EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

2021 Cost of Service

Wellington North Power Inc.
EB-2020-0061

TABLE OF CONTENTS

Table of Figures

1.1 EXECUTIVE SUMMARY

1.1.1 INTRODUCTION

Wellington North Power Inc. ("WNP") is pleased to present its Cost of Service application for rates effective May 1, 2021. This application consists of the following Exhibits and Excel models as evidence to support this application.

- ✓ Exhibit 1: Administrative Documents.
- ✓ Exhibit 2: Rate Base and DSP.
- ✓ Exhibit 3: Revenues.
- ✓ Exhibit 4: Operation, Maintenance and Administrative Costs.
- ✓ Exhibit 5: Cost of Capital.
- ✓ Exhibit 6: Revenue Requirement.
- ✓ Exhibit 7: Cost Allocation.
- ✓ Exhibit 8: Rate Design.
- ✓ Exhibit 9: Deferral and Variance Accounts.

- ✓ 2021 Benchmarking Forecast Model.
- ✓ 2021 Cost Allocation Model EB-2020-0061.
- ✓ 2021 OEB LRAMVA Work Form EB-2020-0061.
- ✓ 2021 Test Year Income Tax PILs Work Form EB-2020-0061.
- ✓ 2021 Revenue Requirement Work Form EB-2020-0061.
- ✓ 2021 RTSR Work Form EB-2020-0061.
- ✓ 2021 Load Forecast Model EB-2020-0061.
- ✓ 2021 DVA Continuity Schedule EB-2020-0061.
- ✓ 2021 COS Checklist EB-2020-0061
- ✓ 2021 Filing Requirements Chapter 5 Appendix EB-2020-0061

- ✓ 2021 Filing Requirements Chapter 2 Appendices EB-2020-0061 [1]
- ✓ 2021 1595 Analysis Workform EB-2020-0061
- ✓ 2021 GA Analysis Workform EB-2020-0061
- ✓ 2021 Tariff Schedule & Bill Impact Model EB-2020-061

All documents have been submitted to the OEB via their on-line portal.

The application along with all supporting evidence will also be posted on the utility's website and customers informed of the filing via Twitter and Facebook once the application is accepted by the Ontario Energy Board (OEB).

1.1.2 SUMMARY OF APPLICATION INTENDED FOR WNP CUSTOMERS[2]

Appendix 1A in this Exhibit includes a brief summary of Wellington North Power Inc.'s Cost of Service application. The summary will be posted as a stand-alone document on the utility's website for review by the general public and will be posted on WNP's social media pages.

1.1.3 BUSINESS PLAN[3]

In compliance with the Rates Handbook issued on October 13, 2016, Wellington North Power Inc. has filed its' Business Plan with this Application. The utility's 2020-2021 Business Plan is in Appendix 1B of this Exhibit.

A copy of WNP's Board of Directors' Resolution of acceptance of the utility's 2020-2021 Business Plan is included in the Appendices of Exhibit 1 as Appendix 1C.

[1] MFR - Chapter 2 appendices in live Microsoft Excel format
[2] MFR – Summary of Application
[3] MFR - Plain language description of objectives and business plan and how they relate to the application and the RRFE objectives. Description should aid the OEB in understanding the impacts of the business plan on key areas such as customer service, system reliability, costs and bill impacts. Description of how customer feedback is reflected

1.2 ADMINISTRATIVE

1.2.1 APPLICANT

Application contact information is as follows:

Applicants Name:	Wellington North Power Inc.

1.2.2 CONTACT INFORMATION[4]

Application contact information is as follows:

Applicants Name:	Wellington North Power Inc.
Applicants Address:	Wellington North Power Inc.
	290 Queen Street West
	PO Box 359
	Mount Forest, ON, N0G 2L0P.O
	Telephone: 519-323-1710
	Fax: 519-323-2425
WNP's Main Contact Details:	Richard Bucknall
	Manager of Customer Services & Regulatory Affairs
	E-mail rbucknall@wellingtonnorthpower.com
	Telephone: 519-323-1710
WNP's Counsel:	Michael Buonaguro[5]
	Email: mrb@mrb-law.com
	Phone: 416-767-1666

[4] MFR - Primary contact information (name, address, phone, fax, email)
[5] MFR - Identification of legal (or other) representation

1.2.3 CONFIRMATION OF INTERNET ADDRESS[6]

Wellington North Power Inc.'s website address is:

https://www.wellingtonnorthpower.com

[6] MFR - Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers

1.2.4 STATEMENT OF PUBLICATION[7]

All of Wellington North Power Inc.'s customers may be affected by this application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspaper which has the highest circulation in its service area, namely; "*The Wellington Advertiser*".

The Wellington Advertiser

905 Gartshore Street

Fergus, ON N1M 2W8

Telephone: 519-843-7607

Web: https://www.wellingtonadvertiser.com/

Once the Notice of Application and Hearing has been published in the above listed newspaper, Wellington North Power Inc. will file an Affidavit of Publication.

[7] MFR - Statement identifying where notice should be published and why.

1.2.5 LEGAL APPLICATION

Application

Ontario Energy Board

EB-2020-0061

In the matter of; the Ontario Energy Board Act, 1998,
and in the matter of an

Application by Wellington North Power Inc. for an Order or Orders approving or fixing just and reasonable rates for the distribution of electricity to be implemented as of May 1, 2021.[8]

The Applicant is Wellington North Power Inc. *(referred in this application as "Applicant", the "Distributor", the "Company", the "utility", "LDC", "Wellington North Power" or "WNP")* is a fully licensed distributor of electricity under distribution license ED-2002-0511 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

Wellington North Power Inc. hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2021.[9]

Wellington North Power Inc. holds Electricity Distribution Licence ED-2002-0511.

The Applicant undertakes the business of distributing electricity within the former Town of Mount Forest, Village of Arthur and the Village of Holstein, servicing approximately 3,800 customers. Wellington North Power Inc.'s office is located at 290 Queen Street West, in the Township of Wellington North in the former town of Mount Forest.

[8] MFR - Statement identifying all deviations from Filing Requirements; identify concerns with models or changes to models
[9] MFR - Requested effective date

The Applicant submits that the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

i. This Application is made in accordance with the Ontario Energy Board's "*Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications*" (last revised on May 14, 2020) and the Board's "*Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications - Chapter 2: Cost of Service*" (dated May 14, 2020).

ii. Wellington North Power Inc. has filed its Distribution System Plan in conjunction with its' 2021 Cost of Service rate application. The Applicant's Distribution System Plan has been filed in accordance with the Board's ""Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications - Chapter 5: Consolidated Distribution System Plan" dated May 14, 2020.

iii. In order for Wellington North Power Inc. to maintain a safe, reliable and efficient electricity distribution infrastructure at a comparative cost of service rate, there is some impact to all customer classes serviced by the LDC. Wellington North Power Inc. believes that costs have been proportionally and equitably distributed across the customer classes.

iv. Other grounds as may be set out in the material accompanying this Application Summary.

Wellington North Power Inc. applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application to be effective May 1, 2021 or as soon as possible thereafter. The Applicant submits that these rates and charges are just and reasonable pursuant to section 78 of the Ontario Energy Board Act, 1998 being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15, WNP accordingly applies to the Board for the following Order or Orders[10]:

1) Approval to charge distribution rates effective May 1, 2021 to recover a base revenue requirement of $2,996,360 which includes a revenue deficiency of $350,116 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2) Approval of the Distribution System Plan as outlined in Exhibit 2.
3) Approval to adjust the Retail Transmission Rates – Network and Connection approved in the Final Rate Order EB-2019-0073 and as detailed in Exhibit 8.
4) Approval of the proposed Loss Factors as detailed in Exhibit 8.
5) Approval to continue to charge Wholesale Market Services, Capacity Based Recovery and Rural Rate Protection Charges.
6) Approval of revised Low Voltage charges as detailed in Exhibit 8.
7) Approval to continue the specific Service Charges (with the exception of the MicroFIT Monthly Service charge) and Transformer Allowance as previously approved by the OEB and as detailed in Exhibit 8.
8) Approval to continue applying the MicroFIT monthly service charge of $15.69 as approved in the Applicant's 2016 Cost of Service (EB-2015-0110) and detailed in Exhibit 3.
9) Approval to include assets relating to a new substation (built and energized in 2018) into the Applicant’s 2021 Rate Base as detailed in Exhibit 2.
10) Approval of the Rate Riders for a two-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
11) Disposal / recovery of 1588 & 1589 commodity account balances at as December 31st 2019 on a final basis with Rate Riders for a two-year disposition.
12) Approval to dispose of balances in the LRAM variance account as presented in Exhibit 9 with account disposition requested as a final balance.
13) Approval for recovery of the variance between the Advanced Capital Module (ACM) Rate Rider revenue collected since implementation of May 2016 rates versus the forecasted

[10] MFR - List of approvals requested (and relevant section of legislation), including accounting orders - a PDF copy of Appendix 2-A should be provided in this section

revenue projected in the Applicant's 2018 IRM application (EB-2017-0082). This variance has been calculated as a "true-up" as illustrated in Exhibit 2 and included in the EDDVAR model as detailed in Exhibit 9. The resulting Rate Rider is included within the Group 2 Deferral and Variance account balances (1508 account) which the Applicant is seeking approval for a two year disposition.

14) Acceptance of the Demand Profile methodology to determine the Non-Coincident Peak and Coincident Peak Demand Allocators as applied in the Cost Allocation model (worksheet I8) and described in Exhibit 7.

15) Disposal of the balance in the wireline pole attachment variance account as at December 31st 2019 as recorded in account 1508 with account disposition requested as a final balance.

16) Disposal / recovery of balances related to OPEB accrual amount variance in account 1508 as at December 31st 2020 based upon the Actuarial Report filed with the Application and detailed in Exhibit 4.

17) Disposal / recovery of account 1557 - MIST meters balances as at December 31st 2019 plus subsequent carrying charges calculated for January to December of 2020 and January to April of 2021 on a final basis as detailed in Exhibit 9.

18) Disposal of 1508 sub-account balances relating to (a) Capital project variance for the 2nd line 44kV Feeder Line constructed in 2016 (as per 2015 DSP and included in the Applicant's 2016 Cost of Service application - EB-2015-0110); and (b) East Energy Consultation Cost. Disposal requested on a final basis as detailed in Exhibit 9.

19) Requests that affiliate debt interest rate remains at 4.54% as detailed in Exhibit 5.

20) Such other approvals that WNP may request and that the OEB accepts during the application process.

A full list of approvals is presented in PDf format in the Appendices of Exhibit 1 as Appendix 1D.[11] The Applicant has also included the "List of Approvals" in worksheet "App.2-A Requested Approvals" of the OEB's 2021 Filing Requirements Chapter 2 Appendices workbook that has been filed with this Application.

[11] MFR - List of approvals requested (and relevant section of legislation), including accounting orders - a PDF copy of Appendix 2-A should be provided in this section

1.2.6 CERTIFICATION OF ACCURACY AND COMPLETENESS OF APPLICATION

WNP hereby certifies that the application has been reviewed and approved by the Chief Executive Office / President, Manager of Finance, Manager of Customer Services & Regulatory Affairs and the corporation's Board of Directors. The Board of Directors, who have been kept informed throughout the preparation of the budget and application, have passed a resolution approving the application.

WNP confirms that the information and evidence presented herein is accurate to the best of the corporation's knowledge. [12]

1.2.7 CONFIDENTIAL INFORMATION

WNP confirms that the application does not include any confidential information.[13]

1.2.8 ALIGN RATE YEAR WITH FISCAL YEAR

WNP is not proposing to align its rate year with its fiscal year in this proceeding. Therefore, no further adjustments are required in that respect.[14] WNP notes that it has no special conditions in its' license.

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[12] MFR - Certification by a senior officer that the evidence filed is accurate, consistent and complete
[13] MFR - Confidential Information - Practice Direction has been followed
[14] MFR - Aligning rate year with fiscal year - request for proposed alignment
MFR - List of approvals requested (and relevant section of legislation), including accounting orders - a PDF copy of Appendix 2-A should be provided in this section

1.2.9 BILL IMPACTS[15]

The 2021 distribution rates proposed by WNP will result in overall bill impacts of

- Residential customers using 750 kWh per month of $2.41 (Time-of-Use - TOU) or an increase of 1.9%.
- General Service<50 kW using 2,000 kWh per month of $9.56 (TOU) or 3.0%.
- General Service 50-999 kW are expected to increase by 2.2%.
- General Service 1,000-4,999 kW are expected to increase by 3.2%.
- Unmetered Scattered Load are projected to decrease by -8.0%
- Sentinel and Street Lighting will increase by 9.9% and 86.5% respectively.

The table below shows a summary of all components of the bill impacts:

Table 1- Total Bill Impacts

Customer Rate Class	Sub-Total						Total	
	A		B		C		Total Bill	
	$	%	$	%	$	%	$	%
Residential	$ 1.23	3.2%	$ 2.87	6.1%	$ 2.98	5.2%	$ 2.41	1.9%
General Service<50 kW	$ 6.93	8.2%	$ 11.71	10.9%	$ 11.81	9.1%	$ 9.56	3.0%
General Service 50-999 kW	$ 58.79	8.7%	$ 176.85	21.9%	$ 184.40	13.1%	$ 178.63	2.2%
General Service 1,000-4,999 kW	$1,697.59	21.5%	$3,950.79	40.8%	$4,055.92	22.9%	$4,099.75	3.2%
Unmetered Scattered Load	$ (8.63)	-13.3%	$ (8.40)	-12.4%	$ (8.38)	-11.8%	$ (6.81)	-8.0%
Sentinel Lighting	$ 36.41	11.1%	$ 36.06	10.8%	$ 36.29	10.4%	$ 29.46	9.9%
Street Lighting	$2,517.23	152.1%	$3,646.12	215.1%	$3,648.52	194.1%	$4,110.98	86.5%

A full list of the bill impacts applicable to all customer classes is found in Exhibit 8 of this application. All of WNP's customers will be affected by this application.[16]

[15] MFR - Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice

[16] MFR - Statement identifying customers materially affected by the application including any change to any rate or charge and specific statement of what individual customer or customer groups would be affected by the proposed change

1.2.10 STATEMENT AS TO THE FORM OF HEARING REQUESTED[17]

This Application is supported by written evidence. The written evidence will be filed and may be amended from time to time, prior to the Board's final decision on the Application.

WNP requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing in an effort to minimize costs but understands that if certain issues remain unsettled post settlement, the utility may be asked to participate in an oral hearing.

