
This is Exhibit C
to the Affidavit of Neal Ferguson
sworn this 29 day of November, 2005



Commissioner for Taking Affidavits, etc.

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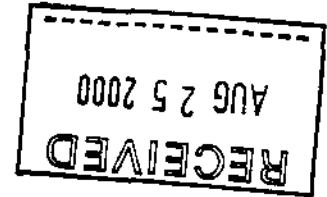
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VIA E-MAIL and DELIVERY

Commission of the Walkerton Inquiry
180 Dundas Street West
22nd Floor, Box 26
Toronto, ON M5G 1Z8

August 25, 2000



Attention: Honourable Dennis R. O'Connor, Commissioner

Dear Sirs:

Re: Walkerton Public Utilities Commission

This firm represents the Walkerton Public Utilities Commission ("**the PUC**").

Please consider this letter as our client's application for standing and funding for Part I of the Walkerton Inquiry.

Standing

In Part I of the inquiry the commission's mandate is to inquire into the circumstances which caused hundreds of people in the Walkerton area to become ill, and several of them to die in May and June 2000, at or around the time that *Escherichia coli* bacteria were found to be present in the town's water supply. As the PUC provided the potable water in Walkerton, we respectfully submit that the presence of the PUC is necessary at the hearing.

We anticipate that the actions, knowledge and documents of the PUC and its employees will be in issue and, as such, the PUC's assistance and continued co-operation will be helpful to the Commission in attempting to understand what transpired. Furthermore, findings made in Part I of the inquiry may be adverse to the PUC. For these reasons, the PUC is directly and substantially affected and claims standing pursuant to Section 5(1) of the *Public Inquiries Act*. The PUC must have separate, independent and effective representation and it seeks full participation in all aspects of Part I of the inquiry.

Funding

Assuming that the PUC obtains standing, it must be represented by legal counsel. For this purpose the PUC requests funding. Absent such funding, the PUC likely will not be able to afford counsel with the consequence that its interest will not be adequately represented at the inquiry.

The PUC is a local board of the Municipality of Brockton. As it is required to do, the PUC accounts separately for the revenues and expenses of its water department and electricity department. Only the water department revenues and expenses are relevant to this matter. Funding is set in advance on a yearly basis and the budget is created based on anticipated revenues and expenses. Revenues are based entirely upon rates the PUC expects to receive for water usage.

The issues now confronting the PUC, with respect to the crisis in Walkerton and, more particularly, the public inquiry, were obviously unanticipated. No funds have been set aside for these or similar purposes and such expenditures (including the engagement of the Ontario Clean Water Agency) are completely beyond its anticipated financial resources. The PUC's financial situation is even more precarious now given that it is no longer generating revenues for water usage. In any event, the PUC's ability to recover funds spent on a public inquiry in future rates is at its highest, questionable. Moreover, the PUC's insurer has notified the PUC that it will not fund counsel to attend the inquiry, nor does it appear from the policy that the insurer has any such obligation. In summary, there is no source of funds for the PUC to retain counsel to appear at the inquiry.

In an effort to substantiate the financial need of the PUC, we are attaching herewith a copy of the 1999 Financial Statements for the PUC water department. We are providing these to you in confidence, only for the purpose of supporting this funding request.

The PUC has not contacted any other groups or individuals in an effort to create an amalgamated group. In our submission, in light of the issues that will be unique to the PUC, often in conflict with other groups' interests, the PUC can't join with other groups and to do so would prejudice the interests of the client.

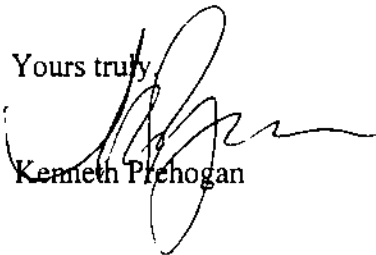
If granted, the requested funds will be used for the fees and disbursements of counsel to prepare for and appear at the inquiry. We propose that counsel deliver a monthly bill for services rendered, which will detail the date services were performed, a description of the services, the name of the lawyer or other personnel performing such services and the time spent. Disbursements, which may include the retention of experts, will be detailed individually and summarized. We believe this to be an appropriate accounting for the use of the funds.

I am a partner at this firm and will be the person in charge of administering the funds. I can be reached at Weir & Foulds, 130 King Street West, Toronto, Ontario, (416) 947-5028. The funds will be paid towards outstanding accounts or held in our firm trust account pending future accounts.

At this time, it is unknown whether the PUC will contribute any funds for the purposes of the inquiry. Such a determination will depend upon whether this request for funding is granted. Personnel of the PUC will be available to participate in the inquiry.

We look forward to hearing from you with respect to the PUC's application for standing and funding.

