corporation are electricity distribution, renewable energy generation and related services. Hydro Ottawa owns and operates two subsidiary companies, as described below:

Hydro Ottawa Limited: The core and by far the largest business of the Corporation is the distribution of electricity, which accounts for approximately 88 percent of the Corporation's capital assets and 89 percent of revenues. Hydro Ottawa Limited is a regulated electricity local distribution company ['LDC'] that owns and operates distribution infrastructure in the City of Ottawa and the Village of Casselman. Hydro Ottawa Limited is the largest LDC in eastern Ontario and the third largest municipally owned LDC in the province of Ontario. Hydro Ottawa Limited delivers electricity reliably and safely to approximately 320,000 residential and commercial customers across a service area of approximately 1,100 square kilometres. As a condition of its distribution licence, Hydro Ottawa Limited is also required to meet conservation and demand management ['CDM'] targets established by the OEB. Hydro Ottawa Limited receives power from the provincial electricity grid and embedded generators and distributes it across a network comprising 85 distribution stations, 169 station class transformers, 2,800 kilometres of underground cable, 2,700 kilometres of overhead lines, 35,700 distribution transformers and approximately 48,000 hydro poles. Hydro Ottawa Limited added 5,000 net new customers to its distribution system in 2014, an increase of 1.6 percent.

Energy Ottawa Inc. (Energy Ottawa): A generator of renewable energy and provider of commercial energy management services, Energy Ottawa is the largest municipally owned producer of green power in Ontario. It owns and operates six run-of-the-river hydroelectric generation plants at Chaudière Falls in the City of Ottawa's core and holds interests in two landfill gas-to-energy joint ventures that convert millions of tonnes of previously flared-off methane gas into renewable energy at the Trail Road landfill site in Ottawa and the Laflèche landfill site in Moose Creek, Ontario. In total, this represents a generation capacity of more than 48 megawatts annually, which is enough to power 40,000 homes. Energy Ottawa has also embarked on a multi-year project to expand its Ontario generation facilities at Chaudière Falls with the expanded generation production capacity expected in the fourth quarter of 2017. This expansion will increase Energy Ottawa's total capacity from 48 megawatts to 68 megawatts.

Vision and Strategy

OUR VISION

Hydro Ottawa's vision is to be a leading and trusted integrated utility services Corporation. This vision is built upon the objectives that were set out for the Corporation at its inception – to increase the value of the Corporation for its Shareholder, to deliver efficient and effective service to our customers, and to grow competitive businesses that maximize the value of our existing assets and core competencies.

The goal throughout Hydro Ottawa's *2012–2016 Strategic Direction* is to move the Corporation from 'good to great', leveraging our position as a leading and trusted service provider to become one of Canada's most successful integrated utilities.

LEADING

For Hydro Ottawa, leading means consistently being among the top performers in the business in every critical area of our operations, and being regarded as a credible and trusted voice in our industry, helping to shape policy, regulatory and operational responses to the critical issues of the day.

As our industry evolves in response to customer needs and technological and policy change, our goal is to ensure Hydro Ottawa continues to be a leader in this shifting strategic context, becoming one of the most successful utility companies in Canada.

TRUSTED

Trust is fundamental to Hydro Ottawa's success; a continuing belief among our stakeholders that we will deliver on our mission, reliably, in a transparent and accountable fashion.

We are a Corporation with very deep roots in our community, established through more than 100 years of providing an essential service to homes and businesses, and we continue to be recognized as a service leader through numerous awards for our Human Resources innovation, leading safety and customer programs, corporate social responsibility, and business excellence.

In the years to come, we will continue to demonstrate that we have the strength and ability to deliver on our mandate, coupled with a commitment to transparency, accountability, and the well-being of our community.

INTEGRATED

While yesterday's most successful utilities were vertically integrated – providing generation, transmission and distribution services – a new model of integrated utility is emerging based on a well-connected value chain in 'close to the customer' utility services. These horizontally integrated utilities are leveraging the synergies between utility functions to deliver efficiencies to customers, and value to shareholders.

The distribution of utility commodities is similar, whether the commodity is electricity, water or heat. The skill sets employed to develop renewable energy facilities and install electrical infrastructure can be applied to other energy systems, such as district energy and distributed generation.

Hydro Ottawa's strategic vision involves realizing synergies and economies of scale in 'close to the customer' utility services, to create additional value for the Corporation's Shareholder, savings and enhanced service to customers.

OUR STRATEGY

The essence of Hydro Ottawa's strategy is to put the customer at the centre of everything we do. Understanding and responding to the customer's needs and expectations for service quality, cleaner energy, and greater control over the management of energy costs will be key to Hydro Ottawa's continued success in an evolving landscape. The customer value we provide up to and beyond the meter will drive all critical areas of performance - our financial strength and business growth, our operational efficiency and effectiveness, and our contributions to the well-being of our community.

To enhance our ability to respond to customer needs and expectations, and ensure long-term financial sustainability, Hydro Ottawa will also maintain a focus on strategic business growth within our core areas of strength. Our growth agenda involves three basic components:

- achieving economies of scale by expanding our electricity distribution business beyond its current service territory, and leveraging our core systems to support other utility services;
- increasing the supply of clean energy for customers and earnings for our Shareholder by expanding our renewable generation; and
- bringing innovative solutions to energy-conscious consumers and businesses by growing our energy management expertise.

Our strategy is structured around four critical areas of performance. These have driven our success to date and will continue to guide our activities throughout the current strategic plan. Hydro Ottawa refers to these as our four Key Areas of Focus, with Customer Value taking on central importance:

- Customer Value: We will deliver value across the entire customer experience;
- Financial Strength: We will create sustainable growth in our business and our earnings;
- Organizational Effectiveness: We will achieve performance excellence; and
- Corporate Citizenship: We will contribute to the well-being of the community.

Electricity Distribution — Industry Overview

THE ROLE OF THE LOCAL DISTRIBUTION COMPANY

Ontario's LDCs take power from the high-voltage transmission grid, reduce the electricity voltage to a lower level [50,000 volts and under], and provide this electricity to customers, homes, businesses, institutions and industry. They also provide energy conservation services to their customers, as a condition of their distribution licenses issued by their regulator, the OEB.

The functions carried out by Ontario's LDCs include the following:

- Plan: Review performance and trending, project consumer demand growth, develop capital and maintenance plans;
- Design: Apply standards and rigor to projects and retrofits and execute plans;
- Build: Bring the conceptual design to construction;
- Operate: 24/7 operations;
- Maintain: Manage physical assets;
- Restore: Outage management, customer communications;
- Meter: Measure the customer's consumption;
- Bill: Obtain all the usage information and send the bill to the customer;
- Settle: Act as the billing agent for other organizations in Ontario's electricity system;
- Collect: Manage payment collection;
- Conserve: Promote conservation and demand management programs; and
- Customer Care: Manage the relationship with customers.

REGULATORY ENVIRONMENT

The legal and policy framework for the Corporation's businesses is set mainly by the Government of Ontario, which passes legislation and regulations that govern the energy sector in the province. The Ministry of Energy works to develop the electricity generation, transmission and other energy related facilities in Ontario. The Ministry of Energy also has legislative responsibility for several agencies, including the Independent Electricity System Operator ['IESO'], the OEB and the Ontario Power Authority ['OPA']. The government restructured Ontario's electricity industry in 1998, which allowed utilities to provide service, build, and maintain infrastructure to meet or exceed regulated standards, while earning a regulated return on invested capital.

In April 2012, the Minister of Energy established the *Ontario Distribution Sector Review Panel* [the '2012 Panel'] to provide expert advice to the government on how to improve efficiencies in the sector, with the aim of reducing the financial cost of electricity distribution for electricity consumers. The 2012 Panel's report, *Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First*, was published in December 2012. Based on a thorough review of the sector, the Panel proposed a new model for electricity distribution in Ontario aimed at creating robust, efficient and well-resourced utilities that will reduce costs to the consumer and support continued economic growth, largely through the consolidation of LDCs into larger regional utilities.

In April 2014, the Minister of Finance announced a council to provide advice on government assets, reporting directly to the Premier. The Premier's Advisory Council on Government Assets released an initial report on November 13, 2014. The initial report supports the core conclusions of the 2012 Panel that Ontario needs a more consolidated and efficient electrical distribution system, and that barriers which impede consolidation should be reviewed.

Hydro Ottawa is well positioned to respond to opportunities involving regional consolidation where there is a clear benefit to our customers and our Shareholder.

Effective January 1, 2015, the Ministry of Energy redefined the roles of the IESO and the OPA by combining the two agencies into one agency under the IESO.

REGULATORY FRAMEWORK

Hydro Ottawa and its subsidiaries operate within the framework of the Electricity Act and the *Ontario Energy Board Act, 1998* ['OEB Act'].

The Electricity Act establishes the structure of the electricity industry and the roles and responsibilities of parties such as the IESO, Electrical Safety Authority, OPA and the Smart Meter Entity. The Electricity Act further establishes rights and obligations for distributors. For instance, distributors are obligated to connect any building that lies along their distribution systems upon request and access to its system must be non-discriminatory.

The OEB Act establishes the authority and power to approve and fix all rates for the transmission and distribution of electricity in the province. In addition to setting or approving all rates charged by Hydro Ottawa Limited, the OEB establishes standards of service and conduct that must be followed as a condition of being licensed to distribute electricity.

Hydro Ottawa Limited, as an electricity distributor, is both licensed and regulated by the OEB. Hydro Ottawa Holding Inc. and Energy Ottawa also have restrictions on business activities because they are affiliates to a distributor that is owned indirectly by a municipal corporation. Energy Ottawa and its affiliates are also licensed by the OEB as an electricity retailer and generator.

The permitted business activities of Hydro Ottawa Limited were expanded in 2009 as a result of the *Green Energy and Green Economy Act, 2009* ['Green Energy Act'] to include the ownership and operation of generation and energy storage facilities under established criteria. The Green Energy Act requires all distributors to file plans with the OEB on facilitating renewable energy generation and implementing a smart grid. It also amended the mandate of the OEB, expanding its objectives to include the promotion of CDM, facilitating the implementation of a smart grid and promoting the use and generation of electricity from renewable energy sources. On November 12, 2010, Hydro Ottawa Limited's distribution licence was revised to reflect its additional mandate to achieve CDM targets. The Corporation filed its Green Energy Act plan with its 2012 Cost-of-Service application. The Green Energy Act establishes mandatory timelines and information requirements for each step of a process established for the connection of generation facilities that sell electricity through the distribution grid. In December 2014, a new province-wide program for CDM was announced by the Ministry of Energy, which has resulted in additional amendments to Hydro Ottawa Limited's Distribution Licence regarding CDM activities and targets effective December 18, 2014.

The Ontario electricity commodity market is open to competition at both the wholesale and retail levels. Since 1999, electricity distributors have been purchasing their electricity from the wholesale market overseen by the IESO and recovering costs of electricity in accordance with procedures mandated by the OEB. At the wholesale level, generators can bid into the electricity market overseen by the IESO or enter into a contract with the OPA. At the retail level, consumers have the choice of purchasing the electricity commodity through a contract with a licensed electricity retailer or through a licensed distributor, such as Hydro Ottawa Limited, as part of a standard supply service ['SSS']. Under a SSS, the commodity is provided to customers on a pass-through basis such that commodity revenues match the cost. Residential and small commercial customers receive the SSS through a regulated price plan ['tiered'] or Time-of-Use ['TOU'], under which the OEB sets the commodity rates for the province twice per year, in May and November, based on a forecast of the commodity costs.

Differences between the forecast and actual costs are tracked by the OEB in a variance account until the balance is cleared through future regulated commodity rates. Other customers pay for the commodity based on the provincial spot market price or through the terms of a retail contract.

Regardless of whether customers have signed a contract with a retailer, or are supplied through a SSS, Hydro Ottawa Limited continues to be responsible for the delivery of the electricity through its distribution system to all customers within the licensed service area.

DETERMINING DISTRIBUTION RATES

Ontario's electricity distribution companies, such as Hydro Ottawa Limited, recover their costs from customers through electricity distribution rates, including the costs to:

- design, build and maintain overhead and underground distribution lines, poles, stations and local transformers;
- operate local distribution systems, including smart meters; and
- provide customer service and emergency response.

Before LDCs can make any changes to their rates, they are required to seek approval from the OEB through a rate application. The OEB follows a multi-year process to set electricity distribution rates. The process is designed to encourage distribution companies to maximize their efficiency while generating the revenue required to reliably deliver electricity to consumers.

In 2011, the OEB initiated a review of the 3rd Generation Incentive Regulation Mechanism ['IRM'] regulatory model for electricity distributors in Ontario, as part of a broader review of the regulatory framework for electricity in the province. Over the past five years of operating under the 3rd Generation IRM, electricity distributors have raised a number of concerns with the model, including a concern that it did not provide adequate recovery for capital expenditures in the intervening years between rebasing. On October 18, 2012, the OEB announced a new policy framework for regulation of the electricity industry in Ontario ['Renewed

Regulatory Framework for Electricity Distributors: A Performance-Based Approach']. Recognizing that the capital investment needs of LDCs vary over time, the new framework identified three rate-setting models from which LDCs will be able to choose to set their rates:

- 4th Generation Incentive Rate-setting [suitable for most distributors];
- Custom Incentive Rate-setting [suitable for those distributors with large or highly variable capital requirements]; and
- Annual Incentive Rate-setting Index [suitable for distributors with limited incremental capital requirements].

The OEB believes these models will provide choices suitable for distributors with varying capital requirements, addressing the issues raised by electricity distributors regarding recovery of capital expenditures, while allowing greater focus by the electricity distributors on customer value and service. During 2013, the details of each of the regulatory models was developed with input from working groups comprised of electricity distributor staff, ratepayer groups and OEB staff. In November 2013, the OEB issued its final report on the details of the 4th Generation Incentive Rate-setting and the Annual Incentive Rate-setting Index models. Hydro Ottawa was actively engaged in the policy-making process through working groups and in other ways, which influenced the final design of these models. Electricity distributors can file applications under one of the three new models for 2015 rates.

Hydro Ottawa's rates for 2014 and 2015 were established by using the 4th Generation Incentive rate-setting model. Under this method, Hydro Ottawa's rates were adjusted by 1.4 and 1.3 percent, commencing on January 1, 2014 and January 1, 2015, respectively. These inflationary adjustments were determined by the OEB as appropriate for electricity distributors.

Hydro Ottawa is planning to file a Custom Incentive Rate-setting application with the OEB in early 2015 for rates for the period January 1, 2016 through December 31, 2020. Hydro Ottawa's plan to file a Custom Incentive Rate-setting application is based upon Hydro Ottawa's need for large capital requirements during that period. The OEB will hold an open and transparent hearing process throughout 2015 and Hydro Ottawa expects to receive the OEB's decision on this application in the 4th quarter of 2015.

Costs and rates vary from distributor to distributor depending on factors such as the age and condition of assets, geographic terrain and distance, and population density and growth. The proportion of residential to commercial and industrial consumers can also contribute to cost differences between distribution companies. Electricity bills include charges for the commodity, wholesale market services, transmission services, distribution services, debt retirement, and harmonized sales tax. Revenues from all of these charges, except distribution services, are collected from customers on a pass-through basis. Any differences between costs and revenues collected for these pass-through charges are tracked as a regulatory asset or liability, to be cleared through rates in a subsequent period. Distribution services revenue, which represents only about 20 percent of the bill, is the only amount retained by the LDC. The OEB-approved distribution rates include a fixed charge and a variable charge based on electricity consumption or peak demand. Each year the OEB compares the operating costs per customer of all Ontario distributors. In August 2014, the OEB issued the 2013 Yearbook of Electricity Distributors, Hydro Ottawa ranked in the top quartile of distributors in terms of lowest costs per customer [15th out of 73 electricity distributors].

Hydro Ottawa Holding Inc.

Selected Consolidated Financial Results

The selected consolidated financial results of the Corporation presented below should be viewed in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

CONSOLIDATED STATEMENT OF INCOME (SUMMARY)

(in thousands of Canadian dollars)	2014	2013	Change
Revenue			
Power recovery	799,272	768,079	31,193
Distribution sales and other revenue	213,077	208,288	4,789
	1,012,349	976,367	35,982
Expenses			
Purchased power	795,703	765,151	30,552
Operating costs	123,258	114,291	8,967
	918,961	879,442	39,519
EBITDA	93,388	96,925	(3,537)
Depreciation and amortization	39,629	40,322	(693)
Impairment charges	4,023	–	4,023
Financing costs	17,401	14,645	2,756
Payments in lieu of corporate income taxes	1,812	9,410	(7,598)
	62,865	64,377	(1,512)
Non-controlling interest	(205)	(406)	201
Net income and comprehensive income	30,318	32,142	(1,824)

Net income decreased by approximately $1.8 million [6 percent] in 2014. The decrease is largely attributable to $4.0 million of impairment charges recognized as a result of Hydro Ottawa's decision to proceed with a significant expansion of generation assets at Chaudière Falls as noted below under impairment charges. Hydro Ottawa also realized increases in operating costs as a result of inflationary and contractual increases such as compensation along with new operational initiatives. Rising operational costs were partially offset by modest increases in distribution and other revenue, along with a reduction in taxes precipitated by the accelerated write-off of the new Customer Care and Billing System ['CC&B'] that was implemented during the year.