1.2.11 PROPOSED ISSUES LIST

In establishing the overall appropriateness of the proposed rates, WNP anticipates that the following issues will be addressed by the Board and Interveners.

a) **General – Exhibit 1:** - The reasonableness/suitability of:

- The overall economic and business planning assumptions for the Test Year (202).
- The reasonableness of the proposed Service Revenue Requirement of $3,131,690, Base Revenue Requirement of $2,996,360 and revenue deficiency of $350,116.

b) **Rate Base - Exhibit 2:** - The reasonableness/suitability of:

- The Distribution System Plan.
- The Applicant's asset planning and capital planning processes.
- Customer feedback and preferences.
- Benchmarking of costs.
- Reliability and Service Quality.
- The proposed Rate Base for the Test Year (2021).
- Inclusion of 1508 asset data at NBV into the Rate Base for the Test Year (2021).
- The objectives of the Applicant and its' customers.

[17] MFR - Form of hearing requested and why

c) **Operating Revenues - Exhibit 3:** The reasonableness/suitability of:

- Are the proposed load and customer forecast, loss factors and resulting billing determinants appropriate?
- Is the load forecast an appropriate reflection of the number and energy and demand requirements of the Applicant's customers?
- The Applicant's proposed revenue offsets.
- Are all elements of the Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?
- Has the Revenue Requirement been accurately determined?

d) **Operating Costs - Exhibit 4:** The reasonableness/suitability of:

- The Applicant's projected OM&A expenses for the Test Year (2021).
- The methodologies used to allocate costs.
- The proposed level of depreciation/amortization expense for the Test Year (2021).
- The compensation costs and employee levels.
- Consideration of Government and OEB mandated obligations.
- The objectives of the Applicant and its' customers.
- The test year forecast of PILs.

e) **Cost of Capital and Rate of Return - Exhibit 5:** The reasonableness/suitability of:

- The Applicant's proposed capital structure.
- The cost of debt.
- The proposed return on equity.

f) **Calculation of Revenue Deficiency - Exhibit 6:** The reasonableness/suitability of:

- The Applicant's calculation of Revenue Deficiency.

g) **Cost Allocation - Exhibit 7:** The reasonableness/suitability of:

- The appropriateness of the Applicant's cost allocation.

- The proposed method to determine Coincident Peak Demand and Non-Coincident Peak Demand.
- The proposed revenue-to-cost ratios.

h) **Rate Design - Exhibit 8:** The reasonableness/suitability of:

- The customer charges and the fixed-variable splits for each class.
- The proposed Retail Transmission Service Rates.
- The proposed loss factors.
- The proposed Low Voltage rates.
- The Applicant's proposed Tariff of Rates and Charges.

i) **Deferral and Variance Accounts - Exhibit 9:** The reasonableness/suitability of:

- Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
- Are the Applicant's proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition over a two-year period, as well as and the continuation of existing accounts appropriate?

1.2.12 STATEMENT OF DEVIATION OF FILING REQUIREMENTS[18]

Except where specifically identified in the Application, WNP followed the Ontario Energy Board's "*Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications*" (last revised on May 14, 2020) and the Board's "*Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications - Chapter 2: Cost of Service*" (dated May 14, 2020).

WNP has filed a completed 2021 Cost of Service checklist, as an Excel file, in conjunction with this application.

1.2.13 CHANGES IN METHODOLOGIES[19]

The projections for the 2021 Test Year were prepared in accordance with WNP's budget process as described in Section 1.4.2 of this Exhibit. All processes are in compliance with policies, directives and rules and guidelines from the Ontario Energy Board and other regulating bodies.

1.2.14 BOARD DIRECTIVE FROM PREVIOUS DECISIONS

At the date of this submission, WNP acknowledges the Accounting Orders from previous Board Decisions and/or Orders as listed below that require addressing in this Application. [20]

(i) Accounting Order: Other Pension and Employment Benefits.

In Schedule B of the Board's Decision and Rate Order for WNP's 2016 Cost of Service application EB-2015-0110, the following Accounting Order was directed:[21]

> *"Wellington North Power Inc. (Wellington North) shall establish the following deferral account effective January 1, 2016:*
>
> - *Account 1508 Other Regulatory Assets, Subaccount – OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account*

[18] MFR - Statement identifying all deviations from Filing Requirements; identify concerns with models or changes to models
[19] MFR - Statement identifying and describing any changes to methodologies used vs previous applications
[20] MFR - Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)
[21] Decision and Rate Order EB-2015-0110 Wellington North Power Inc. Application of electricity distribution rates and other charges beginning May 1, 2016, Schedule B – Accounting Orders, page 24-25

Wellington North shall establish the OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account for the purpose of recording the difference in revenue requirement each year between both the capitalized and OM&A components of OPEBs accounted for using a forecasted cash basis, as reflected in rates and the capitalized and OM&A components of OPEBs accounted for using a forecasted accrual basis.

… Wellington North will seek disposition of this account to recover the amounts so recorded in its next cost of service rate application."

The Applicant confirms that it did establish Account 1508 Other Regulatory Assets, Subaccount – OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account. In this account, WNP has recorded the difference in revenue requirement each year between both the capitalized and OM&A components of OPEBs accounted for using a forecasted cash basis. This is detailed in Exhibit 9, section 9.2.3 with the Applicant seeking approval to dispose of the balance in this account over a two-year period.

(ii) Accounting Order: Second Line Feeder Project.

In Schedule B of the Board's Decision and Rate Order for WNP's 2016 Cost of Service application EB-2015-0110, the following Accounting Order was directed:[22]

"Wellington North Power Inc. (Wellington North) shall establish a new variance account effective January 1, 2016:

- *Account 1508 Other Regulatory Assets, Subaccount – Subaccount – Second Line Feeder Project Variance Account.*

Wellington North shall establish the Second Line Feeder Project Variance Account for the purpose of recording the revenue requirement impact of three items:

a) The revenue requirement impact of the net differences in costs of the capital contributions paid to Hydro One Network Inc. (Hydro One) for the construction of the Second Line Feeder to Mount Forest and the amount built into rates (i.e.

[22] Decision and Rate Order EB-2015-0110 Wellington North Power Inc. Application of electricity distribution rates and other charges beginning May 1, 2016, Schedule B – Accounting Orders, page 24-25

revenue requirement impact of the difference between $913,000 and actual customer contributions).

b) The revenue requirement impact of the net differences in costs of the construction required to be done by Wellington North to integrate the Second Line Feeder Project into the existing distribution system, and the amount built into rates (i.e. revenue requirement impact of the difference between $460,000 and the actual costs for Wellington North Highway 6 Pole Line and Primary Metering Equipment Meter costs).

c) The revenue requirement impact of either of the above two projects not being completed in 2016.

The account is symmetrical and will reflect both cost over-runs and lower project costs in both the Hydro One and Wellington North components of the project.

The balance in the variance account is to be reviewed at Wellington North's next Cost of Service Filing."

The Applicant confirms that it did establish Account 1508 Other Regulatory Assets, Subaccount – Subaccount – Second Line Feeder Project Variance Account and has recorded:

- The revenue requirement impact of differences in Capital Contributions paid to Hydro One to complete the Second Line Feeder Project and the amount built into rates; and
- The record revenue requirement impact of the differences in pole line project costs WNP incurred to integrate the Second Line Feeder Project into the existing distribution system.

This information is detailed in Exhibit 9, section 9.2.3 with the Applicant seeking approval to dispose of the balance in this account over a two-year period.

1.2.15 CONDITIONS OF SERVICE

WNP's Conditions of Service are updated on a regular basis and were last updated in August 2019. The utility's most recent Conditions of Service are accessible on the utility's website at

https://www.wellingtonnorthpower.com/conditions-of-service.cfm

WNP confirms that its' Conditions of Service do not purport to establish any charges that are not approved as part of the posted Tariff of Rates and Charge sheet.[23]

[23] MFR - Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided

1.2.16 ACCOUNTING STANDARDS FOR REGULATORY AND FINANCIAL REPORTING

Changes in Tax Status[24]

WNP is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application.

Accounting Standard used in Application[25]

The Accounting Standard Board ("AcSB") adopted MIFRS for qualifying rate-regulated entities on January 1, 2015.

WNP converted to International Financial Reporting Standards ("MIFRS") on January 1, 2015, and has prepared this application under MIFRS. WNP confirms that there were no other changes that would affect the utility's net book value other than the implementation of new depreciation rates in 2013 which occurred before the last Cost of Service application (EB-2015-0110) was completed.

This 2021 Cost of Service rate application is being filed based on the MIFRS accounting basis (i.e. the historical years, Bridge Year and Test Year are all reported under MIFRS).

WNP confirms there have been no accounting changes adopted since the Applicant's 2016 Cost of Service rate application (EB-2015-0110).[26]

Accounting Orders

Please refer to Section "1.2.14 Board Directive from Previous Decisions" concerning two Accounting Orders arising from the Board's Decision and Rate Order for WNP's 2016 Cost of Service application (EB-2015-0110) and the action undertaken by the Applicant to adhere to these Orders.

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[24] Any change in tax status
[25] Accounting Standards used for financial statements and when adopted
[26] MFR - State accounting standard(s) used in historical, bridge and test years. Provide a summary of changes to its accounting policies made since the applicant's last cost of service filing

WNP confirms that apart from the two Accounting Orders notes in Section "1.2.14 Board Directive from Previous Decisions," there are no other Accounting Orders directed by the Board to the Applicant.

Compliance with the Uniform System of Accounts[27]

WNP has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application.

The useful lives proposed by WNP in this Application are consistent with the typical useful lives in the Kinectrics Report commissioned by the OEB dated July 8, 2010. In accordance with July 17, 2012, letter from the Board on regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies and as such, WNP adopted a range of the Kinectrics proposed useful lives and componentization on January 1, 2013.

WNP attests that it does not and will continue not to capitalize administration and other general overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated February 24, 2010. WNP understands the need for comparability between distribution utilities.

WNP has also adopted the various account changes prescribed by the Board in relation to the USoA (Article 210 – Chart of Accounts and Account 220 – Account Descriptions). Consistent with recent applications to the Board, WNP no longer includes PST in its OM&A cost estimates. Regulatory costs for Test Year 2021 have been normalized by allocating one fifth of those costs to the Test Year 2021.

Monthly Billing[28]

WNP confirms that all its' customers are billed on a monthly basis as of 2011.

[27] Existing accounting orders and departures from the accounting orders and USoA
[28] MFR - Statement confirming that the distributor will have implemented monthly billing for all customers by December 31, 2016

1.2.17 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESS

Until March 2019[29], WNP was engaged in the delivery of the Independent Electricity System Operator's ("IESO") (previously before amalgamation it was the Ontario Power Authority) conservation and demand management programs. The accounting for these activities was segregated from WNP's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.[30]

[29] The Minister of Energy, Northern Development and Mines has directed the Independent Electricity System Operator (IESO) to discontinue the current 2015-2020 Conservation First Framework and implement a new interim framework, in support of the government's goal to reduce electricity costs for customers. The change means that the IESO will centrally deliver energy-efficiency programs on a province-wide basis with a focus on business and industrial programs beginning April 1, 2019.

[30] MFR - Confirmation that accounting treatment of any non-utility business has segregated activities from rate regulated activities

1.2.18 OPERATING ENVIRONMENT

The utility's operating environment and service area has not changed since its last Cost of Service in 2016. A description of the operating environment and ownership description is presented in section 1.5 of the Business Plan and duplicated below for ease of reference.

> *Wellington North Power Inc. is licensed by the Ontario Energy Board to distribute and sell electricity in accordance with paragraph 8.1 of this Licence in the areas of:.*
>
> 1. *The former Village of Arthur as of December 31, 1998, now within the Township of Wellington North.*
> 2. *The former Town of Mount Forest as of December 31, 1998, now within the Township of Wellington North.*
> 3. *The former Police Village of Holstein as of December 31, 1999, now within the Township of Southgate.*

WNP is incorporated under the Ontario Business Corporations Act, and is owned by the Shareholders of the Township of Wellington North and the Township of Southgate:

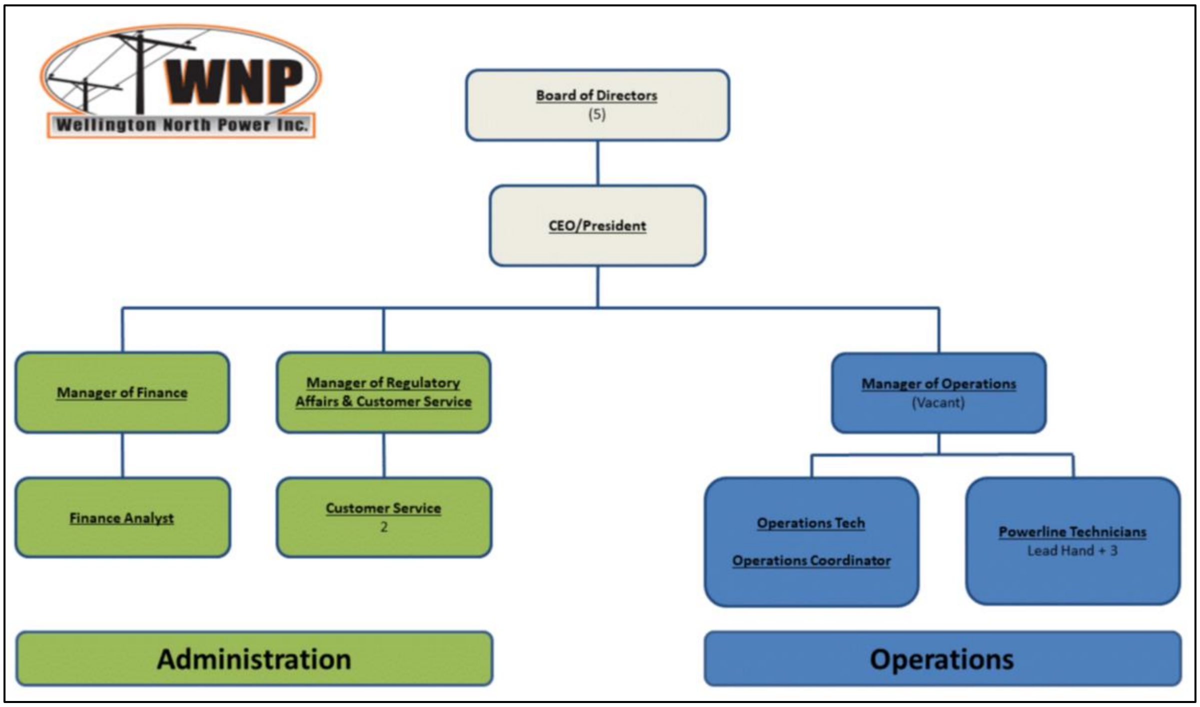
Commons Shares:	Township of Wellington North	97%
	Township of Southgate	3%

WNP is managed by a Board of Directors appointed by the Township of Wellington North.