Yours truly


Kenneth Prehogan

KP:js
Encl.

**The Walkerton Public Utilities
Commission
Water Department
Financial Statements
For the year ended 31st December 1999**

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Auditors' Report

**To the Commissioners, Inhabitants and
Ratepayers of The Walkerton Public Utilities
Commission - Water Department**

We have audited the consolidated balance sheet of The Walkerton Public Utilities Commission Water Department as at 31st December 1999 and the consolidated statement of operations and fund balances for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at 31st December 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles disclosed in the summary of significant accounting policies accompanying these financial statements.

BDO Dunwoody LLP

Chartered Accountants

Walkerton, Ontario
18th February 2000

**The Walkerton Public Utilities Commission
Water Department
Consolidated Balance Sheet**

31st December	1999	1998
Assets		
Unrestricted		
Cash	\$ 19,308	\$ 19,308
Accounts receivable	96,477	31,281
Prepaid expenses	5,412	8,787
	<u>121,197</u>	<u>59,356</u>
Restricted		
Bank	347,036	449,401
	<u>\$ 468,233</u>	<u>\$ 508,757</u>
Liabilities and Fund Balances		
Current		
Accounts payable and accrued liabilities	\$ 4,478	\$ 4,672
Fund Balances at the End of the Year (Note 1)		
To be used to reduce user charges (Note 1(a))	116,719	54,684
Reserve funds (Note 1(b))	347,036	449,401
	<u>463,755</u>	<u>504,085</u>
	<u>\$ 468,233</u>	<u>\$ 508,757</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Walkerton Public Utilities Commission
Water Department
Consolidated Statement of Operations and Fund Balances**

For the year ended 31st December

1999

1998

Revenue		
Water	\$ 534,841	\$ 544,456
Contributed capital	3,562	37,070
Interest	17,335	17,701
Sale of capital assets	5,426	8,600
	<u>561,164</u>	<u>607,827</u>
Current Expenditures		
Administrative	35,735	46,891
Billing and collecting	28,062	27,024
Hydrant maintenance	21,439	20,920
Mains maintenance	32,887	29,123
Meter maintenance	1,042	816
Service maintenance	26,262	21,127
Pump maintenance	40,421	31,174
Plant maintenance	9,508	6,889
Property maintenance	6,957	4,599
Power purchases	40,647	30,245
Water warning system	6,142	5,483
	<u>249,102</u>	<u>224,291</u>
Capital Expenditures	<u>352,392</u>	<u>421,054</u>
Excess of expenditures over revenues for the year	(40,330)	(37,518)
Fund balances, beginning of year	<u>504,085</u>	<u>541,603</u>
Fund balances, end of year	\$ 463,755	\$ 504,085
Consisting of:		
To be used to reduce user charges	\$ 116,719	\$ 54,684
Reserve funds	<u>347,036</u>	<u>449,401</u>
	\$ 463,755	\$ 504,085

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Walkerton Public Utilities Commission
Water Department
Summary of Significant Accounting Policies**

31st December 1999

The financial statements are the representation of management prepared in accordance with accounting principles prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

a) (i) Basis of Consolidation

These statements reflect the assets, liabilities, sources of financing and expenditure of the revenue fund, capital fund, reserve funds, and reserves.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between the reserve funds and any other fund and the resulting interest income and expenditures.

b) (i) Basis of Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years", which represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures of capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

**The Walkerton Public Utilities Commission
Water Department
Notes to Financial Statements**

31st December 1999

1. Resources Available at the End of the Year

The balance on the Consolidated Balance Sheet of resources available of \$463,755 (1998 - \$504,085) at the end of the year is comprised of the following:

	1999	1998
a) To be Used to Offset Taxation		
Accumulated net revenue:		
for reduction of user charges - water department	\$ 116,719	\$ 54,684
b) Reserve Funds		
Set aside for specific purposes:		
for replacement of capital assets	347,036	449,401
Total Resources Available	\$ 463,755	\$ 504,085

2. Public Liability Insurance

The Commission is a member of the Municipal Electrical Association Reciprocal Insurance Exchange. The Municipal Electrical Association Reciprocal Insurance Exchange is a pooling of the public liability insurance risks of many of the municipal utilities in Ontario. All members of the pool are subject to assessment for losses experienced by the pool for the years in which they were members on a pro rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to five years. To 31st December 1999 no assessment has been made with respect to 1999 or prior years.

3. Reserve Fund

	1999	1998
Reserve fund, beginning of year	\$ 449,401	\$ 497,608
Interest income	15,031	13,211
Net appropriation to revenue fund	(117,396)	(61,418)
Reserve fund, end of year	\$ 347,036	\$ 449,401