REVENUE

Revenue is earned from electricity distribution, sales of generated power, energy management services, the CDM programs and sundry activities. In 2014, Hydro Ottawa's total revenue exceeded $1.0 billion, an increase of $36.0 million [4 percent].

The largest component in Hydro Ottawa's total revenue is the cost of power recovered from the customer through provincially established rates. The cost of power is a flow-through amount, which poses limited risk to Hydro Ottawa's financial performance either positively or negatively. Hydro Ottawa Limited's power recovery increased by $31.2 million [4 percent], mainly due to increases in commodity and global adjustment rates included in purchased power costs.

Revenue, excluding power recovery, increased $4.8 million [2 percent] from 2013. Electricity distribution revenue is reflective of OEB approved distribution rates and the amount of electricity consumed. Revenue from distribution sales increased $4.2 million [3 percent] from 2013 due to customer growth and a modest increase in rates established by means of the 4th Generation Incentive rate-setting index. While Hydro Ottawa once again saw a rise in recoveries of $3.6 million stemming from its CDM programs, revenues from sundry activities decreased by $3.1 million as a result of significant revenue earned from a large recoverable work contract in 2013. Energy Ottawa's electricity generation revenues remained strong and would have surpassed 2013 had it not been for the required shutdown of generating assets for repairs to the Bronson bulkhead. Generation revenues would have been approximately $1.9 million higher if this shutdown had not been required, however Energy Ottawa's commercial energy management services experienced increased activity which more than made up for the generation shortfall.

EXPENSES

Purchased power costs represent the cost of electricity delivered to customers within Hydro Ottawa Limited's distribution service territory. These costs consist of the commodity, wholesale market service charges, transmission charges and the global adjustment levied by the IESO, net of energy generated by Energy Ottawa and supplied to Hydro Ottawa Limited as an embedded generator within Hydro Ottawa Limited's service territory. The cost of purchased power increased by $30.6 million [4 percent], mainly due to increased commodity and global adjustment rates. The global adjustment accounts for differences between the market price and the rates paid to regulated and contracted generators and for CDM programs. When the spot market price of electricity is lower, the global adjustment is higher in order to cover the additional costs of energy contracts and other regulated generation.

Operating costs in the current year of $123.3 million increased by $9.0 million over 2013 due in part to negotiated and inflationary compensation costs, which have increased over the prior year by approximately $2.3 million [3 percent], and a $4.2 million increase in maintenance and other operating and administrative costs. The increase in maintenance expenses is largely due to a storm-hardening project initiated in 2014 across Hydro Ottawa's service territory to ensure adequate tree clearance from overhead power lines as well as costs incurred to repair damages caused by the September 5, 2014 windstorm that left 17,000 customers without power. The CDM programs' costs have also increased over the prior year by $3.9 million offset by corresponding increased revenues.

DEPRECIATION AND AMORTIZATION

Depreciation on Hydro Ottawa's property, plant and equipment increased slightly in 2014 by $1.2 million primarily due to the ongoing investment in the Corporation's electricity distribution infrastructure. Conversely, amortization expense on the Corporation's intangible assets decreased by $1.9 million as Hydro Ottawa's previous billing system became fully amortized at the end of 2013 and was replaced in March 2014 with the upgraded CC&B system.

IMPAIRMENT CHARGES

On February 7, 2014, Energy Ottawa's subsidiary Chaudiere Hydro L.P. was granted a forty year Hydroelectric Standard Offer Program—Municipal Stream Contract ['HESOP Contract'] by the OPA to produce renewable waterpower. With the HESOP Contract and approval of the Board, the Corporation embarked on a multi-year project to expand its Ontario generation facilities at Chaudière Falls increasing its total capacity by 20 megawatts. The anticipated commercial operation date is in the fourth quarter of 2017. Chaudiere Hydro L.P. must permanently decommission the two Ontario generating stations at Chaudière Falls in July of 2015 to allow for the construction of the new hydroelectric generation facility. Consequently, the Corporation has recorded an impairment charge of $4.0 million, of which $2.8 million relates to generating plants and equipment while the remaining $1.2 million pertains to the power purchase agreement with Hydro Québec, as the new facility will operate under the new HESOP Contract instead.

FINANCING COSTS

Financing costs have increased in the current year as a result of the issuance of new senior unsecured debentures in the amount of $150 million, which occurred in May 2013.

PAYMENTS IN LIEU OF CORPORATE TAXES ['PILS']

The Corporation's effective tax rate decreased from 22.4 percent in 2013 to 5.6 percent in 2014. The year-over-year decrease is a result of impacts of permanent and temporary differences between the accounting and tax basis of assets and liabilities. Specifically, Hydro Ottawa Limited's CC&B system, which went live in 2014, is amortized at an accelerated rate for tax purposes and has resulted in a significant reduction in current taxes. As the Corporation is able to recover future PILs through annual distribution rate adjustments as approved by the OEB, it records liabilities and assets for the amounts of future taxes expected to be refunded to (or recovered from) customers in future rates. For additional details regarding PILs see Notes 2(f)(iv) and 21 to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET (SUMMARY)

(in thousands of Canadian dollars)	2014	2013	Change
Current assets	160,571	183,697	(23,126)
Non-current assets	899,722	824,859	74,863
Total assets	1,060,293	1,008,556	51,737
Current liabilities	193,746	162,239	31,507
Non-current liabilities	468,476	462,164	6,312
Total liabilities	662,222	624,403	37,819
Shareholder's equity	398,071	384,153	13,918
Liabilities and shareholder's equity	1,060,293	1,008,556	51,737

ASSETS

Total assets increased by approximately $51.7 million during the year. This increase is largely attributable to property, plant and equipment and intangible assets, which have increased by $75.4 million. This is a result of our continuing investment in electrical distribution and generation infrastructure. Offsetting this increase is a $24.7 million decrease in unbilled revenue stemming from Hydro Ottawa's transition to a monthly billing cycle during the year for its residential and small commercial customers. The move to a monthly billing cycle coincided with Hydro Ottawa's CC&B system upgrade.

LIABILITIES

Total liabilities increased by $37.8 million in 2014. Increases were highlighted by a $22.6 million rise in purchased power payable, a $7.1 million increase in the Corporation's bank indebtedness, and $15.7 million in capital contribution obligations recognized during the year. While the purchased power payable coincides with the increased expense and related global adjustment costs during the year, the capital contribution obligations arose based on a true up of Hydro Ottawa Limited's Connection and Cost Recovery Agreements with Hydro One Networks Inc. As the initial load forecasts under these agreements were higher than the actual and revised load forecasts, Hydro Ottawa is now obligated to make up the $15.7 million shortfall.

STATEMENT OF CASH FLOWS (SUMMARY)

(in thousands of Canadian dollars)	2014	2013	Change
Bank indebtedness, beginning of year	(8,853)	(77,357)	68,504
Cash provided by Operating Activities	108,614	49,430	59,184
Cash used in Investing Activities	(101,145)	(112,184)	11,039
Cash (used in) provided by Financing Activities	(14,571)	131,258	(145,829)
Bank indebtedness, end of year	(15,955)	(8,853)	(7,102)

CASH PROVIDED BY OPERATING ACTIVITIES

Cash generated by operating activities grew by $59.2 million in 2014. The majority of this increase relates to positive fluctuations within working capital, namely a $41.4 million increase in cash as a result of the transition to monthly billing, and a $21.8 million upswing in cash from accounts payable and accrued liabilities as a result of the elevated amount of purchased power payable at year end.

CASH USED IN INVESTING ACTIVITIES

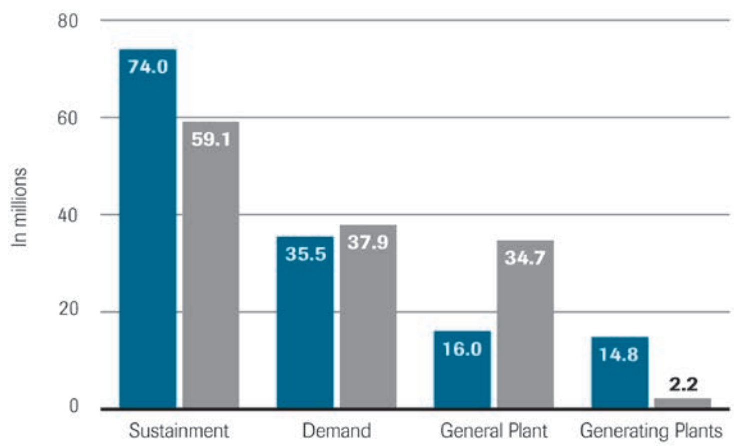
The total 2014 investment in property, plant and equipment and intangible assets, net of contributed capital is approximately $121 million [$101 million – net of non-cash transactions such as capital purchases included in accounts payable and accrued liabilities and proceeds from disposal]. Refer to the capital expenditures section below for additional information.

CASH PROVIDED BY FINANCING ACTIVITIES

Dividends were paid to the Shareholder in 2014 in accordance with the approved dividend policy. The 2014 payment totaled $19.3 million based on 2013 results, and the 2013 payment totaled $18.6 million based on 2012 results. Moreover, the prior year cash flows included a $150 million bond issuance, which occurred in May of 2013.

CAPITAL EXPENDITURES

Investment in the Hydro Ottawa Limited electricity distribution system continues to be robust. Hydro Ottawa invested heavily in its distribution system and aging infrastructure again in 2014. The gross capital expenditures were $140.4 million in 2014, offset by capital contributions; this amounted to $121.2 million, an increase of $9.5 million or 9 percent over the prior year. The following chart shows Hydro Ottawa's capital investments by category for both 2014 and 2013:



Capital investments in 2014 included approximately $74 million on sustainment capital to replace aging infrastructure and to modify the existing distribution system; $36 million on demand projects [offset by contributed capital of $19 million], which includes third-party driven growth projects such as new residential or commercial installations, and municipal improvement projects including the City of Ottawa's Light Rail Transit project; $16 million on general plant including Information Technology infrastructure, fleet, and other sundry items; and $15 million in generating plants, which includes preliminary work for the expansion at Chaudière Falls.

In 2014, 1,057 new poles, 374 overhead transformers, and 209 km of overhead cables were installed. Over 210 demand capital projects were initiated, including the addition of 4,310 new residential and 713 new commercial connections.

General plant was significantly higher in the previous year as it contained the bulk of Hydro Ottawa's new CC&B system costs, while generating plants increased this year as a result of the Bronson bulkhead construction costs and the start of the expansion at Chaudière Falls.

SUBSEQUENT EVENT

Subsequent to year end, on February 2, 2015, the Corporation completed a dual tranche debt offering consisting of $200 million, 2.614%, 10 year and $175 million, 3.639%, 30 year senior unsecured debentures. The proceeds were used to refinance the Corporation's $200 million Series 2005-1 debentures maturing on February 9, 2015 and indebtedness under its credit facility, as well as for general corporate purposes including capital expenditure requirements.

On March 23, 2015, the Corporation, through its subsidiary Energy Ottawa, entered into a share and unit purchase agreement to acquire a variety of generation-related entities. The agreement includes numerous closing conditions which can have a material impact on the total purchase price. Hence, the value of the purchase commitment is not determinable at this time. The closing of this transaction is currently expected to occur in the second quarter of 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary sources of liquidity and capital resources are derived from operating activities, banking facilities, and proceeds from bond issuances as and when required. Liquidity and capital resource requirements are primarily for capital expenditures to maintain the Hydro Ottawa Limited electricity distribution system, cost of power, interest expense and prudential requirements.

On July 21, 2014, the Corporation renewed its credit facility for $336 million. The Corporation may use up to $75 million of the facility for general operating requirements and annual capital expenditures. A $100 million three-year revolving credit line remains available for larger capital expenditures and acquisitions. To ensure appropriate liquidity, an additional $150 million one-year credit line was also placed. Capital expenditure requirements in excess of this, if any, will be funded through future bond issuances.

As at December 31, 2014, the Corporation had drawn $9.3 million in standby letters of credit and $37 million in short-term borrowings against its credit facility. The remaining facility is adequate to support the short-term working capital deficit experienced each month to settle the IESO costs of power invoice in advance of receiving payment from customers.

The Corporation's bonds carry covenants normally associated with this type of debt [see Notes 15 and 16 of the consolidated financial statements for further details]. The Corporation is in compliance with these covenants as at December 31, 2014.

For additional details regarding the Corporation's sources of liquidity and capital resources, see Notes 9, 15 and 19(b) to the consolidated financial statements.

CREDIT RATINGS

Both Standard & Poor's Rating Services Inc. and Dominion Bond Rating Service Inc. reaffirmed Hydro Ottawa's rating at 'A' with a stable trend noting the Corporation's strong competitive position and a recession resistant customer base promoting an excellent business risk profile. Hydro Ottawa's strong credit rating over the past several years is a direct result of its conservative financial policies, strong operational performance and low business risk.

ACCOUNTING ESTIMATES AND POLICIES

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of consolidated financial statements, in conformity with pre-changeover Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of consolidated revenues, expenses, assets, liabilities, and the disclosure of commitments and contingencies as of the date of the consolidated financial statements.

These estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Because they involve varying degrees of judgment and uncertainty, the amounts currently reported in the financial statements could prove to be inaccurate in the future.

The following accounting estimates require management's judgments and assumptions in preparing financial statements and, as such, are considered to be critical. References to the associated note in the consolidated financial statements are provided in brackets:

- Useful lives of property, plant and equipment and intangible assets [Note 2(j) and (k)]
- Unbilled revenue [Note 2(g)(iii)]
- Regulatory assets and liabilities [Note 6]
- Capital contribution obligations [Note 13]
- Employee future benefits [Note 14]
- Payments in lieu of corporate income taxes [Note 21]
- Allowance for doubtful accounts [Note 19(b)(ii)]
- Contingent liabilities [Note 22]

FUTURE CHANGES IN ACCOUNTING POLICIES

On February 13, 2008, the Canadian Accounting Standards Board ['AcSB'] confirmed that publicly accountable enterprises ['PAEs'] would be required to transition to International Financial Reporting Standards ['IFRS'] effective January 1, 2011. While the Corporation is not a PAE, it is a Government Business Enterprise given its status as a municipally owned utility, and such enterprises are required to follow the same basis of accounting as PAEs.

On the original transition date, IFRS did not contain a standard governing rate-regulated activities ['RRA']. Due to the significance of this issue in Canada, the AcSB postponed the original IFRS transition date to January 1, 2015 for qualifying entities with RRA pending the completion of an interim standard by the International Accounting Standards Board ['IASB']. Until January 1, 2015, qualifying entities are permitted to continue reporting under pre-changeover Canadian GAAP.

On January 30, 2014, the IASB issued interim standard IFRS 14 - Regulatory Deferred Accounts ['IFRS 14'] which permits rate-regulated entities that have not yet transitioned to IFRS to use its existing RRA practices. This standard becomes effective January 1, 2016 with early adoption permitted. The Corporation adopted IFRS and early adopted IFRS 14 on January 1, 2015. The Corporation has assessed the implications of adopting IFRS and is currently reviewing its impact on the financial reporting.

CRITICAL NON-CAPITAL RESOURCES AND INTERNAL PROCESSES

CRITICAL NON-CAPITAL RESOURCES

The Corporation employs over 650 people with Hydro Ottawa Limited accounting for over 90 percent of this workforce.

Over 40 percent of Hydro Ottawa's workforce become eligible to retire by 2023, of which, almost 60 percent are skilled workers in trades or technical professions; the other 40 percent are management, administrative, professional, and clerical employees. This reflects a broader trend of workforce demographics seen by utilities in Ontario and across Canada.

In planning for these retirements, Hydro Ottawa has put in place a comprehensive and integrated talent management strategy to ensure a sustainable and prepared workforce. This includes:

- Extensive in-house apprenticeship programs, and an engineering intern training and development program, to ensure the availability of qualified journeypersons and professional engineers;
- A succession planning and management program and training and development program to ensure that there are qualified employees in the talent pipeline for key positions;
- A proactive approach to knowledge management and knowledge transfer for key positions, including an older worker and retiree engagement strategy so that work is seamlessly transitioned from our veteran workforce to the next generations;
- A Diversity Plan to create and support a talented workforce that is reflective of the diversity in the communities we serve; and
- Partnerships with industry and educational institutions to support the implementation of the talent management strategy. These include, most notably, collaborations with Algonquin College to deliver the College's new Powerline Technician diploma program, and with Carleton University's Sustainable and Renewable Energy Engineering Department for the establishment of a smart grid laboratory to foster innovative research on electrical power systems and promote the training of engineers in the smart grid environment.