1.2.19 CORPORATE ORGANIZATION

WNP currently employs a workforce of 12 full-time employees as illustrated below:[31]

Table 2 - Organizational Structure Chart



WNP's management team consists of:

- CEO / President.
- Manager of Finance.
- Manager of Customer Services and Regulatory Affairs.

There are no planned changes to the organization structure as represented above.

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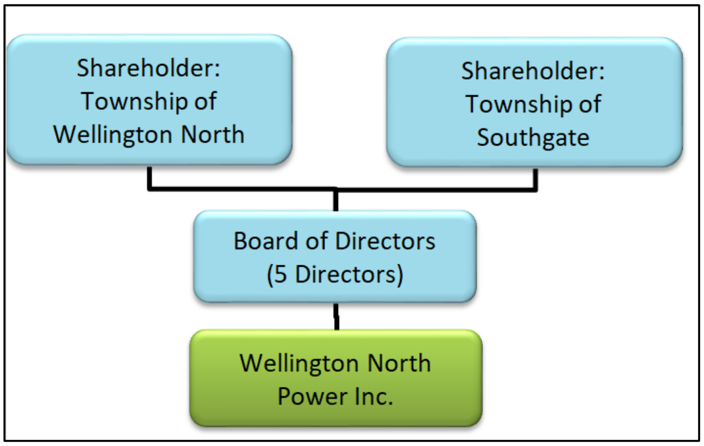
[31] MFR - Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control

WNP's corporate structure is illustrated below:[32]

Table 3 - Corporate Structure Chart



The Directors are appointed by the Township of Wellington North. The CEO/President of WNP reports to the Directors. The Directors composite meet the requirements of Section 2.1.2 of the Affiliate Relationships Code for Electricity Distributors and Transmitters, comprising of:

- 2 independent Directors; and
- 3 independent Directors.

There are no planned changes to the corporate structure as represented above.

[32] MFR - Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control

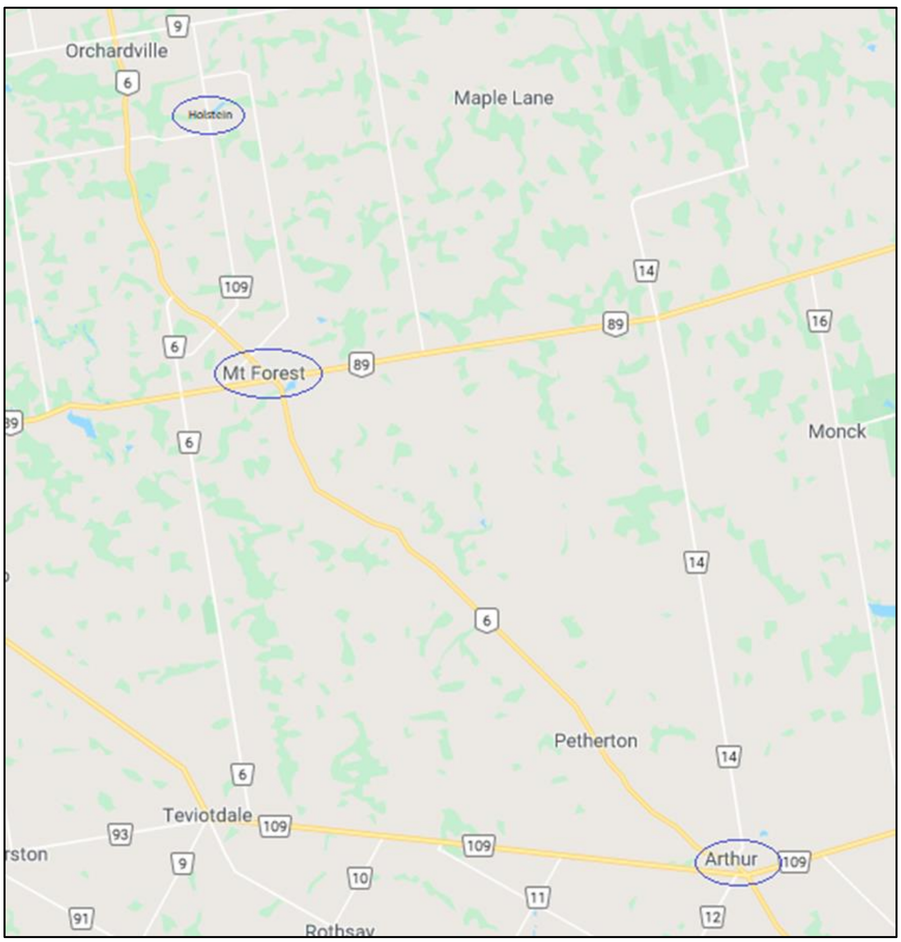
1.3 DISTRIBUTION SYSTEM OVERVIEW

1.3.1 APPLICANT OVERVIEW

Wellington North Power Inc. (WNP) is an embedded distributor[33] within Hydro One's service territory. WNP is a local distribution company servicing approximately 3,800 customers in the Town of Mount Forest, Village of Arthur and the Village of Holstein in southwestern Ontario.

The map below shows the utility's service area.[34]

Table 4 - Wellington North Power Inc.'s Service Territory



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[33] MFR - Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW

[34] MFR - Description of Service Area (including map, communities served)

The table below summarizes the service area and assets managed by WNP:

Table 5 - Utility Description

	2019	Supporting Information
Maximum Monthly Peak *(with embedded generation)*	16,845 kW	Month of Peak Demand: January 2019.
Service Area (sq. km)	14	
Kilometers of Line	79	
Total Customers (Metered)		Annual Usage (kWh)
Residential	3,314	25,253,896
General Service <50kW	476	11,138,172
General Service 50-9999 kW	35	18,739,880
General Service 1000-4999 kW	5	42,766,148
Total Number of Metered Accounts	3,830	97,898,096
Total Unmetered Connections		Annual Usage (kWh)
Unmetered Scattered Load	4	6,288
Sentinel Lights	23	19,673
Street Lighting	907	650,270
Total Number of Connections	934	676,231
Annual Metered Consumption (kWh) (not billed, excludes losses for months January to December inclusive)		98,574,327
Annual Generation kWh	392,026 kWh	Annual generated kWh during 2019 from 22 MicroFIT accounts and 1 FIT account
Number of Substations	6	
Wholesale Meter Points	4	
Poles	1,890	
Primary Lines (km)		
Overhead	69	
Underground	10	
Transformers (units)		
Overhead (Polemount)	522	
Underground (Padmount)	145	
44kV Switches Load Break	6	

Notes: The information in the above table represents the data as at December 31st 2019.
Number of Connections / Accounts is at December 31st 2019.
Annual kWh is metered kWh without Losses.

Economic Overview

Location

Wellington North Power Inc. (WNP) is a local distribution company servicing approximately 3,800 customers in the Town of Mount Forest, Village of Arthur and the Village of Holstein in southwestern Ontario, approx. 120 km northwest of Toronto (as the crow flies). The distributor's service territory is approximately 14 sq. km of medium density urban area and spans across the County of Wellington (Arthur and Mount Forest) and Grey County (Holstein).

Interesting Facts about Our Community

Until recently, the town of Mount Forest's motto was "High, Healthy, Happy", as on the water tower and welcome sign when approaching the town from the south and referring to its high elevation of 430 meters (1,410 ft) above sea level making it one of the highest towns in Southern Ontario.

The village of Arthur is referred to as the "Most Patriotic Village in Canada"; one out of every seven Arthur residents fought in the Second World War.

Holstein is a little village in the Township of Southgate in Grey County. This village is well-known for the Holstein Maplefest, Holstein Rodeo Expo and the famous Holstein Non-Motorized Santa Claus Parade.

Transportation

Mount Forest and Arthur are situated along Highway 6. Driving south on Highway 6 from Mount Forest for approx. 79 km will lead to the 401 highway, south of Guelph. There are no train services or public bus services available in the area; however in January 2020 a private transportation company started an intercity bus route with a fourteen passenger mini-bus operating between Owen Sound and Guelph with stops at Mount Forest and Arthur, running two buses in each direction per day. In October 2019, Wellington County launched a county wide, demand based, public transit service available to all residents and visitors. This five-year pilot is funded by the Government of Ontario and offers a safe, affordable option for people to move throughout the County. RIDE WELL™ is a public transit service that uses a rideshare model of operation and provides an alternative option to owning and using a personal vehicle and for those who cannot access vehicles for regular needs.

Climate

Mount Forest features a humid continental climate, characterized by warm, sometimes wet summers and cold, snowy winters. At an elevation of 430 meters (1,410 ft) above sea level, Mount Forest is one of the highest towns in Southern Ontario being located in the western portion of the Dundalk Highlands. As such, its elevation and location downwind of Lake Huron makes it prone to hefty snow totals from lake effect snow averaging nearly 300 centimeters per year. Summers, with a daily mean average of 18°C to 20°C are often cooler than they otherwise would be due to the town's elevation and overnight lows are considerably cooler than places along the lakeshore. Winter daily average mean temperatures are between -9°C to -11°C and, as a result, WNP is a winter-peaking LDC.

Population

Mount Forest and Arthur exist within the Township of Wellington North. Wellington North has a population of 11,500 with an age profile as follows:

Table 6 – Population Figures

Age Range	% of Population
0 to 14	18.6%
15 to 64	60.7%
65 or older	20.7%

Source: 2016 Canada Census

Of interest, the age group “65 or older” is 4% higher than the Ontario average. Furthermore, the 28.2% of the population of the Town of Mount Forest falls within the “65 or older” group, which is 11.5% above the Ontario average.

Labour Force

Within Wellington North, the industry categories employing the highest percentages of the population are:

Table 7 – Industry Employment

Industry	% of Population
Manufacturing	21.5%
Agriculture	11.5%
Construction	10.8%
Retail	9.5%
Healthcare	9.2%

Source: 2016 Canada Census

Of the working population, 23% commute out of the area of Wellington North.

1.3.2 HOST /EMBEDDED DISTRIBUTOR

WNP is an embedded distributor[35] within Hydro One's service territory and is connected to the grid through Hydro Ones Transmissions Station feeders:

Table 8 - Transmission Station Feeders

Transformer Substation Owner	Transformer Name	Community Served within Wellington North Power Service Territory
Hydro One Networks Inc.	NA73 - Fergus TS	Urban Area of Arthur
Hydro One Networks Inc.	NA28 - Palmerston TS	Urban Areas of Mount Forest
Hydro One Networks Inc.	NA36 - Hanover TS	Urban Areas of Holstein and Mount Forest

WNP is a registered Market Participant, dealing directly with the Independent Electricity System Operator (IESO) for the electricity which is passed through our distribution system to consumers.

As an embedded utility, WNP is billed monthly by Hydro One for all Transmission related charges including Low Voltage. Transmission and Low Voltage charges are passed through to WNP's customers.

WNP's service area consists of 44kV, 8.3kV, and 4.16kV high voltage systems.

WNP has three Hydro One 44kV feeders serving its distribution territory. WNP owns and operates the electricity distribution system in its licensed service area including parts of the Township of Wellington North and the Township of Southgate, serving approximately 3,800 Residential, General Service, Street Lighting, Sentinel Light and Unmetered Scattered Load customers/connections.

WNP's distribution assets include:

- Four municipal distribution stations that steps voltage from 44kV to 4.16kV for distribution within the town of Mount Forest;
- Two municipal distribution stations that steps voltage from 44kV to 4.16kV for distribution within the village of Arthur, and;

[35] MFR - Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW

- Distribution assets supplied by a Hydro One distribution station which service our customers in the village of Holstein.

WNP receives power from three Hydro One 44kV circuits; one from Fergus TS, one from Palmerston TS and one from Hanover TS. These 44kV circuits are used to supply our distribution assets described above. Electricity is then distributed through WNP's service area of 14 square kilometers through the company's 69 km of overhead conductors and 10 km of underground cable.

WNP does not have any embedded distributors within its territory.[36]

1.3.3 TRANSMISSION OR HIGH VOLTAGE ASSETS

WNP does not have any Transmission or high Voltage assets.[37]

[36] MFR - Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW
[37] MFR - Statement as to whether or not the distributor has had any transmission or high voltage assets deemed by the OEB as distribution assets and whether or not there are any such assets the distributor is seeking approval for in this application

1.4 APPLICATION SUMMARY

This section is dedicated to defining each element of WNP's 2021 Cost of Service application, explaining how each element is determined and explaining the relationship between the various components. The major components covered in this application summary are as follows:

a) Budgeting Assumptions.
b) Revenue Requirement.
c) Rate Base and Capital Planning.
d) Overview of Operation Maintenance and Administrative Costs.
e) Load Forecast Summary.
f) Statement of Cost of Capital Parameters.
g) Overview of Cost Allocation and Rate Design.
h) Overview of Deferral and Variance Account Disposition.
i) Overview of Bill Impacts.

1.4.1 CONSIDERATION FOR COVID-19 PANDEMIC

On March 11, 2020, Coronavirus disease (COVID-19) outbreak was declared a pandemic by the World Health Organization. Consequently, governments around the world, including the Canadian and Ontario governments, began enacting emergency measures to combat the spread of the virus. Such measures including implementation of travel bans, self-imposed quarantine periods and social distancing, have caused disruption to businesses worldwide resulting in an economic slowdown.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. For example, from March 24, 2020, the Ontario government set Time-of-Use (TOU) rates at 10.1 ¢/kWh no matter what time of day the electricity was consumed. This TOU rate was then adjusted to 12.1 ¢/kWh from June 1st to October 31st 2020. The Independent Electricity System Operator (IESO) reported a change in behavior with electricity demand falling as more businesses temporarily close their operations, and consumption patterns reflect new work-from-home schedules during the months of March and April 2020.

For a utility like WNP, the current challenging economic climate may lead to adverse changes in cash flows, an alteration in capital investment plans and/or debt balances, which may impact the LDC's operating results and financial position in the future.

The situation is dynamic and unpredictable and therefore, in preparing this application, WNP has <u>not</u> included any assumptions or provisions for the effect and / or impact of the COVID-19 pandemic. For example, WNP has:

- Not adjusted its load forecast to account for reduced energy consumption (kWh) or demand (kW) or different energy usage behavior (e.g. more people working from home).
- Not adjusted it customer or connection forecast to account for small business that may close either temporarily or permanently as a consequence of COVID-19.
- Not adjusted its Capital Expenditure plans in the event of reduced construction work or ability to work in public areas due to public health guidelines or measures.
- Not adjusted its operating budgets to provision for additional personal and protective equipment, safety measures to adhere to public health guidelines, or "sit-time" due to delays in proceeding with capital construction projects. All forecast expenses in the 2020 Bridge Year and 2021 Test Year are based on COVID-free data.
- Not adjusted its operating budgets to provision for increase in bad debt write-off or cash-flow implications due to extending the winter months of prohibiting the disconnection of residential or small business customers due to non-payment of account.

Instead, WNP has treated the 2020 Bridge Year and 2021 Test Year as "business as normal." The utility is recording all costs related to COVID-19 in the regulatory accounts as directed by the OEB Accounting Orders.

In Appendix 1E of this Exhibit, WNP has included a brief summary of how the utility has responded to the COVID-19 pandemic, in terms of its operations, customer interaction, staffing, and procedures, as well as what the short-term plans are for the LDC.

1.4.2 BUDGETING AND ECONOMIC ASSUMPTIONS[38]

WNP assembles budget information for the three major components of the budgeting process:

1) Revenue forecasts;
2) Operating, Maintenance and Administration ("OM&A"); and
3) Capital Costs.

Revenue Forecast

The revenue forecasts are based on throughput volume and existing rates for the 2020 Bridge Year and WNP's proposed rates for the 2021 Test Year. The forecasted volumes have been weather normalized and consider such factors as new customer additions and load for all classes of customers. Details are presented in Exhibit 3.

OM&A Costs

The OM&A costs presented in Exhibit 4 show WNP's maintenance and customer-focused activity required to meet public needs and employee objectives. These costs are essential in order to comply with the Distribution System Code, environmental requirements and government directives as well as to maintain distribution service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to WNPs distribution system and meeting the requirements of the OEB's Standard Supply Code and Retail Settlement Code.

The proposed OM&A cost expenditures for the 2021 Test Year are the result of planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are implemented.

[38] MFR - Budgeting and Accounting Assumptions - economic overview and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards

Capital Costs

In managing its' distribution system assets, WNP's core objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. WNP is committed to providing our customers with an economical, safe, reliable supply of electricity and enabling our community to be energy efficient.

WNP's guiding principles regarding Capital Expenditure are two-fold:

1) To replace assets before they fail; and
2) To replace assets at the end of their useful life

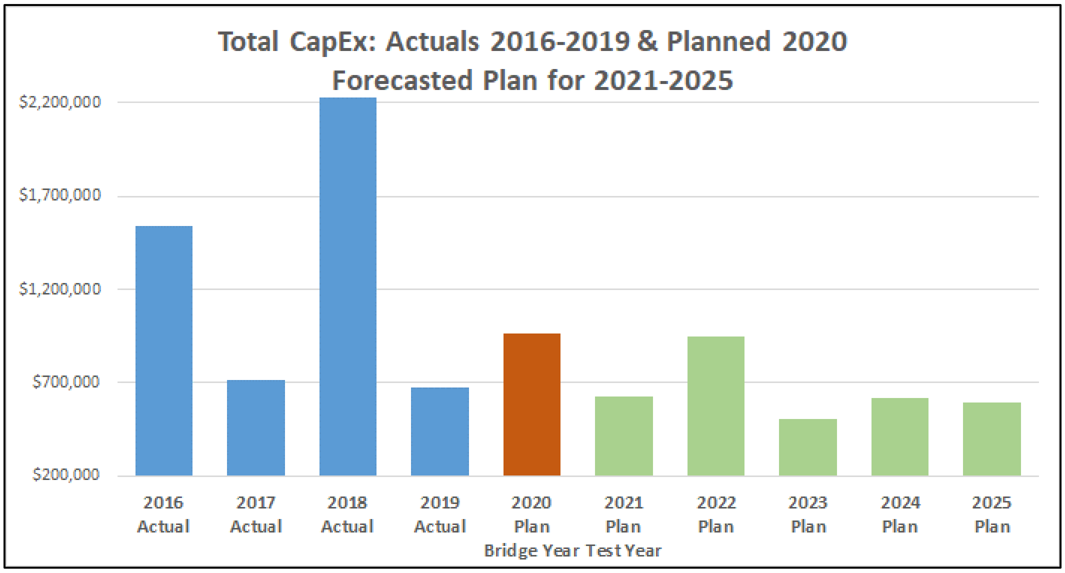
These objectives have been met through the application of thorough and sound planning, prudent and justified budgeting while implementing the documented capital and operating plans.

The table and chart below illustrate WNP's total capital expenditure for the forward looking 5 years of 2021-2025 and is generally lower when compared to the actual capital expenditure spent for the historical period of 2016 to 2020:

Table 9 - WNP's Historic Period with Actual Costs compared to Future 5-Year Plan

Category	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Plan *Bridge Year*	2021 Plan *Test Year*	2022 Plan	2023 Plan	2024 Plan	2025 Plan
System Access	$ 38,722	$ 77,353	$ 140,741	$ 63,630	$ 60,000	$70,000	$70,000	$70,000	$70,000	$85,000
System Renewal	$ 113,170	$ 454,353	$2,012,186	$ 480,796	$ 450,000	$340,000	$265,000	$265,000	$315,000	$315,000
System Service	$ 1,307,297	$ 10,954	$ 54,500	$ -	$ -	$26,500	$18,500	$21,000	$81,500	$14,000
General Plant	$ 86,356	$ 170,195	$ 22,304	$ 130,557	$ 453,000	$190,500	$598,050	$151,450	$150,800	$179,500
Total	**$1,545,545**	**$ 712,855**	**$2,229,731**	**$ 674,983**	**$ 963,000**	**$627,000**	**$ 951,550**	**$ 507,450**	**$617,300**	**$593,500**

Table 10- Total CapEx for Historic Period with Actual Costs compared to Future 5-Year Plan



The above chart demonstrates that WNP, in preparing its' future 5-year year capital investment program for 2021 to 2025, the LDC is "levelizing" spending so that it is paced and prioritized.

WNP's approach to managing its' distribution assets is described in detail in WNP's 2020 Distribution System Plan.

Overall Budgeting Process

The capital and operating budgets are prepared annually by WNP Management and reviewed and approved by the Board of Directors. Once approved, the budget is only revised if a material change in plan is required. In such cases, the revised budget is once again approved by the Board of Directors.

WNP is committed to deliver its' operating and capital plans on target and on budget.

Application Summary

The table below summarizes this latest Cost of Service rate application and how it compares measures against WNP's last Cost of Service rate application in 2016.

Table 11 – 2021 Parameters vs 2016 Parameters

Particular	MIFRS 2016	MIFRS 2021	Diff
Long Term Debt	4.02%	3.87%	-0.15%
Short Term Debt	1.65%	2.75%	1.10%
Return on Equity	9.19%	8.52%	-0.67%
Weighted Debt Rate	3.86%	3.79%	-0.07%
Regulated Rate of Return	**5.99%**	**5.68%**	**-0.31%**
Controlable Expenses	$1,736,909	$1,932,500	$195,591
Power Supply Expense	$14,081,514	$12,196,563	-$1,884,951
Total Eligible Distribution Expenses	$15,818,423	$14,129,063	-$1,689,359
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	**$1,186,382**	**$1,059,680**	**-$126,702**
Fixed Asset Opening Bal Bridge Year	$7,683,811	$11,228,623	$3,544,812
Fixed Asset Opening Bal Test Year	$8,847,868	$11,255,340	$2,407,472
Average Fixed Asset	$8,265,840	$11,241,982	$2,976,142
Working Capital Allowance	$1,186,382	$1,059,680	-$126,702
Rate Base	**$9,452,221**	**$12,301,661**	**$2,849,440**
Regulated Rate of Return	5.99%	5.68%	-0.31%
Regulated Return on Capital	**$566,491**	**$699,167**	**$132,677**
Deemed Interest Expense	$219,027	$279,927	$60,900
Deemed Return on Equity	$347,464	$419,241	$71,777
OM&A	$1,722,909	$1,918,500	$195,591
Depreciation Expense	$365,779	$500,023	$134,244
Property Taxes	$14,000	$14,000	$0
PILs	$0	$0	$0
Revenue Offset	$130,105	$135,330	$5,225
Revenue Requirement	**$2,539,073**	**$2,996,360**	**$457,287**

1.4.3 REVENUE REQUIREMENT [39]

The table below shows WNP's revenue requirement from the last Cost of Service in 2016 up to the proposed 2021 revenue requirement.

Table 12 - 2021 Proposed Revenue Requirements

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Particular	*Last Board Approved*	2016	2017	2018	2019	2020	2021
OM&A Expenses	$1,722,909	$1,744,054	$1,718,058	$1,713,234	$1,819,082	$1,897,500	$1,918,500
Depreciation Expense	$365,779	$353,743	$395,986	$412,895	$428,700	$438,822	$500,023
Property Taxes	$14,000	$13,493	$13,282	$12,892	$12,560	$14,000	$14,000
Total Distribution Expenses	$2,102,688	$2,111,290	$2,127,325	$2,139,021	$2,260,343	$2,350,322	$2,432,523
Regulated Return On Capital	$566,491	$566,491	$592,749	$598,075	$603,400	$601,015	$705,162
Grossed up PILs	$0	($23,610)	($12,918)	$2,870	($896)	$0	$0
Service Revenue Requirement	**$2,669,179**	**$2,654,171**	**$2,707,157**	**$2,739,966**	**$2,862,904**	**$2,945,316**	**$3,131,690**
Less: Revenue Offsets	($130,105)	($146,157)	($164,384)	($179,871)	($194,487)	($129,604)	($135,330)
Base Revenue Requirement	**$2,539,074**	**$2,508,014**	**$2,542,772**	**$2,560,094**	**$2,668,417**	**$2,815,712**	**$2,996,360**

The proposed Base Revenue Requirement for the 2021 Test Year of $2,996,360 reflects an increase of $457,287 or 18.1% relative to the 2016 Board Approved. In general:

- The revenue requirement increased moderately in 2017 and 2018.
- The increase in 2019 and 2020 was partly due to the effects on OM&A of increasing cyber security monitoring.
- For 2021, the main reason for the rise in revenue requirement is the increase in amortization expense due to the capital investments necessary as outlined in the utility's 2015 Distribution System Plan. WNP's DSP 2015 included capital investments for a new second-line 44kV feeder constructed in 2016 and the replacement of a municipal substation (MS3) in 2018. Increases are especially large in 2021 when the 1508 ACM assets are added to the rate base.
- For 2021, the increase in OM&A is also attributable to an increase in Regulatory Costs. Regulatory costs are projected to be higher for 2021 due to an Asset Condition Assessment Study and a review of the WNP's 2020 Distribution System Plan both performed by a third-party company.

[39] MFR - Revenue Requirement - service RR, increase ($ and %) from change from previously approved, main drivers

- The regulated return on capital increases significantly, especially in 2021

Year-over-year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets details are outlined in Exhibit 3.

1.4.4 RATE BASE AND CAPITAL PLANNING[40]

The proposed Rate Base for the 2021 Test Year of $112,301,661 reflects an increase of $2,849,440 from the 2016 Board Approved, as illustrated in the table below. The increase suggests a prudent and reasonable investment in the distribution assets and is necessary in order to meet other regulatory requirements.

Table 13 - Rate Base

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Particulars	**Last Board Approved**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Net Capital Assets in Service:							
Opening Balance	7,683,811	7,704,837	8,833,414	9,099,903	9,101,958	9,208,195	11,228,623
Ending Balance	8,847,868	8,833,414	9,099,903	9,101,958	9,208,195	9,633,096	11,255,340
Average Balance	8,265,840	8,269,126	8,966,659	9,100,931	9,155,077	9,420,646	11,241,982
Working Capital Allowance	1,186,382	1,072,290	998,190	962,922	989,802	1,048,105	1,059,680
Total Rate Base	**9,452,221**	**9,341,416**	**9,964,849**	**10,063,852**	**10,144,879**	**10,468,751**	**12,301,661**

The utility is not proposing to recover costs from any rate class for renewable energy connections/expansions, smart grid and regional planning initiatives. The table above shows the change in Rate Base from the last Cost of Service in 2016 to the proposed 2021 Cost of Service.

The 2021 Test Year Working Capital Allowance has decreased by $126,702 when compared to the 2016 Board Approved. The reason for the decrease from the 2016 Board Approved to the Test Year 2021 is due to the decrease in Power Supply Expenses. WNP has forecasted a decrease in the 2021 Power Supply Expenses of $1,884,951 over its' 2016 Cost of Service; this is due to the Ontario Electricity Rebate credit of 31.8% being applied to Regulated Price Plan billing components in the Test Year 2021.

[40] MFR - Rate Base and DSP - major drivers of DSP, rate base for test year, change from last approved ($ and %), capital expenditures requested for the test year, change in capital expenditures from last approved ($ and %), summary of costs requested for renewable energy connections/expansions, any O.Reg 339/09 planned recovery, capex for test year, change from last approved, costs for any REG-related, smart grid, regional planning projects

The table below summarizes the change in the Working Capital allowance from the 2016 Board-approved amount to the forecasted amount for the 2021 Test Year:

Table 14 - Working Capital Allowance

Expenses for Working Capital	MIFRS Last Board Approved	MIFRS 2016	MIFRS 2017	MIFRS 2018	MIFRS 2019	MIFRS 2020	MIFRS 2021
Eligible Distribution Expenses:							
3500-Distribution Expenses - Operation	420,000	442,995	444,043	394,084	407,117	430,429	443,000
3550-Distribution Expenses - Maintenance	234,500	218,122	222,539	243,715	214,209	253,402	252,000
3650-Billing and Collecting	361,000	380,741	347,237	351,745	402,260	417,717	415,500
3700-Community Relations	7,000	8,794	6,835	9,833	7,370	5,458	7,500
3800-Administrative and General Expenses	697,500	693,403	697,404	713,859	788,126	790,494	797,000
6105-Taxes other than Income Taxes	14,000	13,493	13,282	12,892	12,560	14,000	14,000
6205-Sub-account LEAP Funding	2,909	2,909	3,103	3,247	3,270	3,303	3,500
Total Eligible Distribution Expenses	1,736,909	1,760,457	1,734,443	1,729,373	1,834,912	1,914,803	1,932,500
3350-Power Supply Expenses	14,081,514	12,536,742	11,574,763	11,109,584	11,362,446	12,059,931	12,196,563
Total Expenses for Working Capital	15,818,423	14,297,199	13,309,205	12,838,957	13,197,358	13,974,734	14,129,063
Working Capital factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total Working Capital	**1,186,382**	**1,072,290**	**998,190**	**962,922**	**989,802**	**1,048,105**	**1,059,680**

WNP follows the best practices of the electricity distribution industry. This has included adhering to the OEB's Distribution System Code that sets out good utility practice and performance standards for the industry as well as minimum inspection requirements for distribution equipment. Also, WNP adheres to the standards set by the Electrical Safety Authority's 22/04 code to ensure there are safe connections to the distribution system. Consistent with best practices, over the years WNP has replaced or upgraded equipment when economically viable, such as the replacement of a 45+ year old substation in 2018. The net result has been WNP has maintained a reliable distribution system, making prudent investments when necessary, which has been achieved with only a moderate increase in rate-payers monthly electricity bills.