The Corporation provides a defined benefit pension plan for the majority of its employees, through the Ontario Municipal Employees Retirement System ['OMERS']. As a result of the acquisition of assets from Domtar Inc. on November 20, 2012, the Corporation established a defined benefit pension plan for approximately 20 employees who were previously employed by Domtar Inc. A Retirement Committee undertakes the management, operation and administration of this pension plan; this Committee through the Governance and Management Resources Committee reports to the Hydro Ottawa Holding Inc. Board of Directors.

INTERNAL PROCESSES

Various technologies and processes have been introduced to enhance sustainability and better manage electrical distribution assets and improve customer service, including increasing the automation and reliability of the network through faster restoration times. Hydro Ottawa believes a commitment to sustainability is important not only because it benefits the environment, but also because it improves the Corporation's business.

In 2014, the Corporation continued to focus on leveraging customer access to their account information through customer self-serve options. These options result in improved customer satisfaction, fewer complaints and improved efficiencies. As of December 31, 2014, over 122,000 customers [38 percent of all customers] had subscribed to MyHydroLink, a web-based customer portal that provides a number of self-service options. Almost 86,000 customers have also opted to receive their Hydro Ottawa bill electronically, and over 66,000 customers have subscribed to an automated payment process that is more convenient for them and more efficient for the utility. Customer use of Hydro Ottawa's mobile web offering continued to increase in popularity in 2014. This mobile service features many customer account information options along with access to Hydro Ottawa's award winning Outage Communications system. Hydro Ottawa Mobile is available to customers with a smart phone such as an iPhone, Android device or Blackberry.

In 2014, Hydro Ottawa continued to deploy a Remote Disconnect/Reconnect feature that allows electrical service to be interrupted and restored to a customer's premises remotely by Hydro Ottawa staff. This allows Hydro Ottawa to restore service to customers more quickly and reduce the number of truck-rolls required to respond to non-payment situations. Over 11,000 meters are now equipped with this feature.

A key and very notable upgrade to Hydro Ottawa's customer information and billing system was completed and deployed on March 6, 2014. In conjunction with this upgrade, Hydro Ottawa converted all residential and small commercial customers to a monthly billing cycle, in place of the bi-monthly cycle. Coincidentally, on February 5, 2015, the OEB issued proposed amendments to the Distribution System Code, which would require every electricity distributor in Ontario to bill its residential and small commercial customers on a monthly basis no later than January 1, 2017. Hydro Ottawa is therefore already fully compliant with the new proposed rules on monthly billing.

Hydro Ottawa Limited also continues to maintain certification to several international standards, including ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System. The certifications for the latter two management systems have been extended to Energy Ottawa generation facilities and business operations in 2014. Internal and external third-party audits are conducted annually to confirm and maintain certification and to attain re-registration as required by the standards.

The Corporation continues to place a significant emphasis on cost containment and productivity improvements in order to enhance financial strength and operational performance. The OEB sets productivity improvement targets for electricity distributors as part of its Incentive Regulation Mechanism, and the Corporation pursues corporate-wide efficiencies in addition to those targets. These initiatives include the deployment of an Asset Optimization Tool in 2014 and a Mobile Workforce Management Tool for 2015. Also in 2014, Hydro Ottawa established a productivity team to develop corporate productivity scorecard measures and we have begun monitoring and reporting progress quarterly.

Lastly, as part of a broader corporate strategy, Hydro Ottawa is focused on the need to yield productivity benefits through consolidation of work, rationalization of headcount for redeployment to trades hiring, and ongoing evaluation of possibilities to outsource work that is not considered to be a core or valued-added aspect of service delivery.

RISKS AND UNCERTAINTIES

The ability to manage and mitigate risk, to maintain flexibility, and to respond effectively to changes in our business environment is critical to the Corporation's continued success.

The Corporation's Enterprise Risk Management system establishes the infrastructure to allow the Corporation to predict and respond to risks and opportunities impacting our strategic direction and business activities and to do so in an effective, consistent and integrated manner. An annual business planning cycle enables continuous review of assumptions and the state of the market in which the Corporation operates.

Hydro Ottawa continues to monitor and manage traditional risks and sources of risk that are structural to the industry and the regulated environment. These include but are not restricted to: the weather; the policy and regulatory environment; the state of the economy and macro-economic trends; government policies relating to the production and procurement of renewable and clean energy as well as carbon emissions and conservation; the convergence of information technology and operational technology; labour force demographics, with a particular emphasis on the renewal of human resources in the trades; and the impact of fiscal policies on customers. In combination, these sources of risk have the power to determine the evolution of the industry, which could in turn present new and emerging risks that need to be managed effectively.

POLICY AND REGULATORY ENVIRONMENT

Hydro Ottawa's businesses operate in a regulated environment. Business performance could be adversely affected by significant policy and regulatory changes, including but not limited to changes in rate regulation, policies relating to the production, procurement, pricing or sale of renewable and clean energy, carbon emissions, CDM, the consolidation of electrical utilities, or restrictions on utility service provision.

The OEB approves local electricity distribution rates based on projected load growth and consumption levels. Hydro Ottawa Limited will be seeking OEB approval for a rebasing of its distribution rates for the 2016-2020 timeframe. The proposed new rates are premised upon forecasts of peak demand for electricity ['load'] and energy consumption. If regulatory approval is not forthcoming to the implementation of the projected rates, the Corporation's capacity to maintain and operate the electrical distribution system reliably and safely, retain customer satisfaction and invest in its distribution infrastructure could be affected, along with its net income. Financial results may also be affected if actual loads and energy consumption are not in keeping with forecast.

In the province of Ontario, prolonged uncertainty in policy direction on the consolidation and integration of local distribution companies could affect opportunities for growth.

AGING DISTRIBUTION INFRASTRUCTURE

Hydro Ottawa has developed a long-term Asset Management Plan to phase in the investments required to replace its aging distribution infrastructure, and maintain high standards of reliability and operability, while keeping pace with the growth of its service territory. Aging electricity assets pose a dual risk to LDCs. Apart from being more prone to failure [during extreme weather events, for example], they make restoration of the distribution system more complex and financially onerous.

As a member of the Municipal Electric Association Reciprocal Insurance Exchange, the Corporation is liable for additional assessments if premiums and reserves are not sufficient to cover costs such as claims. The Corporation is exposed to the claims risk of all members of this exchange.

ECONOMY

The state of the local and national economy could have a significant impact on the Corporation's business performance, through factors such as interest rates, inflation, customer credit risk, weakening demand for electricity and/or value-added services, and availability of market capital to fund growth. The economic climate could also have an effect on the stability and performance of some of Hydro Ottawa's key business partners.

CREDIT RATINGS

Significant future changes in macro-economic policy direction and emerging business or financial risks could affect the Corporation's existing credit rating of A/Stable.

DEPENDENCE ON PARTNERS

Current and future growth opportunities may depend upon the presence of willing partners, capable of performing to long-term expectations. The absence of municipalities willing to partner on utility service delivery, or of willing partners for mergers and acquisitions, or the underperformance of key business partners, could have a negative impact on Hydro Ottawa's ability to meet its growth objectives.

PENSION PLANS

The Corporation provides a defined benefit pension plan for the majority of its employees, through the OMERS. As OMERS is a multi-employer, contributory, defined benefit pension plan, it is not practicable to determine the Corporation's portion of pension obligations or the fair value of plan assets. OMERS' future funding shortfalls and net losses, if any, may entail contribution increases from both members and employers.

Hydro Ottawa has established a defined benefit pension plan for employees of Chaudiere Hydro L.P. and participating employers, with appropriate financial and investment procedures and oversight, as required by law. Pension benefit obligations and related net pension cost can be affected by volatility in the global financial and capital markets. There is no assurance that pension plan assets will earn the assumed long-term rates of return. Market-driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets.

TECHNOLOGY INFRASTRUCTURE

The Corporation's business performance is dependent upon complex technology systems, including customer information and billing systems, advanced metering, and operational technologies such as geographic information systems, system control and outage management systems. Increasing automation, the integration of systems, and extensive use of common technology in facilitating such integration and connectivity present emerging risks that the Corporation must manage effectively. The failure of one or more of these key systems, or a failure of the Corporation to plan effectively for future technology needs or transition effectively to new technology systems could adversely impact the Corporation's business operations.

CYBER SECURITY

The Corporation's reliance on information systems and expanded data transmission and exchange networks, in conjunction with the growing extent of systems and data integration within the electricity sector, increases its exposure to information security threats, including cyber security risks. A security breach, data corruption or system failure at a shared resource or common service provider, could put Hydro Ottawa's information systems and information assets at risk.

TIME-OF-USE TECHNOLOGY

Given the number of devices, systems and web interfaces involved in the smart meter – TOU billing process, as well as the number of external and internal service providers engaged, risks arising from the reliability and performance of any single component of this integrated network or of the system as a whole could lead to a disruption of the meter-to-cash cycle.

CUSTOMER, MEDIA PERCEPTIONS

Electrical utilities across Ontario are confronted with risks arising from negative customer and media perceptions. These risks might become more prominent in the context of Hydro Ottawa's application to the OEB for a rebasing of its rates for the years 2016-2020.

LABOUR FORCE DEMOGRAPHICS

Across the electricity sector, retirements are outpacing new entrants to the workforce, which could have an adverse impact on the ability of the Corporation to build a sustainable workforce and achieve its business objectives. Hydro Ottawa's investments in apprenticeships, internships, diversity, succession planning and retiree and older worker engagement programs are designed to manage risks relating to workforce demographics.

WEATHER

Severe weather can significantly impact financial results. Storms increase capital and maintenance costs to repair or replace damaged equipment and infrastructure, to ensure the continuing reliability of the electricity distribution system. Weather fluctuations also influence distribution revenues, which tend to increase with severe weather and decrease with moderate weather, and renewable energy production, which depends upon factors such as water flows [hydroelectric], and sun [solar].

OUTLOOK

Subject to the risks and uncertainties discussed in this document, Hydro Ottawa will continue to provide efficient, reliable electricity distribution services to customers at a competitive cost, generate green power, and provide energy services and conservation expertise while maintaining sustainable earnings. The Corporation will achieve this by continuing to invest in core distribution assets, improving productivity and pursuing business growth opportunities that leverage corporate strengths.

The Corporation also continues to actively pursue opportunities for expansion in non-regulated business lines in accordance with the endorsed strategy, as evidenced by the attainment of a long-term power purchase agreement and the upcoming expansion of generation facilities at Chaudière Falls.

Consolidated Financial Statements

December 31, 2014

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Report of Management

Management is responsible for the integrity of the financial data reported by Hydro Ottawa Holding Inc. ['the Corporation']. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements using management's best judgment and estimates in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists of outside directors and, at regular meetings, reviews audit, internal control and financial reporting matters with management and external auditors. The Audit Committee has reviewed the consolidated financial statements and submitted its report to the Board of Directors.

On behalf of Management,

Bryce Conrad
President and Chief Executive Officer

Geoff Simpson
Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Hydro Ottawa Holding Inc.

We have audited the accompanying consolidated financial statements of **Hydro Ottawa Holding Inc.**, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income, comprehensive income and retained earnings, and cash flows for the year then ended, and 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 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 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 the auditors' 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, the auditors 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.

EY

A member firm of Ernst & Young Global Limited

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 consolidated financial statements present fairly, in all material respects, the financial position of **Hydro Ottawa Holding Inc.** as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Ottawa, Canada,
April 23, 2015

Chartered Professional Accountants
Licensed Public Accountants

Hydro Ottawa Holding Inc.

Consolidated Statement of Income, Comprehensive Income and Retained Earnings
Year ended December 31
[in thousands of Canadian dollars]

	2014	2013
Revenue		
Power recovery [Note 24]	**$ 799,272**	$ 768,079
Distribution sales [Note 24]	**156,616**	152,392
Generation revenue	**19,617**	21,047
Other revenue [Note 24]	**36,844**	34,849
	1,012,349	976,367
Expenses		
Purchased power	**795,703**	765,151
Operating costs [Note 24]	**123,258**	114,291
Depreciation	**33,120**	31,891
Amortization	**6,509**	8,431
	958,590	919,764
Income before other expenses and payments in lieu of corporate income taxes	**53,759**	56,603
Financing costs [Note 20]	**17,401**	14,645
Impairment charges [Notes 7 and 8]	**4,023**	-
	21,424	14,645
Income before payments in lieu of corporate income taxes	**32,335**	41,958
Payments in lieu of corporate income taxes [Note 21]	**1,812**	9,410
Net income and comprehensive income	**30,523**	32,548
Attributable to non-controlling interest [Note 18]	**205**	406
Attributable to equity shareholder	**30,318**	32,142
Retained earnings, beginning of year	**153,273**	138,242
Dividends declared and paid [Note 17]	**(19,300)**	(18,600)
Recovery of refundable dividend taxes paid [Note 17]	**-**	1,489
Retained earnings, end of year	**$ 164,291**	$ 153,273

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

HydroOttawa
Holding Inc.

Hydro Ottawa Holding Inc.

Consolidated Balance Sheet
As at December 31
[in thousands of Canadian dollars]

	2014	2013
Assets		
Current assets		
Accounts receivable [Notes 4 and 24]	**$ 72,390**	$ 70,826
Payments in lieu of corporate income taxes receivable	**4,298**	2,372
Unbilled revenue [Note 5]	**81,806**	106,551
Prepaid expenses	**1,031**	3,099
Regulatory assets [Note 6]	**31**	31
Future income tax assets [Note 21]	**1,015**	818
	160,571	183,697
Non-current assets		
Regulatory assets [Note 6]	**20,592**	12,441
Property, plant and equipment [Note 7]	**780,397**	725,493
Intangible assets [Note 8]	**86,802**	66,289
Future income tax assets [Note 21]	**11,103**	19,947
Retirement benefit asset [Note 14]	**828**	689
Total assets	**1,060,293**	1,008,556
Liabilities and shareholder's equity		
Current liabilities		
Bank indebtedness [Note 9]	**15,955**	8,853
Accounts payable and accrued liabilities [Notes 10 and 24]	**175,850**	132,898
Payments in lieu of corporate income taxes payable	**1**	157
Regulatory liabilities [Note 6]	**-**	19,173
Notes payable [Note 15]	**925**	340
Regulatory liability for future income tax assets [Note 21]	**1,015**	818
	193,746	162,239
Non-current liabilities		
Regulatory liabilities [Note 6]	**22,141**	12,915
Regulatory liability for future income tax assets [Note 21]	**11,055**	19,893
Employee future benefits [Note 14]	**10,419**	9,065
Notes payable [Note 15]	**403,208**	400,413
Future income tax liabilities [Note 21]	**6,800**	6,464
Customer deposits	**12,459**	13,085
Other liabilities [Note 11]	**2,394**	329
	662,222	624,403
Shareholder's equity		
Share capital [Note 17]	**228,453**	228,453
Retained earnings	**164,291**	153,273
Non-controlling interest [Note 18]	**5,327**	2,427
	398,071	384,153
Total liabilities and shareholder's equity	**$ 1,060,293**	$ 1,008,556

Contingent liabilities and commitments [Notes 22 and 23]

ON BEHALF OF THE BOARD:

Director

Director

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

Hydro Ottawa Holding Inc.

Consolidated Statement of Cash Flows
Year ended December 31
[in thousands of Canadian dollars]

	2014	2013
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income and comprehensive income	**$ 30,523**	$ 32,548
Items not affecting cash		
Depreciation	**33,120**	31,891
Amortization	**6,509**	8,431
Loss on disposal of capital assets [Notes 7 and 8]	**2,108**	1,083
Allowance for funds used during construction [Notes 7 and 8]	**(1,857)**	(2,411)
Future payments in lieu of corporate income taxes	**342**	1,288
Amortization of debt-issuance costs	**245**	237
Employee future benefits [Notes 6 and 14]	**77**	107
Change in retirement benefit asset [Note 14]	**(139)**	(215)
Impairment charges [Note 7]	**4,023**	-
Changes in non-cash working capital and other operating balances		
(Increase) decrease in accounts receivable [Note 7]	**(1,511)**	5,132
Decrease (increase) in unbilled revenue	**24,745**	(16,616)
Decrease (increase) in prepaid expenses	**2,068**	(446)
Increase in other liabilities [Note 11]	**2,169**	-
Increase in regulatory assets, net of liabilities [Notes 6 and 14]	**(16,775)**	(14,949)
Increase in accounts payable and accrued liabilities [Notes 7, 8 and 14]	**25,049**	3,296
(Increase) decrease in payments in lieu of corporate income tax balances [Note 17]	**(2,082)**	54
	108,614	49,430
Investing		
Acquisition of property, plant and equipment [Note 7]	**(114,284)**	(112,299)
Acquisition of intangible assets [Note 8]	**(11,484)**	(23,069)
Proceeds from disposal of property, plant and equipment and contribution rebates [Note 8]	**998**	1,765
Contributions in aid of construction [Note 7]	**23,625**	21,419
	(101,145)	(112,184)
Financing		
Proceeds from bond issuance, net of debt-issuance costs [Note 15]	**-**	148,857
Issuance of notes payable [Note 15]	**3,295**	-
(Decrease) increase in customer deposits [Notes 10 and 11]	**(1,090)**	435
Dividends paid [Note 17]	**(19,300)**	(18,600)
Repayment of notes payable [Note 15]	**(160)**	(420)
Repayable grant [Note 7]	**(10)**	(12)
Contributed capital from non-controlling interest [Note 18]	**2,694**	998
	(14,571)	131,258
Net change in cash	**(7,102)**	68,504
Bank indebtedness, beginning of year	**(8,853)**	(77,357)
Bank indebtedness, end of year	**$ (15,955)**	$ (8,853)
Supplemental cash flow information		
Interest paid	**$ 18,750**	$ 16,864
Payments in lieu of corporate income taxes paid	**$ 1,208**	$ 7,858

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

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
December 31, 2014
[in thousands of Canadian dollars]

1. DESCRIPTION OF BUSINESS

Hydro Ottawa Holding Inc. ['Hydro Ottawa' or the 'Corporation'] was incorporated on October 3, 2000 pursuant to the *Business Corporations Act (Ontario)* as mandated by the Ontario government's *Electricity Act, 1998*. The Corporation is wholly owned by the City of Ottawa [the 'Shareholder']. The Corporation owns 100% of Hydro Ottawa Limited, Energy Ottawa Inc. ['Energy Ottawa'] and Telecom Ottawa Holding Inc. ['TOHI'] which does not maintain active operations.