Details of historical and projected capital expenses are summarized in the table below:

Table 15 - Capital Expenditure Summary

Category	2016	*% of Total*	2017	*% of Total*	2018	*% of Total*	2019	*% of Total*	2020	*% of Total*	2021	*% of Total*
System Access	$55,000	*3%*	$240,000	*31%*	$240,000	*11%*	$240,000	*25%*	$60,000	*6%*	$70,000	*11%*
System Renewal	$90,000	*6%*	$390,000	*51%*	$1,932,000	*88%*	$290,000	*30%*	$450,000	*47%*	$340,000	*54%*
System Service	$1,373,217	*86%*	$0	*0%*	$0	*0%*	$0	*0%*	$0	*0%*	$26,500	*4%*
General Plant	$75,694	*5%*	$138,670	*18%*	$24,470	*1%*	$421,850	*44%*	$453,000	*47%*	$190,500	*30%*
Total	**$1,593,911**	*100%*	**$768,670**	*100%*	**$2,196,470**	*100%*	**$951,850**	*100%*	**$963,000**	*100%*	**$627,000**	*100%*

Special projects supported by our customers were completed in 2016 and 2018 specifically the addition of a second 44kV feed to Mount Forest to address future capacity concerns and the replacement of municipal substation which was at its end of life.

Summarized below are the main capital investment projects completed by WNP since 2016:

Major capital cost drivers: 2016

System Access:

- Second Supply line to service Mount Forest: $838,765

Major capital cost drivers: 2017

General Plant:

- Pick-up Truck $37,499
- MIST Meter installation $45,381

Major capital cost drivers: 2018

System Access:

- Re-verification Meter Sampling + usual replacements $154,617
- Advanced Capital Module – MS3 substation project $1,692,893 (in account 1508.)

Major capital cost drivers: 2019

System Access:

- Completion of Meter re-verification + usual replacements $81,987

Major capital cost drivers: 2020

System Renewal:

- Purchase of Bucket truck (budgeted) $345,000
- IT/Cyber Security/Smart Grid Investments $148,000

Major capital cost drivers: 2021

System Renewal:

- MS3 Substation rebuild-completed 2018 with ACM $1,692,893*
- IT/Cyber Security/Smart Grid Investments $136,400

** Inclusion in rate-base*

1.4.5 OVERVIEW OF OPERATIONS, MAINTENANCE, AND ADMINISTRATIVE COSTS[41]

WNP's 2021 Test Year Operations, Maintenance and Administrative (OM&A) operating costs are projected to be $1,918,500, which represents an increase of $195,591 from its' 2016 Cost of Service or 11%. The table below illustrates the 2016 Board Approved, historical actuals and projections for 2020 Budget Year and 2021 Test Year for the OM&A major functions:

Table 16 - Total OM&A

	Board Approved	2016	2017	2018	2019	2020 Bridge	2021 Test
Operations	$420,000	$442,995	$444,043	$394,084	$407,117	$430,429	$443,000
Maintenance	$234,500	$218,122	$222,539	$243,715	$214,209	$253,402	$252,000
Bill & Collect	$361,000	$380,741	$347,237	$351,745	$402,260	$417,717	$415,500
Community	$7,000	$8,794	$6,835	$9,833	$7,370	$5,458	$7,500
Administrative	$700,409	$693,403	$697,404	$713,859	$788,126	$790,494	$800,500
Total	**$1,722,909**	**$1,744,054**	**$1,718,058**	**$1,713,234**	**$1,819,082**	**$1,897,500**	**$1,918,500**
%Change (year over year)		1.2%	-1.5%	-.3%	6.2%	4.3%	1.1%
	Compound Annual Growth Rate from 2016 Board Approved to 2021 Test Year = 1.92%						

Upon reviewing the above table, WNP's OM&A costs have seen a compound annual growth rate of all years of 1.92% (from 2016 Actuals to 2021 Test Year), which is below annual inflation rates.

WNP's OM&A costs have remained fairly stable until 2019. The increases in 2019 and into 2020 can be attributed to increase in cyber-security costs, increases to regulatory expenses, rises in labour expenses; and increase in third-party maintenance fees. These are discussed in detail in Exhibit 4.

In preparing its' OM&A budgets for Bridge Year (2020) and Test Year (2021), WNP has not applied nor made any assumptions for the effects of COVID-19 that may cause an increase or decrease to operating costs. Instead, WNP has treated the 2020 Bridge Year and 2021 Test Year as "business as normal." The utility is recording all costs related to COVID-19 in the regulatory accounts as directed by the OEB Accounting Orders.

[41] MFR - OM&A Expense - OM&A for test year and change from last approved ($ and %), summary of drivers, inflation assumed, total compensation for test year and change from last approved ($ and %).

1.4.6 LOAD FORECAST SUMMARY[42]

The load forecast for Test Year 2021 is based on a methodology that predicts class specific consumption using a multiple regression analysis that relates historical monthly Wholesale kWh usage to monthly historical heating degree days and cooling degree days.

In WNP's case, variation in monthly electricity consumption is influenced by five main factors:

- Weather (e.g. heating and cooling), which is by far the most dominant effect on most electricity systems;
- The number of days per month;
- Regional employment as increases or decreases in economic activity leads to changes in employment;
- Conservation and Demand Management (CDM) – energy saving programs and initiatives have influenced consumers' and businesses' behaviour and usage patterns; and
- Sensitive Customers - these are the large manufacturing customers (5 accounts) in WNP's customer class of the General Service 1000 – 4999 kW who account for over 40% of WNP's load and in the past, have been "sensitive" to external conditions. For example, these customers altered their shift pattern as a consequence of the 2008/2009 Global Recession.

The Wholesale kWh purchases are the quantities that WNP purchase from the Independent Electricity System Operator (IESO) necessary to meet the day-to-day electricity demands of the utility's customers. To better represent the trend in wholesale purchases, WNP has adjusted its' Wholesale purchases prior to running the regression analysis. The purpose of the adjustment was to add back all MicroFIT and FIT (Feed-in tariff) generation kWh data to the Wholesale purchases. This adjustment is necessary because the generated kWh volume is consumed within the utility's service territory. By not including generation data, WNP's wholesale purchases would be lower

[42] MFR - Load Forecast Summary - load and customer growth, % change in kWh and customer numbers, methodology description

and therefore not reflective of the true electricity demand. Consequently, generation data is "added-back" to the IESO kWh Wholesale purchases to reflect energy demand of WNP's territory.

WNP used the 10-year historic adjusted Wholesale kWh Purchases (i.e. IESO purchases plus generation) for the period 2010 to 2019 and used the six variables to run a regression analysis to produce a load forecast to project the kWh quantities for 2020 Bridget Year and 2021 Test Year:

1) Heating Degree Days.
2) Cooling Degree Days.
3) Number of Days per Month.
4) Regional employment.
5) CDM reported savings.
6) Sensitive Customers metered kWh per month.

Weather normalized values are determined by using the regression equation with a "10-year average monthly degree days (2010-2019)". The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications accepted by the Board.

Allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual Wholesale kWh for the 2010 to 2019 period.

WNP is not planning for, or aware of, any new CDM programs that will be initiated in the Test Year (2021). Consequently, no manual CDM adjustment is required to the Load Forecast for the Test Year (2021).

The method summarized above, and discussed in detail in Exhibit 3, has been used by WNP and accepted by both Intervenors and OEB staff in previous Cost of Service applications prepared by the Applicant (i.e. EB-2015-0110 and EB-2011-0249).

As noted previously, in preparing this application, WNP has not included any assumptions or provisions for the effect and / or impact of the COVID-19 pandemic. For example, in its' Load Forecast, WNP has not adjusted its' forecast to account for reduced energy consumption (kWh) or demand (kW) or different energy usage behavior (e.g. more people working from home). Similarly, WNP has not adjusted its' customer or connection forecast to account for small businesses that may close either temporarily or permanently as a consequence of COVID-19.

The table below compares WNP's 2021 Test Year Load Forecast to the 2016 Board-Approved load Forecast:

Table 17 - Load Forecast

	2016 Board-Approved			2021 Test Year		
	Weather Normal		*Customers/*	Weather Normal		*Customers/*
	kWh	kW	*Connections*	kWh	kW	*Connections*
Predicted Purchases (kWh)	112,565,495			106,087,656		
Customer Class						
Residential	27,408,200		*3,251*	26,503,100		*3,355*
General Service <50kW	12,494,682		*476*	11,455,522		*468*
General Service 50 - 999kW	14,065,279	43,362	*38*	18,697,353	52,425	*34*
General Service 1000 - 4999kW	50,613,209	108,301	*5*	42,766,148	92,890	*5*
Unmetered Scattered Load	3,024		*1*	6,288		*2*
Sentinel Lighting	23,128	65	*29*	19,673	55	*23*
Street Lighting	725,392	1,995	*905*	229,833	632	*924*
Total	**105,332,916**	**153,723**	***4,704***	**99,677,917**	**146,002**	***4,811***

1.4.7 STATEMENT OF COST OF CAPITAL PARAMETERS[43]

In this application, WNP seeks to recover a weighted average cost of capital of 5.68% through rates in the 2021 Test Year. WNP has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, as well as the Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities, January 14, 2016, in determining the applicable cost of capital.

In calculating the applicable cost of capital, WNP has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, in conjunction with the Cost of Capital parameters in the OEB's letter of October 31, 2019, for the allowed return on equity ("ROE"). WNP is not seeking any changes in its Capital Structure from its 2016 Board Approved Structure. WNP notes that consistent with Board policy, it used the deemed long-term debt rate of 3.87%.

Table 18 - Overview of Capital Structure

Particulars	**Cost Rate**		**Return**	
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$6,888,930	3.87%	$266,395
Short-term Debt	4.00%	$492,066	2.75%	$13,532
Total Debt	**60.0%**	**$7,380,997**	**3.79%**	**$279,927**
Equity				
Common Equity	40.00%	$4,920,665	8.52%	$419,241
Preferred Shares		$ -		$ -
Total Equity	**40.0%**	**$4,920,655**	**8.52%**	**$419,241**
	100.0%	**$12,301,661**	**5.68%**	**$699,167**

**2021 Rate Base*

WNP has used a Return on Equity (ROE) of 8.52% for Test Year 2021 as established by the Board for Cost of Service applications with a January 1st/May 1st 2020 implementation date. WNP acknowledges that in the normal course the Board will issue a new deemed ROE for Cost of Service applications with a January 1st/May 1st 2021 implementation date with the expectation that WNP

[43] MFR - Cost of Capital - Statement regarding use of OEB's cost of capital parameters; summary of any deviations

will update its application to reflect the new deemed ROE. However, WNP is concerned that the new deemed ROE for 2021 implementation dates will be materially affected by COVID-19's impact on the economy, such that it would be reasonable to allow for some relief for rate filers like WNP for whom 2021 is the Test Year for a 5 year period. In WNP's opinion, this issue is generic and equally applicable to all LDC's filing Cost of Service rate applications for rate years 2021 and 2022.

Accordingly, while WNP proposes to update the deemed ROE for its' 2021 Test Year in the normal course so that the ROE embedded in its' 2021 Test Year rates properly reflect the economic conditions within which WNP expects to operate in 2021, WNP also proposes that it be allowed an opportunity to apply for an adjustment to its' embedded ROE in a future IRM application to reflect the Canadian economy's recovery from COVID-19 related impacts. WNP proposes that it be allowed to seek such an adjustment once during the IRM period at a time when the Board's deemed ROE exhibits material recovery from the impacts of COVID 19.

1.4.8 OVERVIEW OF COST ALLOCATION AND RATE DESIGN[44]

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate classifications and to support future rate applications. This information is updated to reflect new parameters and inputs and then used to adjust any cross-subsidization in the proposed rates.

WNP is submitting cost allocation information filing consistent with the utility's understanding of the Directions, the Guidelines and Instructions of the model as issued by the Board in November of 2006 and all subsequent updates.

WNP has prepared a Cost Allocation Study for 2021 based on an allocation of the 2021 Test Year costs (i.e. the 2021 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts and other inputs. The Applicant has used the 2021 Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2021 data into this model.

In this application, WNP has used the "USF Demand Profile Working Group" methodology to determine the Coincident Peak (CP) and Non-Coincident Peak (NCP) Demand for the Applicant's rate classes to input into worksheet "I8 Demand Data" of the OEB's Cost allocation model. The "*USF Demand Profile Methodology Paper*" describes the methodology and data, as well as a review of other options that were reviewed and considered. This is discussed in Exhibit 7 with supporting evidence filed as Appendix items.

Three of the customer rate classes' revenue to cost ratios fell outside the Board's floor and ceiling range. For these three classes, the utility proposes reallocation of revenues to reduce the impact on the bills.

[44] MFR - Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes and summary of proposed mitigation plans

The table below shows the utility's proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges. Further details on Cost Allocation can be found in Exhibit 7.

Table 19 - Proposed Allocation

				Target Range	
Customer Class Name	**Calculated R/C Ratio**	**Proposed R/C Ratio**	**Variance**	**Floor**	**Ceiling**
Residential	98.38	93.79	4.59	0.85	1.15
General Service < 50 kW	120.37	120.00	0.37	0.80	1.20
General Service 50 to 999 kW	107.38	107.38	0.00	0.80	1.20
General Service 1,000 to 4,999 kW	90.23	100.00	-9.77	0.80	1.20
Unmetered Scattered Load	174.73	120.00	54.73	0.80	1.20
Sentinel Lighting	98.38	98.38	0.00	0.80	1.20
Street Lighting	51.56	100.00	-48.44	0.80	1.20

On April 2, 2015, the Ontario Energy Board (OEB) issued a new rate design policy, "A New Distribution Rate Design for Residential Electricity Customers", declaring that electricity distributors will structure residential rates so that all the costs for distribution services are collected through a fixed monthly charge, rather than a blend of fixed and variable charges. As per the Board's policy, WNP began the process of transitioning to a 100% fixed monthly charge for its residential customers from May 1, 2016 as detailed in its 2016 Cost of Service application (EB-2015-0110). WNP completed the transition in 2019 and, as noted in the LDC's 2019 IRM application (EB-2018-0076), "*2019 will be the fourth and final year of "Residential Rate Design" transition to a fixed charge with no variable rate for Wellington North Power Inc.'s residential customers*"[45]. In the Decision and Rate Order, EB-2018-0076, the OEB confirmed that the "*distributor has now completed its transition to a fully fixed rate structure.*"[46]

Through this Application, WNP is proposing to maintain a 100% fixed monthly charge for its' residential customers to continue adherence to the Board's policy.

[45] EB-2018-0076 IRM Application – Price Cap Index for rates effective May 1, 2019

[46] EB-2018-0076 Decision and Rate Order, March 28, 2019, section 7 Residential Rate Design, page 7

For all other classes, distribution revenues are derived from a combination of fixed monthly charges and volumetric charges based either on consumption (kWh) or demand (kW). Commodity Charges and deferral and variance rate riders, along with WNP specific other adders (*Rate Riders*) that are added to the distribution rates to arrive at a final all-encompassing total bill.

The table below shows WNP's current rates in comparison to the Test Year 2021 proposed rates:

Table 20 - Proposed Rates

	Current Rates		Proposed Rates		
Customer Class Name	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate	per
Residential	$36.39	$-	$39.18	$-	kWh
General Service < 50 kW	$43.75	$0.0188	$43.85	$0.0239	kWh
General Service 50 to 999 kW	$289.38	$2.7600	$289.38	$3.4101	kW
General Service 1,000 to 4,999 kW	$2,365.10	$3.1994	$2,365.10	$4.4260	kW
Unmetered Scattered Load	$29.71	$0.0163	$26.58	$0.0125	kWh
Sentinel Lighting	$7.75	$28.6379	$8.78	$32.4036	kW
Street Lighting	$1.68	$1.8527	$4.25	$4.6187	kW

Full details of WNP's approach to Rate Design is discussed in Exhibit 8.

1.4.9 OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNT DISPOSITION[47]

WNP proposes to dispose of a debit of $266,395 related to Group 1 (not including RSVA Global Adjustment account 1589) and a debit of $40,658 for Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 are as of December 1, 2019 and are consistent with the utility's audited financial statements. WNP last disposed of Group 1 and Group 2 accounts in its 2016 Cost of Service application with balances as at December 31' 2014; the utility has not requested disposal of account balances during any of its' annual IRM applications filed for rate years 2017 to 2020 inclusive.

WNP also proposes to dispose of the following:

- A net debit balance of $74,090 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account.
- A debit balance of $6,682 for account 1580, sub account CBR Class B.
- A credit balance of $14,225 for account 1589 – Power – Global Adjustment.

Group 1 and Group 2 DVA balances are proposed to be disposed of over 2 years. WNP has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

WNP has not made any adjustments to DVA balances that were previously approved by the Board on a final basis in previous Cost of Service and/or IRM proceedings. [48]

WNP is not requesting any new accounts or sub-accounts at this time.

A breakdown of energy sales and cost of power expense balances, as reported in WNP's Audited Financial Statements, is provided Exhibit 9.

WNP confirms that it pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP portions.

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[47] MFR - Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested
[48] MFR - Statement whether any adjustments made to DVA balances previously approved by OEB on final basis; explanation, amount of adjustment and supporting documents

Table 21 - Account and Balances Request for Disposition/Recovery[49]

		Total Claim Balances (Cont Sch)	Allocator
LV Variance Account	1550	419,351	kWh
Smart Metering Entity Charge Variance Account	1551	(5,340)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(526,807)	kWh
RSVA - Retail Transmission Network Charge	1584	34,250	kWh
RSVA - Retail Transmission Connection Charge	1586	199,123	kWh
RSVA - Power (excluding Global Adjustment)	1588	84,439	kWh
RSVA - Global Adjustment	1589	(39,423)	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	31,927	%
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	21,136	%
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595 **(1557)**	8,415	%
Total of Group 1 Accounts (excluding 1589)		**266,395**	
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	0	kWh
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	0	kWh
Other Regulatory Assets - Sub-Account – Pole Attachment Revenue Variance	1508	(68,395)	kWh
Other Regulatory Assets - Sub-Account – Large Project Variance Acct	1508	(16,249)	kWh
Other Regulatory Assets - Sub-Account – Post Employ Benefits Var	1508	23,361	kWh
Energy East Consultation Costs	1508	591	kWh
OFHP Eligible Non-RPP Consumer (GA Modifier)	1508	(0)	kWh
Retail Cost Variance Account - Retail	1518	97,382	kWh
Misc. Deferred Debits	1525	0	kWh
Retail Cost Variance Account - STR	1548	3,968	kWh
MIST Meters Cost deferral Account	1557	0	kWh
Extra-Ordinary Event Costs	1572	0	kWh
Deferred Rate Impact Amounts	1574	0	kWh
RSVA - One-time	1582	0	kWh
Other Deferred Credits	2425	0	kWh
Total of Group 2 Accounts		**40,658**	
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	0	kWh
Total of Account 1592		**0**	

[49] MFR - Proposal for disposition of any balances in existing DVAs for renewable generation and smart grid development, if applicable

LRAM Variance Account ***(Enter dollar amount for each class)***	1568	74,090	
(Account 1568 - total amount allocated to classes)		**74,090**	
Variance		**0**	
Renewable Generation Connection OM&A Deferral Account	1532	**0**	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if no Class A Customers)	**1580**	**6,682**	**kWh**
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**647,284**	
Total of Account 1580 and 1588 (not allocated to WMPs)		**(442,367)**	
Balance of Account 1589 Allocated to Non-WMPs		**(14,225)**	
Group 2 Accounts (including 1592, 1532)		**40,658**	

1.4.10 OVERVIEW OF BILL IMPACTS[50]

A summary of the bill impacts by class is presented below. Detailed explanations of the bill impacts are presented in Exhibit 8.

WNP is not proposing any rate plans or rate mitigation strategies in the Application as all of the utility's rate-class bill impacts fall below the 10% threshold[51], with the exception of the Street Lighting customer class. In Exhibit 8, section 8.1.19, the Applicant has put forward its' rationale for the reason why the Street Light class's bill impact is above the 10% threshold and why no rate mitigation action, in the utility's opinion, is required; however as a form of rate mitigation, WNP is proposing to explore, during settlement, deviating from Board policy with respect to adjustments to revenue/costs ratios and fixed to variable if the parties in the proceeding wish to do so.

WNP confirms that it has abided by Board Policy on all aspects of rate design and has also explored various scenarios with respect to the disposition of deferral and variance account and other rate riders (e.g. 1568 LRAMVA).

[50] MFR - Bill Impacts - total impacts ($ and %) for all classes for typical customers
[51] MFR - Mitigation plan if total bill increase for any customer class is >10% including: specification of class and magnitude of increase, description of mitigation measures, justification and revised impact calculation. The Tariff Schedule and Bill Impacts Model must reflect any mitigation plan proposed.

For its' initial application, WNP proposes a 24 month (2 year) disposition period for the clearance of its' deferral and variance accounts. The utility fully expects that this may change throughout the application or during settlement.

The table below illustrates the bill impact for each rate class applying a typical monthly usage:

Table 22 - Bill Impacts associated with Revenue Requirement

Customer Rate Class	Pricing	Monthly Usage (kWh)	Monthly Demand (kW)	Units	Sub-Total A $	Sub-Total A %	Sub-Total B $	Sub-Total B %	Sub-Total C $	Sub-Total C %	Total Bill $	Total Bill %
Residential	RPP	750		kWh	$ 1.23	3.2%	$ 2.87	6.1%	$ 2.98	5.2%	$ 2.41	1.9%
General Service<50 kW	RPP	2,000		kWh	$ 6.93	8.2%	$ 11.71	10.9%	$ 11.81	9.1%	$ 9.56	3.0%
General Service 50-999 kW	Non-RPP	48,101	131	kW	$ 58.79	8.7%	$ 176.85	21.9%	$ 184.40	13.1%	$ 178.63	2.2%
General Service 1,000-4,999 kW	Non-RPP	781,824	1,635	kW	$1,697.59	21.5%	$3,950.79	40.8%	$4,055.92	22.9%	$4,099.75	3.2%
Unmetered Scattered Load	RPP	259		kWh	$ (8.63)	-13.3%	$ (8.40)	-12.4%	$ (8.38)	-11.8%	$ (6.81)	-8.0%
Sentinel Lighting	RPP	125	5	kW	$ 36.41	11.1%	$ 36.06	10.8%	$ 36.29	10.4%	$ 29.46	9.9%
Street Lighting	Non-RPP	19,152	53	kW	$2,517.23	152.1%	$3,646.12	215.1%	$3,648.52	194.1%	$4,110.98	86.5%

Notes concerning the sub-total portions of the above table:

- **Subtotal A:** represents the distributor's fixed and variable charges.
- **Subtotal B:** represents Subtotal A plus low voltage charges and deferral and variance rate riders.
- **Subtotal C:** represents Subtotal B network connection and transmission charge.
- **Total Bill impacts**: includes Subtotal C and administrative charges, pass-through charges, commodity and taxes.

1.5 MATERIALITY THRESHOLD

The Filing Requirements[52] state that a distributor with a distribution revenue requirement less than $10 million may use $50,000 as a materiality threshold. With a proposed base revenue requirement of $2,996,360, WNP has used this amount as a materiality threshold throughout this application.[53]

[52] Ontario Energy Board Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Application - Chapter 2 Cost of Service – Section 2.0.8 Materiality Thresholds
[53] MFR - Materiality threshold; additional details beyond the threshold if necessary

1.6 CUSTOMER ENGAGEMENT

1.6.1 OVERVIEW OF CUSTOMER ENGAGEMENT

On October 18, 2012, the Ontario Energy Board ("The Board") issued its "*Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*." The report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that;

- Benefit existing and future customers.
- Align customer and distributor interests.
- Continue to support the achievement of important public policy objectives.
- Place a greater focus on delivering value for money.

The table below provides some examples of customer engagement activities provided by WNP that fulfil the RRFE outcomes:

Table 23 – Purpose of Customer Engagement

Engagement Activity	Customer Need / Preference	RRFE Outcome
Accessible office open 8:30am to 4:30pm Monday to Friday with Customer Service staff able to greet walk-in customers and / or live-answer telephone calls as well as respond to e-mails.	WNP's service area has a high percentage of seniors in the community who prefer to visit the office to pay their bill and ask questions. This has enabled WNP to promote the Ont. Electricity Support Program (OESP) to customers who are on a fixed income and do not have access to a computer to complete the required application form	Benefitting existing and future customers Supporting delivery of policy objectives (OESP)
	Ability to talk either face-to-face with WNP staff about specific items ranging from high usage queries and billing queries. Able to print and show customers usage data to identify spikes in data when equipment (air con units) were running during peak TOU times.	Benefitting existing and future customers Align customer and distributor interests Place a greater focus on delivering value for money
	Able to talk to Operations Technician about service lay-out designs for new-build	Align customer and distributor interests.

Engagement Activity	Customer Need / Preference	RRFE Outcome
Open House meeting: In 2018, invited residents who lived nearby a substation that was being demolished and a new one installed	Opportunity to ask questions about noise, traffic routing for heavy vehicles & equipment and who to talk to if there were concerns during the substation re-build project	Align customer and distributor interests
Promotion of financial programs (e.g. OESP, LEAP, CEAP)	Walk-in customers, particularly seniors who visit to pay their bill, the CSR informs customers of current assistance programs available. Promote programs through social media channels, bill inserts and on WNP's website.	Supporting delivery of policy objectives Benefit existing and future customers.
COVID-19: Since March 17, 2020, WNP's office has been closed to customers, contractors, suppliers and developers.	WNP began contacting senior customers by phone. The calls were intended to be a simple outreach to a demographic who may be quarantined with limited contact. WNP has offered a friendly voice and a brief conversation.	Benefit existing (a person to talk to and provide some interaction to customers who feel isolated and alone)
Informal conversations with residential customers and business-owners as CSRs and operations staff perform activities within the community such as banking and collecting supplies from local stores	Opportunity for customers to talk to WNP staff within the community. For example, a business owner asking the cause of last night's power outage as a linemen is collecting materials from a local hardware store.	Benefit existing customers knowing they have an LDC in the community
Customer survey in Q4 2019. Conducted surveys with Residential, Small Business and Industrial & Commercial customers to gather feedback about satisfaction, LDC trust, capital investment and prioritization; effectiveness during power outages. This feedback has provided a good insight into customer's opinions concerning investment planning priorities which have been factored into WNP's 2020 DSP		Align customer and distributor interests

Customers' feedback, input, views and preferences are welcome and encouraged. WNP is confident that the utility's capital budget, as proposed in the Distribution System Plan, and its' operating budget supports WNP's customer priority and preferences.[54] For instance, as noted in

[54] MFR - Complete Appendix 2-AC Customer Engagement Activities Summary - identify how outcomes have shaped the application

the customer survey WNP conducted in 2019, our customers top investment priority is "maintaining and upgrading equipment" to ensure there is reliability of supply of electricity. For obvious reasons, WNP's priority over the next several years will be to carefully manage the aging infrastructure and to improve customer communication.

WNP confirms that it has completed the "Appendix 2-AC Customer Engagement Activities Summary"[55] in the OEB's 2021 Chapter 2 Appendices Work Form with a copy illustrated in the table below:

[55] MFR - Complete Appendix 2-AC Customer Engagement Activities Summary

Table 24 – OEB App.2-AC Customer Engagement[56]