Hydro Ottawa Limited is a regulated electricity distribution company that owns and operates electricity infrastructure in the City of Ottawa and the Village of Casselman and is responsible for the safe, reliable delivery of electricity to homes and businesses in its licensed service area. In addition to billing for distribution services, Hydro Ottawa Limited invoices customers for amounts it is required to pay to other organizations in Ontario's electricity system for providing wholesale generation and transmission services and for debt retirement.

Energy Ottawa is a power generation company that generates renewable energy. Energy Ottawa also offers a range of expert energy management and procurement services to large energy-consuming organizations and companies. Energy Ottawa holds interests in the following entities:

- Chaudiere Hydro L.P. was formed on June 22, 2012 and is over 99.99% owned by Energy Ottawa and less than 0.01% owned by Chaudiere Hydro Inc. ['Chaudiere Hydro GP']. Chaudiere Hydro L.P. was formed to own and operate three hydroelectric generation plants and related assets acquired in 2012. Chaudiere Hydro GP is wholly owned by Energy Ottawa and was incorporated on June 18, 2012 to act as the general partner of Chaudiere Hydro L.P.

- Moose Creek Energy LP ['Moose Creek LP'] is a 50.10% owned joint venture formed on April 15, 2011 to facilitate the construction and operation of a generation plant and gas collection system at the Laflèche landfill site in Moose Creek, Ontario. Moose Creek Energy Inc., a 50.00% owned joint venture incorporated on March 2, 2011, is the general partner of Moose Creek LP. Commercial operations of Moose Creek LP commenced on January 25, 2013.

- PowerTrail Inc. ['PowerTrail'] is a 60.00% owned joint venture incorporated on August 10, 2005 to construct and operate a generation plant and gas collection system at the Trail Road landfill site in Ottawa, Ontario.

- Chaudiere Water Power Inc. ['CWPI'] is a 66.67% owned joint venture incorporated on April 30, 1981 to act as an agent for the three principals of CWPI with a mandate to operate the Chaudière Dam facilities on the Ottawa River. The facilities are not owned by CWPI; they are jointly owned by the principals. In accordance with the shareholders' agreement, all expenses incurred by CWPI directly related to the facilities are fully reimbursed in accordance with each principal's ownership percentage.

- 2425932 Ontario Inc. is a wholly owned subsidiary formed on July 9, 2014, which does not maintain active operations.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Part V of the *Chartered Professional Accountants of Canada Handbook* for publicly accountable entities ['pre-changeover Canadian GAAP'], including principles prescribed by the Ontario Energy Board ['OEB'] in the *Accounting Procedures Handbook* ['AP Handbook']. In the opinion of management, all adjustments necessary for fair presentation are reflected in the consolidated financial statements. The consolidated financial statements reflect the significant accounting policies summarized below.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
December 31, 2014
[in thousands of Canadian dollars]

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries: Hydro Ottawa Limited, Telecom Ottawa Holding Inc., and Energy Ottawa, which includes the accounts of PowerTrail, Moose Creek LP, Chaudiere Hydro L.P., Chaudiere Hydro GP, CWPI and 2425932 Ontario Inc. All intercompany balances and transactions have been eliminated in these consolidated financial statements.

(b) Consolidation of variable interest entities

The Corporation consolidates variable interest entities ['VIEs'] in which the Corporation is the primary beneficiary, as described in pre-changeover Canadian GAAP Accounting Guideline 15 – *Consolidation of Variable Interest Entities* ['AcG-15']. Upon the application of AcG-15, the initial equity investment at risk continues to not be sufficient to permit PowerTrail, Moose Creek LP or CWPI to finance their activities without additional subordinated financial support from its equity owners and, as such, these entities are consolidated in the consolidated financial statements of Energy Ottawa and ultimately, the Corporation.

The VIEs have non-controlling interests which are reported separately as part of equity.

(c) Investment in joint venture

The Corporation holds a 50.00% interest in Moose Creek GP, the general partner of Moose Creek LP. As general partner, Moose Creek GP has the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs regarding the undertaking and business of Moose Creek LP. The other 50.00% is owned by Integrated Gas Recovery Services Inc. ['IGRS'] of Thorold, Ontario. While the Corporation accounts for its interest in Moose Creek GP using proportionate consolidation, Moose Creek GP does not contain significant assets, liabilities, revenue or expenses.

(d) Acquisition of assets and business combinations

The Corporation evaluates the integrated set of activities [inputs, processes, outputs] associated with an acquired asset group to determine whether it meets the definition of a business as prescribed by Section 1582 *Business Combinations* under pre-changeover Canadian GAAP. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred and the liabilities incurred to former owners of the acquired business in exchange for control of the acquired business. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation will report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. Within one year, the Corporation will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date.

Transaction costs with respect to a business combination are expensed as incurred and included in general and administrative expenses as part of operating costs.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(e) Measurement uncertainty

The preparation of consolidated financial statements in conformity with pre-changeover Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Accounts receivable and unbilled revenue are reported net of an appropriate allowance for doubtful accounts ['AFDA']. Other significant estimates are used in determining the useful lives and asset impairments of long-lived assets, payments in lieu of corporate income taxes, employee future benefits, the retirement benefit asset, capital contribution obligations, certain accruals, as well as the fair value of assets and liabilities acquired.

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 provincial government. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies.

(f) Regulation

Hydro Ottawa Limited is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibilities of approving or setting rates for the transmission and distribution of electricity, and ensuring that distribution companies fulfil obligations to connect and service customers.

Hydro Ottawa Limited operates under an incentive regulation mechanism ['IRM'] prescribed by the OEB. Under IRM, a distributor first sets base rates through a cost-of-service application every four years. This application determines the appropriate revenue requirement to recover approved costs, and provides a rate of return on a deemed capital structure applied to approved rate base assets. For subsequent years in which no cost-of-service application is filed, rates are adjusted by an inflation factor less a productivity factor.

Hydro Ottawa Limited applies for distribution rates based on estimated costs of service. Once the rate is approved, it is not adjusted as a result of actual costs of service being different from those which were estimated, other than for certain prescribed costs that are eligible for deferral treatment and are either collected or refunded in future rates. The OEB has the general power to include or exclude costs and revenue in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company.

Hydro Ottawa Limited continues to assess the likelihood of recovery of all regulatory assets subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation. If the requirement for a provision becomes more likely than not, the Corporation will recognize the provision in operating costs for the year.

The following regulatory treatments have resulted in accounting treatments that differ from pre-changeover Canadian GAAP for enterprises operating in a non-regulated environment:

(i) Regulatory assets and liabilities

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered in future rates. Similarly, regulatory liabilities can arise from differences in amounts billed to customers for electricity services and the costs that Hydro Ottawa Limited incurs to purchase these services.

Hydro Ottawa Limited accrues interest on the regulatory asset and liability balances as directed by the OEB.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(f) Regulation [continued]

(i) Regulatory assets and liabilities [continued]

Regulatory assets and liabilities are classified as current if they are expected to be recovered from, or refunded to, customers within 12 months after the reporting period. All other regulatory asset and liability balances are classified as long-term on the consolidated balance sheet.

Regulatory balances are comprised principally of the following:

- Regulatory asset/liability refund account ['RARA' / 'RLRA'] consists of balances of regulatory assets or regulatory liabilities approved for disposition by the OEB through temporary additional rates referred to as rate riders.

- Settlement variances relate primarily to the charges Hydro Ottawa Limited incurred for transmission services, the commodity, wholesale market operations and the global adjustment that were not settled with customers during the year. The nature of the settlement variances is such that the balance can fluctuate between assets and liabilities over time and they are reported at year end dates in accordance with rules prescribed by the OEB.

- Deferred smart meter costs represent the differences between the amounts funded through rates for smart meters and actual program costs. Program costs include operating, maintenance, depreciation and administrative expenses directly related to smart meters and a return on smart meter assets.

- Stranded meter costs represent the net book value of conventional meters removed upon the installation of smart meters.

- Other Post–Employment Benefits deferral account ['OPEB deferral account'] was authorized by the OEB in 2011 to record the adjustment to post-retirement benefits relating to the cumulative actuarial gains or losses. This account is adjusted annually to record any changes in the cumulative actuarial gains or losses. No interest charges are recorded on this account as instructed by the OEB.

Other regulatory variances and deferred costs:

- The OEB allows electricity distributors to record in a deferral account the difference between low voltage charges paid to Hydro One Networks Inc. ['HONI'] and those charged to customers.

- The OEB allows electricity distributors to record in a deferral account the net cost of providing retailer billing services and transaction request services.

- The OEB approved a deferral account for distributors to record one-time administrative incremental International Financial Reporting Standards ['IFRS'] transition costs, which were not already approved and included for recovery in distribution rates.

- In its Guidelines released June 16, 2009, the OEB created four new deferral accounts to allow distributors to begin recording expenditures for certain activities relating to the connection of renewable generation and the development of a smart grid. These deferral accounts were authorized to be used to record qualifying incremental capital investments or operating, maintenance and administrative expenses.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(f) Regulation [continued]

(i) Regulatory assets and liabilities [continued]

- In its Guidelines released January 5, 2012, the OEB required Hydro Ottawa Limited to record the difference between the actual authorized Conservation and Demand Management ['CDM'] activities and activities included in Hydro Ottawa Limited's load forecast. This variance is recorded in the Lost Revenue Adjustment Mechanism variance account.

- The OEB directed distributors to record the input tax credit savings arising from the elimination of the provincial sales tax and implementation of the harmonized sales tax on July 1, 2010 in a separate account. The OEB concluded that fifty percent of the balances should be returned to the ratepayers for the period up to the rebasing date, which for Hydro Ottawa Limited was January 1, 2012.

(ii) Contributions in aid of construction

Contributions in aid of construction received from outside sources are used to finance additions to property, plant and equipment. According to the AP Handbook, contributions in aid of construction are treated as a reduction to property, plant and equipment and are depreciated at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(iii) Allowance for funds used during construction ['AFUDC']

An allowance for the cost of funds used during the construction period has been applied to major capital and development projects.

(iv) Payments in lieu of corporate income taxes ['PILs']

Hydro Ottawa Limited is considered to be a Municipal Electric Utility ['MEU'] for purposes of the PILs regime contained in the *Electricity Act, 1998*, as all of its share capital is indirectly owned by the City of Ottawa and not more than 10% of its income is derived from activities carried on outside the municipal boundaries of the City of Ottawa. The *Electricity Act, 1998* provides that a MEU that is exempt from tax under the *Income Tax Act (Canada)* ['ITA'] and the *Taxation Act, Ontario* ['TAO'] is required to make, for each taxation year, a PILs payment to the Ontario Electricity Financial Corporation in an amount approximating the tax that it would be liable to pay under the ITA and the TAO if it were not exempt from tax.

Hydro Ottawa Limited follows the liability method for recording income taxes in accordance with pre-changeover Canadian GAAP recommendations. Under the liability method, current income taxes payable are recorded based on taxable income. Future income taxes arising from temporary differences in the accounting and tax basis of assets and liabilities are provided based on substantively enacted tax rates that will be in effect when the differences are expected to reverse.

The AP Handbook provides for the recovery of PILs by Hydro Ottawa Limited through annual distribution rate adjustments as approved by the OEB. Hydro Ottawa Limited recognizes regulatory liabilities and assets for the amounts of future income taxes expected to be refunded to or recovered from customers in future electricity rates.

The Corporation, Energy Ottawa, Chaudiere Hydro GP, Telecom Ottawa Holding Inc. and 2425932 Ontario Inc. are also MEUs that account for PILs using the liability method.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(f) Regulation [continued]

(iv) Payments in lieu of corporate income taxes ['PILs'] [continued]

PowerTrail and CWPI are taxable under the ITA and TAO as less than 90% of each corporation's share capital is owned by the City of Ottawa. Corporate income taxes are accounted for using the liability method as described above.

Moose Creek LP and Chaudiere Hydro L.P. are not taxable entities for federal and provincial income tax purposes. Tax on the net income (loss) is borne by the individual partners through the allocation of taxable income.

(g) Revenue recognition

The Corporation recognizes revenue when persuasive evidence of an arrangement exists, services have been delivered, the price has been fixed or is determinable and collection is reasonably assured.

(i) Distribution sales

The Corporation charges customers for the delivery of electricity, based on rates established by the OEB. The rates are intended to allow the Corporation to recover its prudently incurred costs and earn a fair return on invested capital. Distribution sales are recognized when electricity is delivered to the customer, as measured by meter readings or usage estimates.

(ii) Power recovery

Power recovery revenue represents the pass-through of the cost of power to the consumer as purchased by the Corporation and is recognized when electricity is delivered to the customer, as measured by meter readings or usage estimates. Power recovery revenue is regulated by the OEB and includes charges to customers for the electricity commodity, the transmission of electricity and the administration of the wholesale electricity system.

(iii) Unbilled revenue

Unbilled revenue represents an estimate of the electricity consumed by customers that has not yet been billed as at year end.

(iv) Generation revenue

Generation revenue is recorded on the basis of regular meter readings.

(v) Other revenue

Other revenue related to the provision of services is recognized as services are rendered. Other revenue includes contract revenue, commercial services revenue and CDM revenue.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(g) Revenue recognition [continued]

(v) Other revenue [continued]

Contract revenue and commercial services revenue are accounted for using the percentage-of-completion method, whereby revenue and the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Losses on contracts are fully recognized when they become evident. CDM revenue stems from the delivery of provincial government programs that promote conservation and is recognized on a cost-recovery basis.

(h) Bank indebtedness

Bank indebtedness includes short-term advances and/or bankers' acceptances with a maturity date of three months or less, and outstanding cheques.

(i) Financial instruments

All financial instruments are initially recorded at fair value, unless fair value cannot be reliably determined. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between willing parties. The subsequent measurement of each financial instrument depends on the classification elected by the Corporation.

The Corporation classifies and measures its financial instruments as follows:

- Cash is classified as held-for-trading and is measured at fair value.

- Accounts receivable and unbilled revenue are classified as loans and receivables and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value with the exception of related party transactions, which are measured at the carrying amount determined in accordance with pre-changeover Canadian GAAP Section 3840, *Related Party Transactions*. Subsequent measurements are recorded at amortized cost using the effective interest rate method, if applicable.

- Bank indebtedness, accounts payable and accrued liabilities, customer deposits, capital contribution obligations and notes payable are classified as other financial liabilities and are initially measured at their fair value with the exception of related party transactions, which are measured at the carrying amount determined in accordance with pre-changeover Canadian GAAP Section 3840, *Related Party Transactions*. Subsequent measurements are recorded at amortized cost using the effective interest rate method, if applicable.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(j) Property, plant and equipment

Property, plant and equipment consist principally of electricity distribution infrastructure, generating plant and equipment, buildings and fixtures, land, reservoirs, dams and waterways, furniture and equipment, and assets under construction. Property, plant and equipment acquired in a business combination are initially recorded at their acquisition date fair values.

Spare parts and standby equipment, which are expected to be used during more than one year, are considered to be assets under construction and are depreciated only once they are put into service.

Property, plant and equipment are recorded at cost and include directly attributable contracted services, materials, labour, engineering costs, overheads and AFUDC. Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers. Contributions in aid of construction received are treated as a contra account to property, plant and equipment. The amount is depreciated by a charge to accumulated depreciation and a reduction in depreciation expense at an equivalent rate to that used for the depreciation of the related asset.

Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, reliability is improved above original design standards or if operating costs are reduced by a substantial and quantifiable amount.

Depreciation is recorded on a straight-line basis over the estimated service life of the related asset.

Estimated service lives for property, plant and equipment classes are as follows:

Buildings and fixtures	20 to 100 years
Furniture and equipment	5 to 10 years
Rolling stock	7 to 15 years
Electricity distribution infrastructure	10 to 60 years
Generating plant and equipment	3 to 50 years
Reservoirs, dams and waterways	75 to 125 years

Assets under construction, land, spare parts and standby equipment are not subject to depreciation.