Appendix 2-AC
Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
In-Office Customer Engagement Office is open 5 days a week during business hours where customers can telephone, e-mail or visit and speak to a knowledgeable LDC representative	a) Front Counter Engagement b) Technical Engagement c) Bill query support - consumption analysis	Consumer concerns and issues are dealt with immediately by knowledgeable Customer Service Representatives (CSR) and in-person. For any concerns that cannot be resolved, the Customer Service Representative (CSR) will involve the CSR Supervisor, Operations Lead-Hand, Regulatory Manager and if required, also include CEO/President of the company. Queries regarding service lay-out requests, power outage or partial power are discussed with the Lead-Hand, the Operations Technician or the CEO/President who will investigate. CSR's assist consumers with billing queries such as understanding the bill and reviewing electricity usage queries. For example, CSR's can print interval data for a specified period and present to customers information showing when their consumption appears irregular (high/low). This assists customers in understanding TOU periods and rates.
March 2020 onwards: In-Office Customer Engagement On March 17 2020, WNP closed its office due to the COVID-19 pandemic and public health guidelines. Customers, contractors and suppliers were not allowed to enter the LDC's building.	WNP has frequently updated its website and social media pages, advising customers to telephone or e-mail the LDC if they have queries and concerns. In August 2020, WNP started to accept customers in its office if the customers needed to talk in-person to a representative of the LDC. Customers visits are by pre-arranged appointments and with screening checks in place as well as adherence to social distancing and guidelines as per public health guidelines	Between March and May 2020, customer service staff telephoned seniors to see how they were faring. The calls were not around issues with their bills or about payment, simply a check-in call to see how the senior is coping. WNP has not received any complaints about its office being closed due to COVID-19 and has maintained its service of responding to customer telephone calls and e-mails.
Financial Assistance Programs a) Low-Income Emergency Assistance Program (LEAP) b) Ontario Electricity Support Program (c) Affordability Fund Trust (AFT) (d) COVID-19 Emergency Assistance Program (CEAP) (e) COVID-19 Emergency Assistance Program - Small Business (CEAP-SB)	WNP provides support through two agency partners with the province's Low-income Energy Assistance Program (LEAP). This emergency financial assistance programs are designed to help low-income customers who have difficulty making their electricity bill payments. WNP promotes the Ontario Electricity Support Program (OESP) particularly to seniors who visit our offices to pay their hydro bills. The LDC takes pride in assisting seniors and at year-end 2019, WNP had 11% of its residential customer-base receiving OESP credits on their monthly hydro bill We assist seniors with completing the application. Also, we notify Applicants by telephone or e-mail if their OESP form has been rejected due to an incorrect address, name or account number. WNP promotes the Affordability Fund Trust program (starting in 2018). Promotion is through social media and WNP's website. As at May 31st 2020, the LDC had 32 customers enrolled in this program. Participation is low in AFT because customers are already enrolled in other low-income programs such as Home Assistance Program (HAP) and LEAP. Since July 2020, WNP has promoted the COVID-19 Emergency Assistance Program (CEAP) that was announced by the Provincial Government. As the LDC's office is currently closed, promotion has been through social media, WNP's website as well as mentioning the program to customers when they telephone or e-mail.	WNP continues to promote financial assistance programs that are available to assist low-income customers through social media, the LDC's website, telephone calls and e-mails as well as bill inserts.
Customer Connect and on-line payment services	WNP provides a self-service tool, accessible through the LDC's website where a customer can review their consumption history and payment records. Customers can view their information anytime	Customers contact the LDC to request initial set-up. This a secure site; hosted on its own server and not tied to the LDC's website. This is a self-service tool that is accessed by customers.
[2016 & 2018] Customer Surveys - OEB Mandated	Customer Satisfaction Surveys	WNP received complaints from customers about being interrupted to participate in a survey. For example, WNP staff and Board Directors received negative feedback from 19 customers (2% of respondents) advising they had been interrupted or if they had a problem with their local hydro company, they would tell us directly.
[March 2020-June 2020 - COVID-19 Pandemic] As part of its' outreach, Wellington North Power (WNP) Customer Service staff are telephoning senior citizens directly to touch base on how they were faring.	The calls are not around issues with their bills or about payment, simply a check-in call to see how the senior is doing. WNP has a large senior population and this outreach is a small initiative with the potential for a massive impact.	Reminder calls scheduled to follow-up with senior citizens if they are "feeling down" or just need someone to talk to.
[2015-2018] Annual Spring/Fall Fairs in the communities of Arthur and Mount Forest	Conservation and usage reduction for small business and residential customers, Customer Connect, billing queries and Electrical Safety awareness	General awareness of conservation activities and programs as well as electrical safety. In 2019, WNP did not set-up a booth at the Fairs because the CDM energy conservation initiative was to be centrally delivered by the IESO and not the LDC.
Regional Planning Engagements	a) WNP is invited to participate in IESO regional planning meetings b) Meetings with Hydro One	a) To date, there are no regional planned projects that affect WNP b) WNP and Hydro One meet as and when required to address any issues. For example, WNP worked with Hydro One on a 2nd-line feeder to Mount Forest proposal to address current capacity limitations as well as reliability concerns.
Customer Education literature	WNP publishes advertisements and includes bill inserts regarding energy conservation, electrical safety and financial assistance programs available	WNP publishes advertisements in the local newspaper, the "Wellington Advertiser" as this newspaper is available across the County and is "free" The LDC actively uses social media (Twitter and Facebook) to promote financial assistance programs, share information and provide updates regarding unplanned power outages.
Social Media	During a power outage, customers want updated information about restoration times. WNP introduced social media (Twitter and Facebook) and provide real-time updates of outages, promotion of electrical safety, energy conservation and events that the LDC will be attending	The LDC has received positive customers feedback regarding notification of power outages and restoration times via social media
Chamber of Commerce	WNP attends the Chamber of Commerce meetings as and when invited to listen to businesses concerns about hydro and present information. For example, WNP has presented information to the Arthur Chamber of Commerce to address concerns about power outages as a result of ice storms in March of that year	WNP attends Chamber of Commerce meetings as and when invited.
[2018] Open House	In 2018, WNP replaced one of municipal substations, MS3, which is located near a residential neighbourhood. The utility hosted an "Open-House" in April 2018, inviting 46 residents who lived close to the construction site as an opportunity to: • Provide details of why the substation is being replaced and what it entails (i.e. decommissioning of the "old" substation, removal of parts, delivery and assembly of "new" substation. • Share traffic plan: WNP worked with the Township to create a traffic plan to minimize congestion, work and noise as heavy equipment and materials are delivered to the works site. • Meet the Operations team as well as the engineering contractor and ask questions. Eight residents attended the "Open House" and appreciated WNP's efforts to share its traffic plans to minimize noise and disruption during the construction period.	Residents who attended the meeting were introduced to the CEO/President who explained the traffic plan and addressed questions raised. Customers were provided with work contact details of the CEO/President should customers have complaints or concerns.
Industrial and Commercial consumer interaction	If there is a power outage (even a momentarily interruption) Industrial and Commercial customers can contact the CEO/President on his cell. The CEO/President maintains personal contact with these customers advising of updates and progress. The CEO/President also personally meets with these customers periodically throughout the year to discuss matters including sharing of information regarding changing their shift patterns, expansion, reduction and demand capacity requirements	Industrial and Commercial customer appreciate the accessibility to knowledgeable WNP staff who take action and support their requirements. WNP has worked with intensive energy users to understand their future energy demands and provided updated demand forecast data to Hydro One to explore opportunities. in 2016, Hydro One and WNP completed construction and energization of a 2nd line feeder with support from industrial/commercial customers to ensure their is capacity to meet future demand requirements.
In preparing for its' Cost of Service rate application, in Quarter 4 of 2019, WNP conducted Customer Surveys inviting Residential, Small Business and Industrial & Commercial customers to provide feedback	Included questions concerning satisfaction, LDC trust, capital investment and prioritization; effectiveness during power outages. Provided a good insight into customer's opinions concerning investment planning priorities which have been factored into WNP's 2020 DSP	From the collated responses the top "high priority" statements for investment prioritization are: 1st - "Maintaining and upgrading equipment" - 76% of all respondents; 2nd - "Reducing response time to outages" - 68% of all respondents; 3rd -"Having an on-line outage map" - 54% all respondents. Joint 4th - "Investing more in the electricity grid" - 42% of all respondents; and Joint 4th - "Investing more in tree-trimming" - 42% of all respondents. WNP has used this feedback to help shape its DSP and 5-year capital investment plan.

[56] MFR – Distributors must complete Appendix 2-AC – Customer Engagement Worksheet

1.6.2 ALIGNMENT OF GOALS TO NEEDS AND PREFERENCE OF CUSTOMERS[57]

WNP's customer satisfaction results and findings based on discussions with its' customers, supports the valid hypothesis that good service—i.e., high levels of reliability, or low SAIDI—combined with reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible.

High levels of reliability requires system-wide investments - notably enhancing the distribution system to provide more reliable service can be expensive. Much like other utilities, WNP must frequently consider trade-offs between costs and benefits; that is, to target initiatives that will provide the best outcomes or increase in customer satisfaction.

In addition to system-wide investments, WNP continues to focus on reducing its costs to demonstrate to customers that they are delivering as much value per dollar as possible. WNP has found that the key is to strike the right balance in delivering initiatives, such as properly pacing upgrades to its distribution system when possible, all while improving its customer interfaces or customizing customer engagement programs.

WNP feels that it is moving in a positive direction. The survey results helped to identify customer attitudes about the utility's standing and reputation in the community as well as its view on what is important to them. The results will assist WNP in further refining its programs, services and communications.

[57] MFR - Overview of customer engagement activities; description of plans and how customer needs, preferences and expectations have been reflected in the application.

1.6.3 CUSTOMER SURVEY[58] [59] [60] [61]

In preparing for its' Cost of Service rate application, in Quarter 4 of 2019, WNP initiated Customer Surveys inviting Residential, Small Business and Industrial & Commercial customers to provide feedback. The survey questions were prepared by WNP with:

a) Residential & Small Business customers able to access the survey through the LDC's website, through an on-line survey platform (Survey Monkey ©) or available at the office for walk-in customers (i.e. seniors who may not have access to computer.)
b) Industrial and Commercial customers received an e-mail from WNP's CEO/President with the survey attached for the customer to complete and return.

WNP informed customers of the survey by bill inserts included with October 2019 and November 2019 bills, weekly messages posted on the LDC's social media channels and advertised on the utility's website. The survey was open from October 8, 2019 to January 31, 2020.

Key learnings for WNP from the survey results include:

- 85% of survey respondents trust WNP.
- 99% of all respondents are satisfied or very satisfied with the overall service they receive from their local hydro company, Wellington North Power.
- Concerning investment priorities, the priorities our customers want are:
    - 1st - "Maintaining and upgrading equipment" - 76% of all respondents;
    - 2nd - "Reducing response time to outages" - 68% of all respondents;
    - 3rd -"Having an on-line outage map" - 54% all respondents.
    - Joint 4th - "Investing more in the electricity grid" and "Investing more in tree-trimming" - 42% of all respondents.

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[58] MFR - Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates
[59] MFR - Reference to any other communication sent to customers about the application i.e. bill inserts, town hall meetings or other forms of out reach and the feedback received from customers through these engagement activities
[60] MFR - Discussion of any feedback provided by customers and how the feedback shaped the final application
[61] MFR - Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates

- WNP needs to assess how the LDC can better communicate to customers items such as environmental practices and examples of efficient handling of the electricity system. For instance, publishing articles on these items in the local newspaper on a quarterly basis.
- Regarding customers preference of “Having an on-line Outage Map”, the utility will start exploring what “outage map” solutions exist and whether there are other alternatives (e.g. SMS text messaging to customers of outages and restoration times). WNP has not included this item in its capital investment program for 2021-2025 or within its 2021 operating budget due to having no cost estimates or scope of work available; however the LDC will identify a solution and circle back with customers to determine if this is still a requirement.
- WNP has a social media presence but this media may not appeal or be accessible to the majority of the LDC’s customers. WNP should consider:
    a) An article in the local newspaper each quarter about capital projects completed and future plans which could make reference to being social-responsible (i.e. safe disposal of oil-filled transformers).
    b) A yearly open-house community meeting to present proposed operating budgets and capital investment plans. This may help inform our customers about what options were explored, why investment is needed and how the LDC is being cost-effective for stakeholders’ needs today and for the future.

The utility has reviewed customers’ feedback which has assisted the utility in preparing for its Cost of Service application and shape its’ 5-year capital plan. This is summarized in the “Customer Engagement – Survey” paper which is included in Appendix 1F of this Exhibit.

Copies of the Residential, Small Business and Industrial & Commercial survey reports are included in the Appendix of WNP’s 2020 Distribution System Plan as filed with Exhibit 2 of this application.

Community Meeting

WNP planned to host a community meeting in May 2020 to present its proposed operating budget for 2021 and 5-year capital investment plan for 2021-2025 incorporating feedback from customer surveys; however due to the COVID-19 pandemic and public health guidelines regarding social distancing, this meeting did not happen. Consequently, WNP has taken the following steps to follow-up with and inform our customers:

a) August 2020: Posted the results of the customer surveys on WNP's website. The results are condensed into individual reports (residential, small business and industrial and commercial reports) and written in plain language. Customers are encouraged to contact us if they want further information or have questions. (At the time of preparing this report, the LDC has received no questions or comments from customers.)

b) August 2020: Included a bill insert and on-line bill message informing customers to review WNP's website for the results of the 2019 customer surveys.

1.7 LETTERS OF COMMENT

1.7.1 LETTER OF COMMENT

There have been no letters of comment received by WNP as of the submission date of this Application.[62]

WNP prepared a simple summary of its 2021 Cost of Service application for the utility's customers to review. This was posted on WNP's website and customers were informed to visit the utility's website to review the summary by the following channels:

- WNP placed a notice in the local newspaper with the highest circulation, a free newspaper, the "Wellington Advertiser."
- Included bill insert messages.
- Included electronic messages on the company's Customer Connect portal where registered customers can download their monthly hydro invoice.
- Posed messages on the utility's social media pages (Twitter and Facebook).

[62] MFR - All responses to matters raised in letters of comment filed with the OEB.

1.8 PERFORMANCE MEASUREMENT

On March 5, 2014, the Board issued its report on "*Performance Measurement for Electricity Distributors: A Scorecard Approach*." The report set out the Board's policies on the measures that are to be used to assess a distributor's effectiveness and improvement in achieving customer focus, operational efficiencies, public policy responsiveness, and financial performance to the benefit of existing and future customers.

1.8.1 SCORECARD RESULTS AND ANALYSIS[63]

Detailed below is a discussion of WNP's Scorecard performance for the period 2015 to 2019 for the measures of:

- Customer Focus;
- Operational Effectiveness;
- Public Responsiveness; and
- Financial Performance

WNP has used the most recent (2019 performance) as published on the both utility's and OEB website. A copy of WNP's 2019 Scorecard is included in Appendices of Exhibit 1 as Appendix 1G.

[63] MFR - Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement, identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how distributor's self-assessment has informed its business plan and the application

1.8.1.1 CUSTOMER FOCUS

Service Quality

The table below summarizes WNP's performance for the period 2015 to 2019 for Service Quality provided to our customers. For each metric, WNP has exceeded the OEB's minimum targets.

Table 25 – Customer Service Quality Indicators

Customer Focus Measures	OEB Target	2015	2016	2017	2018	2019
New Residential/Small Business Services Connected on Time	90.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Scheduled Appointments Met On Time	90.00%	95.60%	99.00%	99.42%	99.09%	98.11%
Telephone Calls Answered On Time	65.00%	100.00%	99.90%	99.72%	99.00%	99.00%

WNP expects to maintain this level of performance for the Bridge Year (2020) and Test Year (2021).

Customer Satisfaction

The table below summarizes WNP's performance for the period 2015 to 2019 for Customer Satisfaction:

Table 26 – Customer Satisfaction

Customer Focus Measures	OEB Target	2015	2016	2017	2018	2019
First Contact Resolution	-	99.63%	99.84%	99.83%	99.87%	99.85%
Billing Accuracy	98.00%	99.56%	99.47%	99.60%	99.57%	99.49%
Customer Satisfaction Survey	-		79.00%		81.10%	

** At the time of preparing this plan, the 2020 Customer Satisfaction survey has not been performed.*

WNP's performance for First Contact Resolution and Bill Accuracy have been above 99% for the 5-year period. The utility expects to maintain this level of performance for the Bridge Year (2020) and Test Year (2021).