The Corporation reviews its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Corporation will estimate the future cash flows expected to result from the use of the asset group and their eventual disposition, and record an impairment loss, if required. The Corporation's primary measure of fair value is based on discounted cash flows.

(k) Intangible assets

Intangible assets include land rights, a power purchase agreement, capital contributions, computer software, water rights and assets under development.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(k) Intangible assets [continued]

Intangible assets with finite lives are recorded at cost and amortized on a straight-line basis over the estimated service life of the related asset. Intangible assets acquired in a business combination are initially recorded at their acquisition date fair values.

Estimated service lives for intangible assets with finite lives are as follows:

Land rights	50 years
Power purchase agreement	7 years
Capital contributions	45 years
Computer software	5 to 10 years

Water rights with respect to the Chaudière Dam on the Ottawa River, which has an indefinite useful life, and assets under development are not subject to amortization.

The Corporation reviews its intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, the Corporation will estimate the future cash flows expected to result from the use of the asset group and their eventual disposition, and record an impairment loss, if required. The Corporation's primary measure of fair value is based on discounted cash flows.

The Corporation reviews its intangible assets not subject to amortization annually for the possibility of impairment. Through this process, the assessment of indefinite life is reviewed to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(l) Asset retirement obligations

The Corporation recognizes its obligation to retire certain tangible long-lived assets, whereby the fair value of a liability for an asset retirement obligation is recognized in the period during which it is incurred if a reasonable estimate can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows. The liability is adjusted for an annual accretion charged to operating costs. A gain or loss may be incurred upon settlement of the liability.

(m) Employee future benefits

(i) Pension plans

The Corporation provides pension benefits for its employees through the Ontario Municipal Employees Retirement System ['OMERS'] Fund [the 'Fund']. OMERS is a multi-employer pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(m) Employee future benefits [continued]

(i) Pension plans [continued]

Although the plan is a defined benefit plan, sufficient information is not available to the Corporation to account for it as such because it is not possible to attribute the fund assets and liabilities between the various employers who contribute to the fund. As a result, the Corporation accounts for the plan as a defined contribution plan, and contributions payable as a result of employee service are expensed as incurred as part of operating costs.

Chaudiere Hydro L.P. is the sponsoring employer of the Pension Plan for Employees of Chaudiere Hydro L.P. and Participating Employers [‘Chaudiere Pension Plan’ or 'CHPP']. The CHPP is accounted for as follows:

- CHPP assets are assets that are held by an insurance corporation and are measured at fair value, which is based on published market mid-price information in the case of quoted securities.
- Accrued benefit obligations of the CHPP are determined based on the expected future benefit payments discounted using market interest rates on high-quality debt instruments that match the timing and amount of expected benefit payments.
- The cost of pension earned by employees is actuarially determined using the projected benefit method prorated on services, and management’s best estimate of expected plan investment performance, salary escalation, retirement ages, life expectancy and health care costs.
- The actuarial gains and losses arising on the plan assets and defined benefit obligation are recognized into income in the year in which they occur using the immediate recognition approach.
- Past service costs are included in the cost of the CHPP for the year when they arise.

Since the CHPP is funded, the fair value of the Chaudiere Pension Plan assets is offset against the accrued benefit obligation. The net amount is included in the retirement benefit asset or retirement benefit liability.

(ii) Employee future benefits other than pension plans

Employee future benefits other than pensions provided by the Corporation include medical, dental and life insurance benefits, accumulated sick leave credits and a retirement grant. These plans provide benefits to certain employees when they are no longer providing active service.

Employee future benefits expense is recognized in the period during which the employees render services.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligation and current service costs are calculated using the projected benefit method prorated on service and based on assumptions that reflect management’s best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees’ services rendered in the period. Actuarial gains and losses resulting from experience different from that assumed or from changes in actuarial assumptions are recognized in income immediately. However, for Hydro Ottawa Limited, these amounts are deferred as a regulatory asset or liability as permitted by the OEB.

2. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

(n) Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as current liabilities and included in accounts payable and accrued liabilities.

(o) Leases

At the inception of a lease, or an arrangement that contains a lease, the Corporation evaluates whether the lease should be classified as a capital lease or an operating lease. Leases that transfer substantially all the risks and rewards incidental to ownership of the related asset are classified as capital leases. All other leases are classified as operating leases. Classification is reassessed if the terms of the lease are changed.

Upon evaluation, all of the Corporation's leases are classified as operating leases.

(p) Debt-issuance costs

The Corporation incurred debt issuance costs that were external, direct and incremental in nature arising from its debenture offerings and credit facility restructuring. Debt issuance costs are netted against the proceeds of debt and amortized using the effective yield method. Credit facility restructuring costs are amortized over the initial term of the revolving term credit facility.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

On February 13, 2008, the Canadian Accounting Standards Board ['AcSB'] confirmed that publicly accountable enterprises ['PAEs'] would be required to transition to IFRS effective January 1, 2011. While the Corporation is not a PAE, it is a Government Business Enterprise given its status as a municipally owned utility, and such enterprises are required to follow the same basis of accounting as PAEs.

On the original transition date, IFRS did not contain a standard governing rate-regulated activities ['RRA']. Due to the significance of this issue in Canada, the AcSB postponed the original IFRS transition date to January 1, 2015 for qualifying entities with RRA pending the completion of an interim standard by the International Accounting Standards Board [‘IASB’]. Until January 1, 2015, qualifying entities are permitted to continue reporting under pre-changeover Canadian GAAP.

On January 30, 2014, the IASB issued interim standard IFRS 14 – Regulatory Deferred Accounts ['IFRS 14'] which permits rate-regulated entities that have not yet transitioned to IFRS to use its existing RRA practices. This standard becomes effective January 1, 2016 with early adoption permitted. The Corporation adopted IFRS and early adopted IFRS 14 on January 1, 2015. The Corporation has assessed the implications of adopting IFRS and is currently reviewing its impact on the financial reporting.

Hydro Ottawa Holding Inc.

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4. ACCOUNTS RECEIVABLE

	2014	2013
Electricity receivables, net of AFDA of $3,602 [2013 – $1,370] [Note 19b]	**$ 47,605**	$ 50,965
Other receivables, net of AFDA of $75 [2013 – $66] [Note 19b]	**15,999**	11,955
Amounts due from related parties [Note 24]	**8,786**	7,906
	$ 72,390	$ 70,826

5. UNBILLED REVENUE

	2014	2013
Unbilled revenue	**$ 81,957**	$ 106,757
Less AFDA [Note 19b]	**(151)**	(206)
	$ 81,806	$ 106,551

6. REGULATORY ASSETS AND LIABILITIES

The Corporation files a rate application to settle its regulatory assets and liabilities as required. The time period for settlement is determined by the OEB based on the magnitude of the balances to be cleared.

Information about the Corporation's regulatory assets and liabilities is as follows:

	2014	2013
Regulatory assets		
OPEB deferral account [Note 14]	**$ 4,432**	$ 3,109
Settlement variances	**12,224**	5,527
RARA	**208**	475
Other	**3,759**	3,361
	20,623	12,472
Less current portion	**(31)**	(31)
Total non-current regulatory assets	**$ 20,592**	$ 12,441

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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6. REGULATORY ASSETS AND LIABILITIES [CONTINUED]

	2014	2013
Regulatory liabilities		
Settlement variances	$ 14,414	$ 27,374
Stranded meters	2,987	-
Smart meters	-	1,045
RLRA	3,143	2,002
Other	1,597	1,667
	22,141	32,088
Less current portion	-	(19,173)
Total non-current regulatory liabilities	$ 22,141	$ 12,915

(a) Regulatory asset/liability refund accounts

The RARA/RLRA is the net aggregate of all regulatory assets and liabilities which have been approved for recovery or disposition and includes accrued interest costs up to December 31, 2014 of $174 [2013 – $178] less amounts already settled through distribution rates.

(b) Settlement variances

Settlement variances include accrued interest costs of $19 [2013 – $284].

(c) Other

Other variance and deferred costs include accrued interest earned of $48 [2013 – $34].

(d) Income before PILs

In the absence of rate regulation, the income before PILs for the year ended December 31, 2014 would be lower by $18,098 [2013 – lower by $13,052].

Hydro Ottawa Holding Inc.

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7. PROPERTY, PLANT AND EQUIPMENT

	2014		
	Cost	**Accumulated depreciation**	**Net book value**
Land	**$ 31,252**	**$ -**	**$ 31,252**
Buildings and fixtures	**88,604**	**25,124**	**63,480**
Furniture and equipment	**13,130**	**6,935**	**6,195**
Rolling stock	**25,607**	**14,860**	**10,747**
Electricity distribution infrastructure	**1,201,881**	**447,516**	**754,365**
Generating plant and equipment	**53,755**	**14,295**	**39,460**
Reservoirs, dams and waterways	**24,619**	**1,865**	**22,754**
Assets under construction	**55,462**	**-**	**55,462**
	1,494,310	**510,595**	**983,715**
Contributions in aid of construction	**(257,943)**	**(54,625)**	**(203,318)**
	$ 1,236,367	**$ 455,970**	**$ 780,397**

	2013		
	Cost	Accumulated depreciation	Net book value
Land	$ 31,252	$ -	$ 31,252
Buildings and fixtures	87,132	22,588	64,544
Furniture and equipment	18,121	11,895	6,226
Rolling stock	24,754	15,455	9,299
Electricity distribution infrastructure	1,131,820	437,739	694,081
Generating plant and equipment	55,517	12,737	42,780
Reservoirs, dams and waterways	19,972	1,671	18,301
Assets under construction	44,947	-	44,947
	1,413,515	502,085	911,430
Contributions in aid of construction	(234,318)	(48,381)	(185,937)
	$ 1,179,197	$ 453,704	$ 725,493

During the year, the Corporation capitalized an AFUDC of $1,286 [2013 – $1,330] to property, plant and equipment and credited financing costs [Note 20]. The average annual interest rate for 2014 was 4.6% [2013 – 4.5%].

The Corporation entered into significant non-cash transactions that have been excluded from the consolidated statement of cash flows. These transactions were related to property, plant and equipment additions of $13,353 [2013 – $11,485] which are included in accounts payable and accrued liabilities and $53 [2013 – nil] of contributions receivable towards additions which are included in accounts receivable as at December 31, 2014.

During the year, the Corporation incurred a loss on disposal of property, plant and equipment of $1,934 [2013 – $1,083].

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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7. PROPERTY, PLANT AND EQUIPMENT [CONTINUED]

On February 7, 2014, the Corporation's subsidiary Chaudiere Hydro L.P. was granted a forty year Hydroelectric Standard Offer Program – Municipal Stream Contract ['HESOP Contract'] by the OPA to produce renewable waterpower. As a result of this opportunity, the Corporation has embarked on a multi-year project to expand its Ontario generation facilities ['the Ontario Group'] at Chaudière Falls increasing its total capacity from 38 megawatts to 58 megawatts. The anticipated commercial operation date is in 2017 and the Corporation plans to invest significant resources on this expansion over the next three years ['Chaudiere Expansion'].

To allow for the construction of the new hydroelectric generation facility, Chaudiere Hydro L.P. must permanently decommission the two Ontario generating stations at Chaudière Falls in July 2015. Consequently, the Corporation has recorded impairment charges of $4,023 against the Ontario Group, of which $2,787 relates to generating plants and equipment while the remaining $1,236 pertains to the power purchase agreement with Hydro Québec [Note 8] as the new facility will operate under the new HESOP Contract instead. Impairment charges recorded with respect to the Ontario Group have reduced its carrying value to fair value as at December 31, 2014, which is based on discounted cash flows. There was no impairment of property, plant and equipment for the year ended December 31, 2013.

In 2005, Energy Ottawa entered into an agreement with the Federal Government's Department of Natural Resources whereby project funding of up to $220 was provided to Energy Ottawa to field trial a mini hydro turbine developed by the Canada Centre for Mineral and Energy Technology ['CANMET'] Small Hydro Program. Under the terms of the agreement, an amount up to $150 of the funding received is repayable at a rate of 2.5% of revenue received from the project, over a maximum period of 10 years from the operation commencement date of the turbine [2007]. As at December 31, 2014, the unamortized balance of the non-repayable funding received of $38 [2013 – $41] is included in contributions in aid of construction. The current portion of the remaining repayable balance amounts to $10 [2013 – $12] and is included in accounts payable and accrued liabilities, while the long-term portion in the amount of $19 [2013 – $29] is included in other liabilities.

8. INTANGIBLE ASSETS

	2013	Acquisitions (net of transfers)	Retirements	2014
Cost				
Land rights	$ 3,137	$ 11	$ -	$ 3,148
Power purchase agreement	4,578	-	(1,873)	2,705
Capital contributions	4,134	637	(77)	4,694
Computer software	60,975	33,248	(29,408)	64,815
Water rights	16,941	-	-	16,941
Assets under development [Note 13]	33,936	(5,561)	-	28,375
	$ 123,701	$ 28,335	$ (31,358)	$ 120,678

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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8. INTANGIBLE ASSETS [CONTINUED]

	2013	Amortization	Retirements	2014
Accumulated amortization				
Land rights	**$ 1,359**	**$ 48**	**$ -**	**$ 1,407**
Power purchase agreement	**781**	**700**	**(637)**	**844**
Capital contributions	**1,047**	**88**	**-**	**1,135**
Computer software	**54,225**	**5,673**	**(29,408)**	**30,490**
	$ 57,412	**$ 6,509**	**$ (30,045)**	**$ 33,876**

	Cost	Accumulated amortization	Net book value
Net book value as at December 31, 2014			
Land rights	**$ 3,148**	**$ 1,407**	**$ 1,741**
Power purchase agreement	**2,705**	**844**	**1,861**
Capital contributions	**4,694**	**1,135**	**3,559**
Computer software	**64,815**	**30,490**	**34,325**
Water rights	**16,941**	**-**	**16,941**
Assets under development [Note 13]	**28,375**	**-**	**28,375**
	$ 120,678	**$ 33,876**	**$ 86,802**

	2012	Acquisitions (net of transfers)	Retirements	2013
Cost				
Land rights	$ 3,135	$ 2	$ -	$ 3,137
Power purchase agreement	4,578	-	-	4,578
Capital contributions	3,780	354	-	4,134
Computer software	64,073	2,167	(5,265)	60,975
Water rights	16,941	-	-	16,941
Assets under development	13,690	20,246	-	33,936
	$ 106,197	$ 22,769	$ (5,265)	$ 123,701

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8. INTANGIBLE ASSETS [CONTINUED]

	2012	Amortization	Retirements	2013
Accumulated amortization				
Land rights	$ 1,310	$ 49	$ -	$ 1,359
Power purchase agreement	80	701	-	781
Capital contributions	977	70	-	1,047
Computer software	51,879	7,611	(5,265)	54,225
	$ 54,246	$ 8,431	$ (5,265)	$ 57,412

	Cost	Accumulated amortization	Net book value
Net book value as at December 31, 2013			
Land rights	$ 3,137	$ 1,359	$ 1,778
Power purchase agreement	4,578	781	3,797
Capital contributions	4,134	1,047	3,087
Computer software	60,975	54,225	6,750
Water rights	16,941	-	16,941
Assets under development	33,936	-	33,936
	$ 123,701	$ 57,412	$ 66,289

During the year, the Corporation capitalized an AFUDC of $571 [2013 – $1,081] to intangible assets and credited financing costs [Note 20]. The average annual interest rate for 2014 was 4.6% [2013 – 4.5%].

During the year, the Corporation incurred a loss on disposal of intangible assets of $174 [2013 – nil]. Also during the year, Moose Creek LP received a $77 credit against its original capital contribution incurred upon setting up its line connection at its landfill gas facility in 2011. Under the line connection agreement with HONI, Moose Creek LP becomes entitled to a percentage rebate of costs should any other parties connect to the newly created line, which occurred in 2014.

As described in Note 7, during the year, the Corporation recorded impairment charges [retirements] of $1,236 against the power purchase agreement with Hydro Québec. There was no impairment of intangible assets for the year ended December 31, 2013.

The Corporation entered into significant non-cash transactions that have been excluded from the consolidated statement of cash flows. These transactions were related to intangible asset additions of $17,183 [2013 – $729], which represent amounts included in accounts payable and accrued liabilities.

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9. CREDIT FACILITY

During the year, the Corporation renewed its credit facility for a revised amount of $336,000 [December 31, 2013 – $193,500]. The facility continues to consist of a $75,000 [2013 – $75,000] 364-day revolving operating line and a $100,000 [2013 – $100,000] revolving line to fund capital expenditures and growth opportunities, both of which mature on August 1, 2017. In addition, the Corporation has a $10,000 [2013 – $17,500] line to fund letters of credit and other guarantees, a new $150,000 [2013 – nil] 364-day revolving operating line and a $1,000 [2013 – $1,000] commercial card facility — all of which mature on August 1, 2015. The revolving operating lines can be used by way of direct advances and/or bankers' acceptances, which can be continuously renewed with maturities of 7 to 180 days. This credit facility contains customary covenants and events of default including a covenant to maintain the consolidated tangible net worth in excess of $175,000 at all times. It also requires the debt to capitalization ratio to be at or below 75% on a consolidated basis.

As at December 31, 2014, the Corporation had drawn $37,000 in bankers' acceptances against its operating lines [2013 – $4,950 in direct advances]. The Corporation has also drawn $8,150 [2013 – $16,000] against its facilities in standby letters of credit.

PowerTrail maintains a credit facility for $200 [2013 – $200] in standby letters of credit to the Ontario Power Authority ['OPA']. The facility contains customary covenants and events of default, including a covenant to maintain a tangible net worth of $1,000. As at December 31, 2014, PowerTrail had drawn an amount of $133 [2013 – $133] in standby letters of credit against this facility.

Chaudiere Hydro L.P. has a standby letter of credit to the Receiver General of Canada on behalf of Fisheries and Oceans Canada in the amount of $538 [2013 - nil], expiring on October 23, 2015 in connection with the Chaudiere Expansion, and a standby letter of credit to the OPA in the amount of $587 [2013 - nil], expiring on February 23, 2016 in connection with the 40-year HESOP contract.

CWPI maintains a credit facility consisting of a $500 [2013 – $500] operating line secured by the three principals of CWPI. The operating credit line is repayable on demand, bears interest at the Bank of Canada's prime lending rate with interest payable monthly. The facility also contains customary covenants and events of default. CWPI has not drawn any funds against this line as at December 31, 2014 [December 31, 2013 – nil].

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Purchased power payable	**$ 89,681**	$ 67,033
Trade accounts payable and accrued liabilities	**49,952**	43,927
Customer deposits	**13,843**	14,307
Capital contribution obligations [Note 13]	**15,700**	-
Customer credit balances	**6,567**	7,363
Due to related parties [Note 24]	**107**	268
	$ 175,850	$ 132,898

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11. OTHER LIABILITIES

		2014		2013
Non-current repayable grant [Note 7]	$	**19**	$	29
Asset retirement obligations [Note 12]		**206**		300
Other liabilities		**2,169**		-
	$	**2,394**	$	329

12. ASSET RETIREMENT OBLIGATIONS

		2014		2013
Balance, beginning of year	$	**300**	$	438
Liabilities settled during the year		**(104)**		(141)
Accretion expense		**-**		26
Revisions in estimated cash flows		**10**		(23)
	$	**206**	$	300

As at December 31, 2014 the Corporation estimates an asset retirement obligation ['ARO'] of $206 [2013 – $300] related to the removal and destruction of polychlorinated biphenyls ['PCBs'] in distribution transformers and other clean-up related to PCBs. The ARO is calculated using an estimated undiscounted cash flow over two years [2013 – two years] totalling $254 [2013 – $357] and a discount rate of 5.3% [2013 – 5.3%]. No assets have been legally restricted for settlement of the liability.

13. CAPITAL CONTRIBUTION OBLIGATIONS

The Corporation is party to various Connection and Cost Recovery Agreements [‘CCRAs’] with HONI. These agreements govern the construction by HONI of new or modified transformer stations for the purpose of serving the Corporation’s customers, including anticipated electricity load growth.

All terms and conditions of CCRAs follow the Transmission System Code [the ‘Code’] issued by the OEB. The amount of the initial capital contribution required is based on the prescribed economic evaluation procedure set out in the Code. This initial capital contribution is reduced by any commitment of connection revenue [the ‘guaranteed revenue’] earned by HONI from the Corporation over the period of the respective CCRA. Guaranteed revenue is calculated based on forecasted load [‘initial load’] multiplied by HONI’s approved rate at the time of entering into these agreements.

Each of the Corporation's CCRAs has a term 25 years. These agreements require periodic reviews whereby a comparison of actual to forecasted load is conducted, and a true-up calculation performed. When a true-up calculation shows the Corporation’s actual load for the past period and updated load forecast for the future period is lower than the initial load, the Corporation is obligated to make up this shortfall. When the Corporation's actual load and updated load forecast is higher than the initial load, the Corporation is entitled to a rebate. True-up calculations are made in years 5 and 10 and in year 15 if the difference between the actual incremental load and initial load at the end of year 10 is greater than 20%.

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13. CAPITAL CONTRIBUTION OBLIGATIONS [CONTINUED]

Based on a review of the Corporation's CCRAs with HONI, the Corporation estimates a shortfall in guaranteed revenue. As a result of such a shortfall, the Corporation has recorded a total capital contribution obligation and a corresponding intangible asset of $15,700 as at December 31, 2014 [2013 – nil]. The Corporation expects to settle its capital contribution obligations in 2015.

14. EMPLOYEE FUTURE BENEFITS

(a) Pension plans

The Corporation contributes to two defined benefit plans covering substantially all of its employees.

The Corporation's participating employer contributions under OMERS for the year ended December 31, 2014 amounted to $6,058 [2013 – $5,939].

On November 20, 2012, the Corporation, through its subsidiary Chaudiere Hydro L.P., completed an acquisition of generation assets from Domtar Inc. through an Agreement of Purchase and Sale ['Purchase Agreement']. On this date, the Corporation began providing retirement benefits to certain employees who transferred to the Corporation through the creation of the Chaudiere Pension Plan. In accordance with the Purchase Agreement, Domtar Inc. agreed to fund the actuarial plan obligations relating to the transferred employees as at November 20, 2012. On October 17, 2014, after review and approval by the Financial Services Commission of Ontario, the CHPP received a cash transfer of $4,640 for such funding. As an estimate of the fair value of plan assets to be received was made prior to the transfer, there is no significant impact to the Corporation's results.

(i) Accrued benefit obligation

	2014	2013
Balance, beginning of year	**$ 3,593**	$ 3,573
Current service cost	**235**	264
Interest cost on accrued benefit obligation	**180**	151
Benefit payments, net of administrative expenses	**(82)**	(102)
Actuarial losses (gains)	**613**	(293)
Balance, end of year	**$ 4,539**	$ 3,593

(ii) Plan assets

	2014	2013
Fair value, beginning of year	**$ 4,282**	$ 4,047
Actual return on plan assets	**868**	48
Employer contributions	**202**	190
Benefit payments and administrative expenses	**(82)**	(102)
Employee contributions	**97**	99
Fair value, end of year	**$ 5,367**	$ 4,282

[in thousands of Canadian dollars]

14. EMPLOYEE FUTURE BENEFITS [CONTINUED]

(a) Pension plans [continued]

(iii) Funded status

		2014		2013
Retirement benefit asset, beginning of year	**$**	**689**	$	474
Change in retirement benefit asset		**139**		215
Retirement benefit asset, end of year	**$**	**828**	$	689

The assets of the Chaudiere Hydro Pension Plan are held and managed by an independent custodian and accounted for separately in the Corporation's pension funds. The asset allocation structure is subject to diversification requirements and constraints which reduce risk by limiting exposure to individual equity investments, credit rating categories and foreign currency exposures. Based on the fair value of assets held as at December 31, 2014, CHPP's assets were comprised of 90% fixed income Canadian bonds, 6.5% Canadian and international equities and 3.5% in alternative investments. As the transfer of funds from Domtar Inc. only occurred in 2014, comparative percentages are not presented as at December 31, 2013. The last actuarial valuation with respect to this plan occurred as at November 20, 2012.

No valuation allowance has been recorded by the Corporation as at December 31, 2014 or December 31, 2013 with respect to the retirement benefit asset.

Employee future benefits under the CHPP are calculated using an annual compensation rate increase of 2.0% [2013 – 2.0%], an expected return on plan assets of 4.0% [2013 – 4.8%] and a discount rate of 4.0% [2013 – 4.8%] to calculate the liabilities.

(b) Employee future benefits other than pension plans

Employee future benefits are calculated using an annual compensation rate increase ranging from 2% to 3.1% [2013 – 2% to 3.1%] and a discount rate of 4.0% [2013 – 4.8%] to calculate the liabilities. The valuations also include several other economic and demographic assumptions including mortality rates. The mortality assumption as at December 31, 2014 has been updated resulting in an actuarial remeasurement of employee future benefits. The mortality assumption is based on the Canadian Pensioners Mortality report published by the Canadian Institute of Actuaries in February 2014.

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14. EMPLOYEE FUTURE BENEFITS [CONTINUED]

(b) Employee future benefits other than pension plans [continued]

Information about the Corporation's employee future benefits other than pension plans is as follows:

	2014		
	Accumulated liability	**Expense for the year**	**Benefits paid**
Life, medical and dental insurance	**$ 5,745**	**$ 517**	**$ 464**
Retirement grant	**909**	**89**	**107**
Sick leave	**5**	**-**	**-**
	6,659	**606**	**571**
Deferred actuarial loss [Note 6]	**4,432**	**-**	**-**
	$ 11,091	**$ 606**	**$ 571**

	2013		
	Accumulated liability	Expense for the year	Benefits paid
Life, medical and dental insurance	$ 5,650	$ 564	$ 434
Retirement grant provision	927	83	21
Sick leave	5	-	-
	6,582	647	455
Deferred actuarial loss [Note 6]	3,109	-	-
	$ 9,691	$ 647	$ 455

An actuarial valuation was performed as at December 31, 2014. As a result of this exercise, the Corporation increased the accumulated liability by $1,400 [2013 – decreased by $1,761 based on an actuarial extrapolation].

The current liability portion of the accrued employee future benefits included in other accounts payable and accrued liabilities amounts to $672 [2013 – $626] and the non-current portion was $10,419 [2013 – $9,065].

[in thousands of Canadian dollars]

15. NOTES PAYABLE

	2014	2013
Senior unsecured debentures		
Series 2005-1, 4.930%, due February 9, 2015	**$ 200,000**	$ 200,000
Series 2006-1, 4.968%, due December 19, 2036	**50,000**	50,000
Series 2013-1, 3.991%, due May 14, 2043	**150,000**	150,000
IGRS promissory note, non-interest bearing, due on demand	**2,200**	2,360
IGRS promissory note, 6.0%, due December 31, 2024	**3,295**	-
	405,495	402,360
Less current portion of IGRS notes	**(925)**	(340)
Less unamortized debt-issuance costs on debentures	**(1,362)**	(1,607)
	$ 403,208	$ 400,413

Interest payments on each of the above debentures are payable semi-annually in arrears in equal instalments. Each debenture contains customary covenants and events of default, including a covenant to ensure that the aggregate principal amount of the consolidated funded obligations does not exceed 75% of the total consolidated capitalization. Interest payments on these debentures over the next five years, including those issued subsequent to year end as described in Note 25, will be $19,198 in 2015 and $20,067 in 2016 through 2019.

The non-interest bearing IGRS promissory note was issued by PowerTrail to fund the construction of the gas collection and generation plant at the Trail Road landfill site. Pursuant to the Shareholders' Agreement dated November 3, 2005, among Energy Ottawa, IGRS and PowerTrail, the note is unsecured, non-interest bearing, subject to certain conditions and has no set terms of repayment. During the year, PowerTrail made $160 [2013 – $420] in repayments to IGRS and intends to repay an additional $740 on this note in 2015. The management of IGRS has confirmed that it does not intend to call the remaining $1,460 in 2015.

On December 31, 2014, upon adjusting its financing and capital structure, Moose Creek LP issued a new 10-year unsecured promissory note to IGRS with an interest rate of 6.0%. Quarterly repayments consisting of principal and interest are due beginning April 1, 2015 until the end of the term. Principal repayments are expected to be $185 in 2015, $260 in 2016, $275 in 2017, $292 in 2018 and $310 in 2019.

16. CAPITAL DISCLOSURES

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

- Ensure continued access to funding to maintain and improve the operations and infrastructure of the Corporation;
- Ensure compliance with covenants related to the credit facilities and senior unsecured debentures; and
- Align Hydro Ottawa Limited's capital structure with the debt-to-equity structure recommended by the OEB.

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16. CAPITAL DISCLOSURES [CONTINUED]

The Corporation's capital consists of the following:

	2014	2013
Bank indebtedness	**$ 15,955**	$ 8,853
Notes payable [current and long-term]	**404,133**	400,753
Total debt	**420,088**	409,606
Shareholder's equity	**392,744**	381,726
Total capital	**$ 812,832**	$ 791,332
Debt capitalization ratio	**52 %**	52 %

The Corporation is in compliance with all financial covenants and limitations associated with its credit facilities and its long-term debt.

Hydro Ottawa Limited is deemed by the OEB to have a capital structure that is funded by 56% long-term debt, 4% short-term debt and 40% equity. The OEB uses this deemed structure only as a basis for setting distribution rates. As such, the Corporation's actual capital structure may differ from the OEB deemed structure.

The Corporation met its capital management objectives, which have not changed during the year.

17. SHARE CAPITAL

(a) Authorized

Unlimited number of voting first preferred shares, redeemable at one dollar per share
Unlimited number of non-voting second preferred shares, redeemable at ten dollars per share
Unlimited number of non-voting third preferred shares, redeemable at one hundred dollars per share
Unlimited number of voting fourth preferred shares [10 votes per share], redeemable at one hundred dollars per share
Unlimited number of voting Class A common shares
Unlimited number of non-voting Class B common shares
Unlimited number of non-voting Class C common shares, redeemable at the price at which such shares are issued

The above shares are without nominal or par value.

Holders of second preferred shares, fourth preferred shares and common shares are entitled to receive dividends as and when declared by the Board of Directors at their discretion.

(b) Issued

	2014	2013
214,901,003 Class A common shares	**$ 228,453**	$ 228,453

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17. SHARE CAPITAL [CONTINUED]

(b) Issued [continued]

Any invitation to the public to subscribe for shares of the Corporation is prohibited by shareholder resolution.

Shareholder resolution directs the Corporation to target dividends at the greater of 60% of its annual consolidated net income or $14,000, provided that the Corporation is in compliance with the *Business Corporations Act (Ontario)* and relevant OEB guidelines, is not in breach of any covenants on its senior unsecured debentures or credit facility obligations, and does not negatively impact its credit rating as a result of the dividend payment.

On April 3, 2014, the Board of Directors declared a $19,300 dividend to the City of Ottawa, which was paid on April 10, 2014 [2013 – April 4, the Board of Directors declared an $18,600 dividend to the City of Ottawa, which was paid on April 10, 2013].

On May 1, 2008, TOHI sold the shares of both its subsidiaries creating a balance in its refundable dividend tax on hand ['RDTOH'] account. On December 5, 2013, TOHI paid an intercompany dividend to Hydro Ottawa Holding Inc. to recover its RDTOH balance which was received in 2014.

18. NON-CONTROLLING INTEREST

The non-controlling interest as at December 31, 2014 represents the sum of:

- IGRS non-controlling interest [40%] in the net assets of PowerTrail;
- IGRS and Moose Creek GP's combined non-controlling interest [49.90%] in the net assets of Moose Creek LP; and
- Hydro Québec's non-controlling interest [33.33%] in the net assets of CWPI.

During the year, Moose Creek LP issued 2,705,400 Class A units [2013 – 1,002,000 units] and 2,694,000 Class B units [2013 – 998,000 units] to its limited partners [Energy Ottawa and IGRS respectively] at a price of one dollar per unit. The current year's issuance was made with the purpose of adjusting Moose Creek LP's financing and capital structure, while the previous year's issuance was made to fund the completion of its gas collection and generation plant and to provide sufficient working capital during the initial stage of operations.

19. FINANCIAL INSTRUMENTS

(a) Carrying values

The Corporation's financial instruments consist of cash, accounts receivable, unbilled revenue, bank indebtedness, accounts payable and accrued liabilities, customer deposits and notes payable. The only financial instrument recorded at fair value is bank indebtedness and it is classified as level 1 in the pre-changeover Canadian GAAP Section 3862 fair value hierarchy. The carrying values of the Corporation's remaining financial instruments, except for notes payable, approximate fair value because of the short maturity of these instruments.

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19. FINANCIAL INSTRUMENTS [CONTINUED]

(a) Carrying values [continued]

The Corporation has estimated the fair value of the senior unsecured debenture notes payable as at December 31, 2014 as amounting to $429,666 [2013 – $414,176]. The fair value has been determined based on discounting all future payments of interest and the principal repayments on February 9, 2015, December 19, 2036 and May 14, 2043 at the estimated interest rate of 3.5% [2013 – 4.0%] that would be available to the Corporation on December 31, 2014.

The Corporation cannot determine the fair value of the IGRS promissory note as the amount is non-interest bearing and has no specific repayment terms other than as agreed upon from time to time between Energy Ottawa and IGRS.

(b) Risk factors

In the normal course of business, the Corporation is exposed to market risk, credit risk and liquidity risk. The Corporation's risk exposure and strategies to mitigate these risks are noted below.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risks: interest rate risk, currency risk and other price risk such as equity risk.

The Corporation is exposed to interest rate risk on its borrowings. The Corporation mitigates exposure to interest rate risk by issuing long-term fixed interest rate debt. Under the Corporation's credit facility, any advances on its operating lines expose it to fluctuations in short-term interest rates related to prime rate loans and bankers' acceptances. In addition, the fees payable on bankers' acceptances via the operating lines and capital line are based on a margin determined by reference to the Corporation's credit rating.

As at December 31, 2014, the Corporation has $37,000 [2013 – nil] of outstanding bankers' acceptances on its operating lines. Borrowing requirements on these lines are typically for a short duration as advances serve to bridge gaps between the cash outflow related to Hydro Ottawa Limited's monthly power bill and the inflows related to the settlements with customers and, as such, there is limited exposure to interest rate risk.

As at December 31, 2014, the Corporation has nil [2013 – nil] of outstanding bankers' acceptances on its capital line. Borrowing requirements on this line are typically for a short duration as advances serve to bridge gaps between the cash outflow related to significant capital acquisitions and the inflows related to the issuance of additional long-term fixed rate debt to finance such acquisitions. Consequently, there is limited exposure to interest rate risk.

19. FINANCIAL INSTRUMENTS [CONTINUED]

(b) Risk factors [continued]

(i) Market risk [continued]

As at December 31, 2014, the Corporation has limited exposure to fluctuations in foreign currency exchange rates. The Corporation does purchase a small proportion of goods and services which are denominated in foreign currencies, predominately the US dollar. The impact of the fluctuation of foreign currencies on the gains or losses of accounts payable denoted in foreign currencies is not material.

As at December 31, 2014, the Corporation has not entered into any hedging transactions or derivative contracts.

(ii) Credit risk

Credit risk is the risk that a counterparty will default on its obligations, causing a financial loss. Concentration of credit risk associated with accounts receivable and unbilled revenue is limited due to the large number of customers the Corporation services. Hydro Ottawa Limited has approximately 320,000 customers, the majority of which are residential. As a result, the Corporation did not earn a significant amount of revenue and does not have a significant receivable from any individual customer.

Hydro Ottawa Limited performs ongoing credit evaluations of its customers and requires collateral to support non-residential customer accounts receivable on specific accounts to mitigate significant losses in accordance with OEB legislation. As at December 31, 2014, the Corporation held security deposits related to power recovery and distribution sales in the amount of $14,176 [2013 – $14,514].

Energy Ottawa and its subsidiaries limit credit risk by dealing with customers that are considered to be of high credit quality.

The Corporation monitors and limits its exposure to credit risk on a continuous basis.

The carrying amount of accounts receivable and unbilled revenue is reduced by an allowance for doubtful accounts based on the credit risk applicable to particular customers and historical and other information. The Corporation records an allowance for doubtful accounts when the recoverability of an amount becomes doubtful. When the receivable amount is deemed to be uncollectible, it is written off and the allowance for doubtful accounts is adjusted accordingly. Subsequent recoveries of receivables previously provisioned or written off result in a reduction of operating costs in the consolidated statement of income, comprehensive income and retained earnings. As at December 31, 2014, the allowance for doubtful accounts was $3,828 [2013 – $1,642]. During the year, Hydro Ottawa Limited implemented a new electricity billing system. The new billing system handles write-offs in a different manner by retaining the gross receivable balance on the books for a longer period before write-off occurs. As a result, management has increased the allowance for doubtful accounts. There is no impact on net receivables and the change did not affect the Corporation's overall credit risk.

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19. FINANCIAL INSTRUMENTS [CONTINUED]

(b) Risk factors [continued]

(ii) Credit risk [continued]

Credit risk associated with accounts receivable and unbilled revenue is as follows:

	2014	2013
Accounts receivable	**$ 76,067**	$ 72,262
Total unbilled revenue	**81,957**	106,757
Less allowance for doubtful accounts	**(3,828)**	(1,642)
	154,196	177,377
Of which:		
Outstanding for 30 days or less	**59,185**	64,638
Outstanding for more than 30 days but not more than 120 days	**11,836**	5,665
Outstanding for more than 120 days	**5,046**	1,959
Unbilled revenue	**81,957**	106,757
Less allowance for doubtful accounts	**(3,828)**	(1,642)
	$ 154,196	$ 177,377

As at December 31, 2014, there were no significant concentrations of credit risk with respect to any class of financial assets or counterparties and approximately 22% [2013 – 11%] of the Corporation's accounts receivable was aged more than 30 days. The Corporation’s maximum exposure to credit risk is equal to the carrying value of accounts receivable and unbilled revenue less customer deposits held.

(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will not meet its financial obligations as they come due. The Corporation regularly monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and capital investment requirements. The Corporation achieves this objective by ensuring that sufficient facilities, as described in Note 9, are maintained to meet obligations as they come due while minimizing standby fees and interest.

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19. FINANCIAL INSTRUMENTS [CONTINUED]

(b) Risk factors [continued]

(iii) Liquidity risk [continued]

Liquidity risks associated with financial commitments are as follows:

	2014		
	Due within 1 year	**Due between 1 year and 5 years**	**Due after 5 years**
Bank indebtedness	$ **15,955**	$ **-**	$ **-**
Accounts payable and accrued liabilities	**175,850**	**-**	**-**
Senior unsecured debentures			
Series 2005-1, 4.930%, due February 9, 2015	**200,000**	**-**	**-**
Series 2006-1, 4.968%, due December 19, 2036	**-**	**-**	**50,000**
Series 2013-1, 3.991%, due May 14, 2043	**-**	**-**	**150,000**
IGRS promissory note, due on demand	**740**	**1,460**	**-**
IGRS promissory note, 6.0%, due December 31, 2024	**185**	**1,137**	**1,973**
	$ **392,730**	$ **2,597**	$ **201,973**

20. FINANCING COSTS

	2014	2013
Interest on notes payable	$ **18,621**	$ 16,404
Short-term interest and fees, net of interest income	**637**	652
Less AFUDC	**(1,857)**	(2,411)
	$ **17,401**	$ 14,645

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21. PAYMENTS IN LIEU OF CORPORATE INCOME TAXES

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

	2014	2013
Federal and Ontario statutory income tax rate	**26.50 %**	26.50 %
Income before provision for PILs	**$ 32,335**	$ 41,958
Provision for PILs at statutory rate	**$ 8,569**	$ 11,119
Increase (decrease) resulting from:		
Permanent differences	**36**	1,093
Regulatory offset to temporary differences and changes in future tax rates	**(6,347)**	(3,001)
Future tax benefit recognized on actuarial gains recorded in OPEB deferral account	**-**	495
Prior year adjustments	**(94)**	(58)
Tax credits	**-**	(162)
Change in valuation allowance	**(48)**	42
Other	**(304)**	(118)
	$ 1,812	$ 9,410
Effective income tax rate	**5.60 %**	22.43 %

The Corporation as a rate-regulated enterprise is required to recognize future income tax assets and liabilities and related regulatory liabilities and assets for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates.

Provision for PILs consists of the following:

	2014	2013
Current PILs corporate income tax provision	**$ 1,469**	$ 8,126
Future PILs corporate income tax provision		
Future income tax provision before regulatory adjustment	**8,984**	5,367
Regulatory adjustment for the recovery of future income tax provision	**(8,641)**	(4,083)
	$ 1,812	$ 9,410

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
December 31, 2014
[in thousands of Canadian dollars]

21. PAYMENTS IN LIEU OF CORPORATE INCOME TAXES [CONTINUED]

The Corporation's future income tax assets and liabilities are presented on the consolidated balance sheet as follows:

	2014	2013
Assets		
Future income tax assets, current	**$ 1,015**	$ 818
Future income tax assets, non-current	**11,103**	19,947
	12,118	20,765
Liabilities		
Future income tax liabilities, non-current	**(6,800)**	(6,464)
	$ 5,318	$ 14,301

Significant components of the Corporation's future income tax assets and liabilities are as follows:

	2014	2013
Property, plant and equipment and intangible assets	**$ (456)**	$ 9,844
Employee future benefits	**3,834**	3,354
Non-capital loss carryforwards	**395**	697
Other temporary differences	**1,545**	406
	$ 5,318	$ 14,301

The Corporation's regulatory liabilities for the amounts of future income taxes expected to be refunded to customers in future electricity rates are presented on the consolidated balance sheet as follows:

	2014	2013
Regulatory liability for future income tax assets, current	**$ 1,015**	$ 818
Regulatory liability for future income tax assets, non-current	**11,055**	19,893
	$ 12,070	$ 20,711

As at December 31, 2014, the Corporation had capital losses of $700 [December 31, 2013 – $700] which have not been recognized in the consolidated financial statements.

As at December 31, 2014, Hydro Ottawa Limited and PowerTrail had corporate minimum tax credit carryforwards of $690 and $135 respectively [2013 – nil and $100 respectively] which expire between 2027 and 2034.

As at December 31, 2014, PowerTrail had non-capital tax loss carryforwards of $1,462 [2013 – $2,627] which expire between 2028 and 2030.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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22. CONTINGENT LIABILITIES

Purchasers of electricity in Ontario including Hydro Ottawa Limited, through the Independent Electricity System Operator ['IESO'], are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Corporation fails to make a payment required by a default notice issued by the IESO. A prudential support obligation is calculated based upon a default protection amount and the distributor's trading limit less a reduction for the distributor's credit rating. As at December 31, 2014, the Corporation had drawn standby letters of credit in the amount of $8,150 [2013 – $16,000] against its credit facility to cover its prudential support obligation. In addition, the Corporation maintains $1,258 [2013 - $133] in other standby letters of credit to various agencies as described in Note 9 of these consolidated financial statements.

The Corporation participates with other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. The Corporation is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred. If any additional assessments were required in the future, their cost would be charged to income in the year during which they occur.

In December 2012, Hydro Ottawa Limited was charged with five charges under the Occupational Health and Safety Act with respect to an incident occurring on March 22, 2012, which resulted in the fatality of an employee of a third-party subcontractor. No charges have been or can be brought against directors, officers or employees arising from this incident. The maximum fine for each count is $500 plus a 25% Victim Fine Surcharge upon conviction. Hydro Ottawa Limited, through external counsel, is defending the charges. At this time, it is not possible to quantify the effect, if any, of these charges on these consolidated financial statements.

Various lawsuits have been filed against the Corporation for incidents that arose in the ordinary course of business. In the opinion of management, the outcomes of the lawsuits, now pending, are neither determinable nor material. Should any loss result from the resolution of these claims, such losses would be claimed through the Corporation’s insurance carrier, with any unrecoverable amounts charged to income in the year of resolution.

23. COMMITMENTS

Hydro Ottawa Limited has $58,854 in total open commitments for 2015 to 2022. This includes commitments relating to a customer information system services agreement, construction projects, spare parts and standby equipment and overhead and underground services.

Energy Ottawa plans to invest significant resources towards the Chaudiere Expansion over the next three years as described in Note 7 of these consolidated financial statements. As at December 31, 2014, Energy Ottawa has committed $20,138 in funds to commence construction.

PowerTrail is committed, under a Gas Utilization License of Occupation Agreement with the City of Ottawa, to provide a 5.5% royalty of its gross annual receipts derived from the sale of electricity associated with the use of gas from the Trail Road landfill site through 2024. In exchange, the City of Ottawa provides facilities for the collection and use of gas generated by the Trail Road landfill site.

Moose Creek LP is committed, under a Gas Utilization and Lease Agreement with a third party, to provide a royalty on its gross generation revenue ranging from 4% to 12% through 2033. These royalties are based on certain annual net generation thresholds as defined within the agreement and in 2014 were 6% [2013 – 6%]. In exchange, the third party provides the use of land for the collection and use of gas generated by the Laflèche landfill site.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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23. COMMITMENTS [CONTINUED]

On June 3, 2013, Energy Ottawa renewed its lease with the National Capital Commission of Canada for an additional 20 years, through September 30, 2032. Since incorporation, the lease has granted the Corporation the right to certain lands, buildings and other generating assets at Chaudière Falls [collectively known as Generating Station No. 2]. Lease payments are determined annually, based on the minimum base rent established in 1993 of $52, plus a variable portion based on the ratio of energy generated by Generating Station No. 2 as a proportion of the Corporation's total generation production and related revenue. Energy Ottawa's estimated future payments under this lease, based on expected production and revenue, are as follows:

2015	$	128
2016		126
2017		118
2018		114
2019		114
Thereafter		1,452
	$	2,052

24. RELATED PARTY TRANSACTIONS

The following table provides the transactions entered into with related parties as well as outstanding balances at year end. These transactions occur in the normal course of business, and are transacted at the amount of consideration determined and agreed to by the related parties. Trade amounts due from and to related parties are non-interest bearing, result from normal operations and are due within one year.

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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24. RELATED PARTY TRANSACTIONS [CONTINUED]

	2014 Transactions during the year		2014 Balances at year end	
	Sales to related parties	**Purchases from related parties**	**Due from related parties**	**Due to related parties**
City of Ottawa and subsidiaries				
Sale of electricity [1]	**$ 44,008**	**$ -**	**$ -**	**$ -**
Commercial energy services [2]	**5,420**	**-**	**-**	**-**
Other services [2]	**7,499**	**-**	**-**	**-**
Fuel, permits and other services [3]	**-**	**918**	**-**	**-**
Property taxes [3]	**-**	**2,165**	**-**	**-**
Royalties [3]	**-**	**192**	**-**	**-**
Conservation and demand management initiatives [3]	**-**	**283**	**-**	**-**
Accounts receivable	**-**	**-**	**8,786**	**-**
Accounts payable and accrued liabilities	**-**	**-**	**-**	**107**
	$ 56,927	**$ 3,558**	**$ 8,786**	**$ 107**

	2013 Transactions during the year		2013 Balances at year end	
	Sales to related parties	Purchases from related parties	Due from related parties	Due to related parties
City of Ottawa and subsidiaries				
Electricity [1]	$ 39,908	$ -	$ -	$ -
Commercial energy services [2]	3,585	-	-	-
Other services [2]	7,684	-	-	-
Fuel, permits and other services [3]	-	1,183	-	-
Property taxes [3]	-	2,053	-	-
Royalties [3]	-	176	-	-
Conservation and demand management initiatives [3]	-	57	-	-
Accounts receivable	-	-	7,906	-
Accounts payable and accrued liabilities	-	-	-	268
Total	$ 51,177	$ 3,469	$ 7,906	$ 268

1 Included in power recovery, distribution sales revenue and regulatory assets / liabilities
2 Included in other revenue and contributions in aid of construction
3 Included in operating costs

Hydro Ottawa Holding Inc.

Notes to the Consolidated Financial Statements
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25. SUBSEQUENT EVENTS

On February 2, 2015, the Corporation successfully completed a dual tranche bond offering of senior unsecured debentures consisting of Series 2015-1, $200,000 at 2.614% due February 3, 2025 and Series 2015-2, $175,000 at 3.639% due February 2, 2045. The Corporation has used $200,000 of the $375,000 total offering to repay Series 2005-1 which became due on February 9, 2015.

On March 23, 2015, the Corporation, through its subsidiary Energy Ottawa, entered into a share and unit purchase agreement to acquire a variety of generation-related entities. The agreement includes numerous closing conditions which can have a material impact on the total purchase price. Hence, the value of the purchase commitment is not determinable at this time. The closing of this transaction is currently expected to occur in the second quarter of 2015.

26. COMPARATIVE FIGURES

In certain instances, the 2013 information presented for comparative purposes has been reclassified to conform to the consolidated financial statement presentation adopted for the current year.

Statement of Executive Compensation

The Governance and Management Resources Committee of the Board, made up entirely of independent Directors, is responsible for developing and recommending the approval of the compensation framework for the Corporation and each of its subsidiaries.

In developing the compensation framework, the Governance and Management Resources Committee is guided by two principles: the need to provide a total compensation package that will attract and retain qualified and experienced executives, and linking compensation to performance.

Executive compensation is reviewed by the Governance and Management Resources Committee and approved by the Board of Directors. In making its recommendations to the Board, the Committee examines the responsibilities and performance of individual executives, and considers the recommendations of the President and Chief Executive Officer.

In an effort to attract and retain qualified and experienced executives, the Corporation aims to offer a total compensation package that is competitive with other organizations of a similar size and scope. Executive compensation is reviewed on an annual basis and compared to market data, with the assistance of independent consultants, on an ad hoc basis to ensure competitiveness. In line with best practices for the sector, as identified by the Ontario Minister of Energy's Agency Review Panel in 2007, Hydro Ottawa applies a 50/50 weighting of market data from public and private comparators. The industry component of the market comparator group has a strong sector affiliation [e.g., Transportation and Utilities sector], and is assessed by revenue levels to ensure comparability.

Total cash compensation for Executives consists of two components*: base salary and an at risk performance incentive. Total cash compensation is benchmarked to companies of comparable size and scope in both the Ontario and national markets, with the target for total cash compensation set at the 50th percentile, or midpoint, of the market.

The at risk performance incentive component is paid on an annual basis, and is expressed as a percentage of base salary. It is designed to retain and motivate executives, to reward them for their performance during the preceding year, and to ensure alignment with shareholder objectives. Payments are based on the achievement of corporate and division objectives, both financial and non-financial, which are established each year by the Board of Directors. Non-financial targets are designed to achieve continuous improvement in relation to a number of strategic objectives including, but not limited to, customer service, operational and organizational efficiency and effectiveness, and service reliability.

Executives participate in a benefits program, which includes extended health care, dental care, basic and optional life insurance, and short-term and long-term disability insurance. This same program is available to all management group employees of the Corporation.

Executives also participate in the OMERS pension plan. This plan is a multi-employer, contributory, defined benefit pension plan established by the Province for employees of municipalities, local boards and school boards in Ontario. Pension benefits are determined by a formula based on the highest consecutive five-year average of contributory earnings and years of service. Pension benefits are indexed to increases in the Consumer Price Index subject to an annual maximum of 6 percent. Both participating employers and participating employees are required to make equal contributions to the plan based on the participating employees' contributory earnings. Earnings for pension purposes are capped based on recent plan changes.

*The total cash compensation for the President and Chief Executive Officer consists of a base salary only.

SUMMARY OF COMPENSATION

Officers of the Corporation

NAME AND PRINCIPAL POSITION[1]	YEAR	BASE SALARY ($)[2]	AT RISK PERFORMANCE INCENTIVE ($)[3]	OTHER COMPENSATION ($)[4]
Bryce Conrad President and Chief Executive Officer	2014	$363,468	N/A	$13,458
	2013	$354,579	N/A	$35,240
	2013	$344,230	N/A	$15,734
Geoff Simpson Chief Financial Officer	2014	$174,968	$42,884[6]	$8,526
	2013	$63,301[5]	N/A	$3,362
Norm Fraser Chief Operating Officer – Distribution and Customer Service	2014	$219,174	$66,121	$8,731
	2013	$216,082	$73,900	$8,894
	2012	$215,919	$67,367	$8,714
Gregory Clarke Chief Operating Officer – Generation	2014	$177,622	$53,586	$8,556
	2013	$175,116	$59,890	$8,687
	2012	$174,984	$52,535	$9,550

1 Officers whose earnings are reported are those who occupied the position at December 31, 2014

2 Amounts shown in this column have been rounded to the nearest dollar

3 Amounts shown in this column reflect the at risk performance incentive for the executive in respect of the achievement of the performance objectives for the previous financial year, paid in the reporting year

4 Amounts in this column include Board approved discretionary payments such as payments of earned and unused vacation credits, car allowance, computer allowance and employer's share of basic life insurance premiums

5 Mr. Simpson assumed the position on August 6, 2013. Had Mr. Simpson been employed in this position for the entire year, his base salary would have been $172,500

6 Given that Mr. Simpson assumed the position on August 6, 2013, the at risk performance incentive for 2013, paid in 2014, is based on both his previous position with the Corporation and the position of Chief Financial Officer

Corporate Governance

Hydro Ottawa is committed to establishing and maintaining leading governance practices for a company of its size and mandate. Because governance standards and best practices are always evolving, the company seeks to continuously improve its governance practices.

Hydro Ottawa Holding Inc. is a private, for-profit company, incorporated under the *Business Corporations Act* [Ontario]. At the same time, the company is wholly owned by the City of Ottawa and fulfills a public mandate, and is therefore mindful of its responsibility to be accountable both to its shareholder and the public. The company's governance practices are guided not simply by legal obligations, but by best business practices and standards established by independent agencies.

While Hydro Ottawa is not a reporting issuer under the Securities Act and is therefore not subject to governance standards that apply to publicly-traded companies, the company is guided by these standards and seeks to meet or exceed them. In addition, Hydro Ottawa regularly compares its governance practices to those of private and public sector organizations, and to standards set by agencies such as the Canadian Securities Administrators and the Ontario Securities Commission.

Governance Structure

Accountability for the effective oversight of the Corporation and its wholly-owned subsidiaries (Hydro Ottawa Limited and Energy Ottawa Inc.) rests with an eleven-member Board of Directors, which provides direction to the Corporation on behalf of the shareholder, the City of Ottawa. The Board provides leadership within a framework of effective controls that enables risks to be assessed and managed, and is responsible for supervising the management of the business and affairs of the Corporation and its wholly-owned subsidiaries. In carrying out its oversight function, the Board of Directors is guided by a Shareholder Declaration issued by Ottawa City Council and revised from time to time. The Corporation's Code of Business Conduct, its Director Conflict of Interest and Conduct Guidelines and a Related Party Transaction Disclosure Policy and Process also govern the actions of the Board.

In 2006, a separate Board of Directors was established to oversee the operations of Hydro Ottawa Limited, in accordance with the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the Ontario Energy Board. The powers and functions of that Board are set out in a Shareholder Declaration issued by the Hydro Ottawa Holding Inc. Board of Directors.

On a day-to-day basis, the Corporation is led by an Executive Management Team, comprising the Corporation's President and Chief Executive Officer, the Chief Financial Officer and the senior executives of the subsidiaries and critical functional areas. This team oversees the alignment of business practices and strategies with the goals of the Corporation, and drives performance by managing risks and opportunities. The Executive Management Team is accountable to the Corporation's Board of Directors through the President and Chief Executive Officer.

Key Governance Processes and Controls

Hydro Ottawa has established a number of leading governance processes and controls to assist the Board and executive management in carrying out their oversight functions.

Risk Management: An extensive, corporate-wide risk management system has been established to track indicative and predictive measures of risk. Risk assessments are included with regular reporting to the Board on all areas of the Corporation's operations.

Internal Audit: Hydro Ottawa conducts a rigorous internal audit program to verify controls and maximize business efficiency and effectiveness. A number of business processes and functions are audited annually based on an audit plan approved by the Board. The use of experienced auditors both internal and external to the Corporation ensures rigour and objectivity.

Business Continuity Plans: Plans are in place to ensure the continuance of critical operations in the event of a major emergency such as a pandemic, and to return the Corporation to normal operations as quickly as possible after such an event. They include detailed strategies for the re-assignment of resources to critical processes, and redundant supply arrangements with critical external suppliers.

Appointments to the Board of Directors

The governance structure for the Corporation [Hydro Ottawa Holding Inc.] and its wholly-owned subsidiaries [Hydro Ottawa Limited and Energy Ottawa Inc.] includes two boards of directors—the Hydro Ottawa Holding Inc. Board and the Hydro Ottawa Limited Board.

In accordance with the terms of the Shareholder Declaration, the City of Ottawa appoints all Directors to the Boards except the President and Chief Executive Officer. In doing so, the City considers candidates recommended by the Nominating Committee of the Board of Hydro Ottawa Holding Inc., but is not obliged to select these candidates. The Nominating Committee is assisted by outside consultants in its search for candidates for appointment to the Boards.

As set out in the Shareholder Declaration, all candidates for appointment to the Boards must meet certain requirements, including demonstrated integrity and high ethical standards, relevant career experience and expertise, and an understanding of the role of Hydro Ottawa both as a service to local ratepayers and an asset of taxpayers.

In addition, the nomination and selection process is designed to maintain a Board that includes the following overarching competencies among one or more directors: strong business background including competitive business experience and strategic planning; a strong financial background including financial accreditation and public or private market financing experience; industry sector experience in the areas of business of the subsidiary companies; board experience; and merger and acquisition experience.

Committees

The following committees were created to help the Boards of Directors carry out their duties. The committees meet regularly and provide feedback on their discussions to their respective Boards.

HYDRO OTTAWA HOLDING INC.

Audit: The Audit Committee reviews financial statements, accounting practices and policies, auditing processes and the results of internal and external audits and related matters. It also oversees financial risk management and assesses internal controls.

Governance and Management Resources: The Governance and Management Resources Committee reviews the Corporation's governance structures and practices to ensure that the Board of Directors can fulfill its mandate. It reviews management resources and compensation practices to ensure systems are in place to attract, retain and motivate qualified management employees. It also reviews and assesses the performance of the President and Chief Executive Officer, oversees the Board Assessment process, and monitors compliance with codes of conduct.

Investment Review: The Investment Review Committee, created by the Board of Directors effective April 2010, is responsible for assisting management and the Board of Directors in the review and pursuit of business development, acquisition and investment opportunities. In carrying out these functions, the Committee focuses on the consistency of opportunities with strategic plans and investment guidelines, the maximization of shareholder value and the management of risk.

Nominating: The Nominating Committee, with the assistance of outside consultants, identifies and evaluates potential candidates for appointment as Directors. The Nominating Committee makes recommendations to the shareholder [represented by Ottawa City Council] for the appointment of directors.

Strategic Initiatives Oversight: The Strategic Initiatives Oversight Committee, created by the Board of Directors effective November 2013, is responsible for assisting the Board of Directors in guiding management and providing support and focus for large-scale capital project efforts as identified by the Board from time to time.

Board and Committee Meeting Attendance

The following tables illustrate the attendance of members at meetings of the Boards of Directors and their committees.

HYDRO OTTAWA HOLDING INC.

DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS
Jim Durrell (Chair)	6/6	15/15
Bryce Conrad (President and CEO)	6/6	N/A
Dale Craig	6/6	8/8
Manon Harvey*	3/3	6/6
Peter Hume	5/6	1/1
Douglas McLarty	6/6	9/9
Maria McRae	6/6	1/1
Lori O'Neill**	3/3	4/4
Ford Ralph*	3/3	8/8
Jim Watson	1/6	4/6
Ken Wigglesworth	6/6	10/10
Carole Workman***	1/2	1/1

HYDRO OTTAWA LIMITED

DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS
Jim Durrell (Chair)	5/5	N/A
Bryce Conrad (President and CEO)	5/5	N/A
Manon Harvey	2/2	N/A
Kalai Kalaichelvan	5/5	5/5
Bob Monette	4/5	N/A
Phil Murray	5/5	4/4
Zaina Sovani	5/5	4/5

* Depicts outgoing Board members whose terms ended on June 30, 2014
** Depicts incoming Board members whose terms took effect July 1, 2014
*** Carole Workman resigned from the Board of Directors in May 2014

Members of the Boards of Directors

Hydro Ottawa Holding Inc. (HOHI)


Jim Durrell, C.M. (Chair)

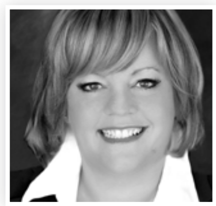

Bryce Conrad


Dale Craig


Manon Harvey


Councillor Peter Hume


Douglas McLarty


Councillor Maria McRae


Lori O'Neill


Ford Ralph


Mayor Jim Watson


Ken Wigglesworth


Carole Workman

Hydro Ottawa Limited (HOL)


Jim Durrell, C.M. (Chair)


Bryce Conrad


Manon Harvey


Kalai Kalaichelvan


Councillor Bob Monette


Phil Murray


Zaina Sovani

Note: Manon Harvey was first appointed as a director of HOHI in November 2004 and previously served as a member of the Advisory Board of that corporation. She also served on the HOL Board of Directors, the Governance and Management Resources Committee, and chaired the Audit Committee until her departure in June 2014. Ford Ralph was appointed to the HOHI Board of Directors in July 2006, and also served as a member of the Audit and Investment Review Committees until his departure in June 2014. Carole Workman was appointed to the HOHI Board of Directors in 2000 and served until 2006. In 2012, she was reappointed to the HOHI Board of Directors and also served on the Governance and Management Resources Committee until her departure in April of 2014.

Terms ended November 30, 2014 for our members of Council who served on the Boards of Directors. Councillor Peter Hume served on the HOHI Board of Directors from November 2004 to November 2014 and Councillor Maria McRae and Mayor Jim Watson served from December 2010 to November 2014. Councillor Bob Monette served on the HOL Board of Directors from December 2010 to November 2014.

We wish to convey our sincere appreciation to these individuals for their dedicated service.

Lori O'Neill was appointed to the HOHI Board of Directors effective July 1, 2014

Glossary of Terms

Electricity Industry

IESO The Independent Electricity System Operator is responsible for day-to-day operation of Ontario's electrical system. It operates the wholesale electricity market, forecasting demand and ensuring an adequate supply to meet that demand.

MDM/R The Meter Data Management and Repository system stores and manages consumption data received from Smart Meters, enabling Time-of-Use billing as part of the provincial Smart Meter Initiative.

OEB The Ontario Energy Board regulates the provincial electricity and natural gas industries in the public interest.

OPA The Ontario Power Authority is responsible for ensuring an adequate long-term supply of electricity for Ontario. It creates and implements conservation and demand management programs, ensures adequate investment in new supply infrastructure, performs long-term electricity system planning, and facilitates the development of a more sustainable and competitive electricity system. On January 1, 2015, the Ontario Power Authority [OPA] merged with the Independent Electricity System Operator [IESO] to create a new organization that will combine the OPA and IESO mandates.

Smart Meters Smart Meters measure and store data about when customers use electricity as the foundation for Time-of-Use billing.

TOU A Time-of-Use rate structure charges customers higher rates for electricity used during peak times of the day and lower rates for off-peak usage.

Internal Systems and Processes

GIS Geographic Information Systems capture, store, analyze, and display geographically referenced spatial information.

OMS The Outage Management System, when integrated with the GIS (see above) results in a single computerized map of the electricity distribution system to facilitate system planning and outage response.

SCADA Supervisory control and data acquisition refers to large-scale measurement and control systems used to monitor power generation and other distribution processes.

Financial Reporting

AcSB Accounting Standards Board is an independent body with the authority to develop and establish standards and guidance governing financial accounting and reporting in Canada.

CPA Canada Chartered Professional Accountants Canada represents the CPA profession nationally. It supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and issues guidance on control and governance.

Pre-changeover Canadian GAAP Pre-changeover Canadian Generally Accepted Accounting Principles are the common set of accounting principles, standards and procedures companies use to prepare their financial statements in Canada before the introduction of IFRS.

IFRS International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Hydro Ottawa will be required to report under IFRS rather than pre-changeover Canadian GAAP (see above) on January 1, 2015.

Earnings

There are a number of different ways of looking at how much a company earns. The most common is "net income", but other measurements, such as EBITDA, can be useful in judging the company's ability to borrow and to expand its business.

EBITDA Earnings Before Interest, Taxes, Depreciation and Amortization is a measure of financial health that helps to show how much money a company generates to pay for its obligations (such as interest on money borrowed and taxes) and fund its future growth (through depreciation and amortization).

Net Income Net income is a company's total earnings (or profit). It is determined by subtracting expenses and losses from revenues and gains during the period.

Cash Sources and Uses

Operating Operating activities primarily measure the cash-generating abilities of Hydro Ottawa's core operations rather than its ability to raise capital or purchase assets.

Investing Investing activities relate to Hydro Ottawa's purchases or sales of capital assets (assets that appear on the balance sheet and have a useful life of more than one year). Capital assets include property, plant and equipment, and intangible assets.

Financing Financing activities result in changes in the size and composition of the Company's equity capital and borrowings. A major source of cash from financing activities is the money received from long-term bond issuances.

Follow us @hydroottawa

Pineview, Ottawa @PineviewOttawa

Fearless hydro workers hanging live wires onto their new poles, all week on Innes. #amazing @hydroottawa

Caitlin Pugh @Caitie_Pugh · Oct 28

1/2 - Just had a great experience with @hydroottawa! The agent who helped me was friendly, knowledgeable, and managed my issue right away

Canadian Tire Centre @CanTireCtr

Together with the Province of Ontario and @hydroottawa we are putting conservation first and having a little fun while we're at it!

Deb Beauregard @DebBeauregard

.@hydroottawa Thanks for quick response to power outage Moodie/Robertson area in middle of night. Much appreciated!

Gord McFee @gordmcfee

Kudos to @hydroottawa for getting our power working after the huge disruption. I for one appreciate your Herculean efforts.

Shepherds Good Hope @ShepsGoodHope

Did you know that because of @UnitedWayOttawa and @hydroottawa we save 66% of electricity costs to run our shelter programs?!

Hansen Lawn & Garden @HansenOttawa

@hydroottawa as always makes quick work of horrible situations. #withthanks

Emma Loop @LoopEmma

So @hydroottawa has cool people runnings its Twitter account.

Jim Watson @JimWatsonOttawa

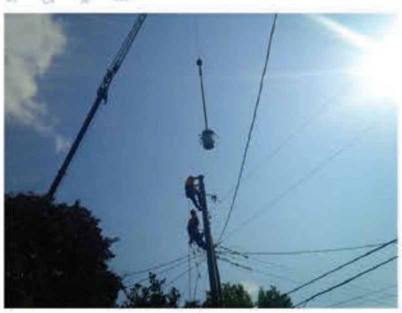
Great to join @hydroottawa 's Bryce Conrad and @ChiefBordeleau at Brewer Park for Christy Lake hockey game

Julie @OwlyJulie

.@hydroottawa always has the kindest men working outside! (I'm sure women too).

Richard McMullen @Richard_FCI

@Hydroottawa in the backyard wrapping up new pole replacement. Very impressive teamwork! They even tidy up.



Operation Come Home @ochottawa

@hydroottawa We are honored to be supported by an awesome corporation like you!!!Thank you for all that you do for homeless youth.

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