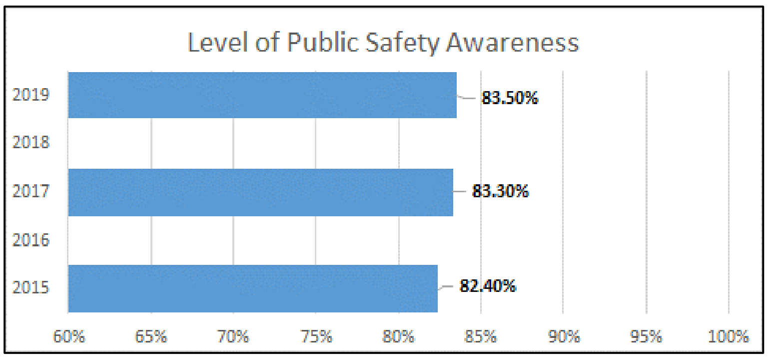
1.8.1.2 OPERATIONAL EFFECTIVENESS

Safety

- Component A - Public Awareness of Electrical Safety:

The chart below summarizes the results of the public awareness surveys conducted by WNP:

Table 27 – Public Awareness (2016-2019)



- Component B – Compliance with Ontario Regulation 22/04:

Regarding Compliance with Ontario Regulation 22/04", annual audits conducted by the Electrical Safety Authority have reported that Wellington North Power Inc. was "C" - Compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This has been achieved and maintained by our resilient commitment to safety coupled with the adherence to company procedures & policies. The results of the last four audits are included in the table below:

Table 28 – ESA Ontario Regulation 22/04 Compliance Audits

Audit Year	Non-Compliance	Opportunity for Improvement
May 1, 2015 to April 30, 2016	0	0
May 1, 2016 to April 30, 2017	0	0
May 1, 2017 to April 30, 2018	0	0
May 1, 2018 to April 30, 2019	0	0

WNP will continue to construct and maintain the electrical distribution system in accordance with the safety standards set-out by the Ontario Regulation 22/04 code. This activity is a clear demonstration of WNP's "Operational Effectiveness" (a RRFE defined outcome) to comply with ESA audits and maintaining a safe and reliable cost-effective distribution system.

- Component C - Serious Electrical Incident Index:

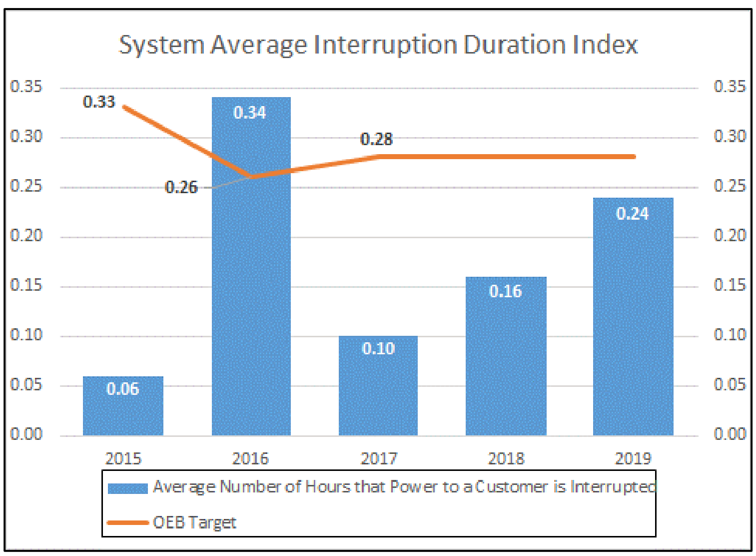
Over the 5-year period of 2015 to 2019, WNP has had zero fatalities and zero serious incidents within its operating service area of the urban areas of Arthur, Holstein and Mount Forest.

System Reliability

- System Average Interruption Duration Index ("SAIDI"):

WNP's 5-year historical performance is currently 0.28 average hours based on the utility's average SAIDI for years 2011 to 2015. The table below illustrates WNP's adjusted SAIDI values for the period 2015 to 2019 plotted against the 5-year historical performance (OEB's expected target for the utility)[64].

Table 29 – Adjusted SAIDI Performance for WNP



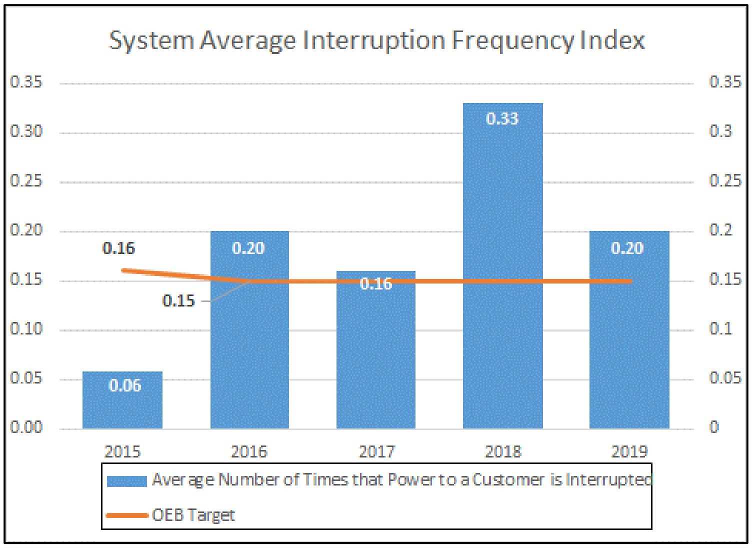
In 2016, WNP achieved 0.34 average hours of interrupted power which is above the utility's target of 0.26 average hours. The 2016 above-target result was predominately due to a major capital project of a new 2nd line 44kV feeder in Mount Forest which required more planned power outages than prior years to safely complete pole-line construction work. For all other years, WNP's SAIDI performance has been below the OEB's target.

[64] OEB Target: 2015 target was the average reported SAIDI for 2010-2014 (i.e. 0.33); 2016-2020 target was the average reported SAIDI for 2010-2014 with the removal of Major Events during this period.

- System Average Interruption Frequency Index (“SAIFI”)

The table below illustrates WNP’s adjusted[65] SAIFI values for the period 2015 to 2019 plotted against the 5-year historical performance (OEB’s expected target for the utility)[66]. WNP’s 5-year performance is currently 0.15 times based on the utility’s average SAIFI for years 2011 to 2015.

Table 30 – Adjusted SAIFI Performance for WNP



As noted previously, the 2016 above-target result was predominately due to a major capital project of a new 2nd line 44kV feeder in Mount Forest which required more planned power outages than prior years to safely complete pole-line construction work.

In 2018, WNP experienced interrupted power 0.33 times which is above the range of the utility’s 5-year average SAIFI performance of 0.15. This frequency of increased power outages was primarily a consequence of:

- On 12th April 2018, there were unplanned power outages due to distribution equipment failure that affected approx. 25% of our customers.
- Planned projects, such as pole-line replacement in a residential area, will result in residential customers experiencing a brief power outage to enable crews to work safely

[65] Adjusted = Power outages due to Loss of Supply (HONI) and Major Events are not included in the SAIDI calculation.
[66] OEB Target: 2015’s target was the average reported SAIDI for 2010-2014 (i.e. 0.16); 2016’s target was the average reported SAIDI for 2010-2014 with the removal of Major Events during this period (i.e. 0.15) as required as per the OEB’s letter March 13, 2017 “Reporting of Customer Interruptions Data Related to Major Events”)

rather than work on a "live system." WNP counts each residential property individually when there is a power-outage.

For 2019, WNP's SAIFI was 0.20 times which is marginally above the range of the utility's 5-year average SAIFI performance of 0.15. Again, this frequency of increased power outages was primarily a consequence of planned projects, such as pole-line replacement in a residential area, which results in residential customers experiencing a brief power outage to enable crews to work safely rather than work on a "live system." WNP counts each residential property individually when there is a power-outage.

Looking ahead, WNP will continue to measure SAIDI and SAIFI against the 5-year target determined by OEB, based on historical performance, and will endeavor to be below the target each year, however not at the risk of jeopardizing the safety of line-crews or the general public.

Asset Management

WNP filed its 5-year Distribution System Plan with the OEB in 2015, detailing planned capital expenditures for the years 2016 to 2020. From 2016 to 2019 inclusive, the utility has spent 79.8% of its planned total 5-year capital budget. The utility's planned capital expenditure in 2020 accounts for 15% of the approved total 5-year capital planned budget.

The Distribution System Plan detailing the utility's historical and projected capital plan can be found in Exhibit 2 of this application.

Cost Control: Efficiency Assessment

For the reporting period 2015 to 2018, WNP was placed in Group 4 in terms of efficiency – i.e. the utility is defined as having actual costs between 10% to 25% above predicted modelled costs. Group 4 is considered "fair" that is costs are slightly above the average cost range of all distributors in the Province of Ontario.

For the reporting year of 2019, WNP was placed in Group 3 in terms of efficiency – i.e. the utility having actual costs between -10% to 10% of the predicted modelled costs. Group 3 is rated as "average" meaning the utility's costs fall within the average cost range of all Ontario electricity distributors.

WNP has completed the benchmarking forecast model to predict if the utility will remain in cohort 3 in the Bridge Year (2020) and Test Year (2021).[67] The output of this report is illustrated below and predicts that WNP will remain in cohort 3 for the forecasted years.

Table 31 – Benchmarking Forecast Results

Summary of Cost Benchmarking Results Wellington North Power Inc. Cost Benchmarking Summary	2016 (Actual)	2017 (Actual)	2018 (Actual)	2019 (Forecast)	2020 (Bridge Year)	2021 (Test Year)	2022 (Forecast)	2023 (Forecast)
Actual Total Cost	3,133,691	3,061,505	3,111,224	3,242,138	3,376,747	3,417,819	3,509,817	3,554,234
Predicted Total Cost	2,666,163	2,695,072	2,851,203	3,043,145	3,224,925	3,422,121	3,623,192	3,831,348
Difference	467,528	366,433	260,021	198,994	151,822	(4,303)	(113,375)	(277,115)
Percentage Difference (Cost Performance)	**16.2%**	**12.7%**	**8.7%**	**6.3%**	**4.6%**	**-0.13%**	**-3.18%**	**-7.51%**
Three-Year Average Performance					6.6%	3.60%	0.43%	-3.60%
Stretch Factor Cohort								
Annual Result	4	4	4	3	3	3	3	3
Three Year Average					3	3	3	3

Although Wellington North Power Inc.'s forward looking goal is to advance to a "more efficient" group, management's expectation is that its efficiency performance will not decline in the foreseeable future.

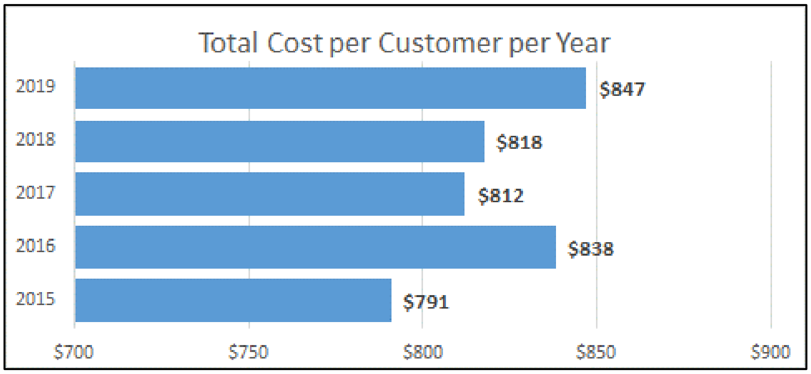
A copy of the benchmark forecast model, as an excel file, has been filed with this application.

[67] MFR - The applicant must provide a forecast of its efficiency assessment using the PEG forecasting model for the Test Year.

Cost Control: Cost per Customer

The chart below illustrates WNP's "Cost per Customer" over the 5-year period 2015 to 2019:

Table 32 – Total Cost per Customer per Year



The table below summarizes the change in "Cost per Customer" over the 5-year period:

Table 33 – Reasons for Changes in Cost per Customer

Year	Reason for Cost Change
2016	The cost performance result for 2016 was $838 per customer which is a 5.9% change ($47 increase per customer per year) compared to 2015. This increase was predominately a result of significant capital expenditure for a major project completed in 2016 - the construction and energization of a new 2nd line 44kV feeder to Mount Forest to meet future electricity demand capacity requirements of our customers.
2017	The cost performance result for 2017 was $812 per customer which is a 3.1% reduction ($26 decrease per customer per year) compared to 2016. This reduction was predominately due to lower capital expenditure and lower operating costs in 2017 compared to 2016.
2018	The cost performance result for 2018 was $818 per customer which is a 0.7% increase ($6 increase per customer per year) compared to 2017. This slight increase is due to higher capital expenditure in 2018 compared to 2017.
2019	The cost performance result for 2019 was $847 per customer which is a 4% increase ($29 increase per customer per year) compared to 2018. This increase is due to increased OM&A expenses in 2019 compared to 2018.

It is anticipated the utility's costs are expected to keep pace with economic fluctuations and inflation rates. As articulated and evidenced in this Application, WNP's controllable operating costs (Operations, Maintenance and Administration expenses) have increased by an average of 1.92% per year from 2016 through to projections for the Teat Year (2021). The utility will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements while maintaining the reliability and quality of its distribution system.

Cost Control: Cost per Kilometer of Line

The cost performance result for 2019 is $15,594[68] per kilometer of line which is a 60% decrease compared to 2018. The decrease is due to a change in the Ontario Energy Board's methodology in 2019 of calculating total cost per km of line. In 2019, the utility reported to the OEB the length of primary overhead and underground lines (as per previous years) as well as the length of secondary overhead and underground lines. The inclusion of secondary line results in the total line length increasing from 79 km to 208 km.

WNP's growth rate for its territory is considered to be relatively steady at less than 1% per year. The utility will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

1.8.1.3 PUBLIC RESPONSIVENESS

Conservation & Demand Management

WNP's energy savings target for the period 2015 to 2020 is 5.89 GWh (5,890,000 kWh – equivalent to a 5% annual reduction of electricity consumption from all of the utility's customers in Arthur, Holstein and Mount Forest.)

The utility has achieved 51% of the six-year target kWh energy savings.[69] WNP and GreenSaver continued to forge good relationships with residential, small business and commercial customers. This was achieved by leveraging the suite of Provincial approved energy-saving programs designed for the residential, small business and commercial customers.

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[68] Based on the econometric benchmarking analysis conducted by a third-party appointed by the Ontario Energy Board using distributor reported information.
[69] The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

In March 2019, the Minister of Energy, Northern Development and Mines directed the Independent Electricity System Operator (IESO) to discontinue the current 2015-2020 Conservation First Framework and implement a new interim framework, in support of the government’s goal to reduce electricity costs for customers. The change meant the IESO will centrally deliver energy-efficiency programs on a province-wide basis with a focus on business and industrial programs beginning April 1, 2019.

Renewable Generation Connection Impact Assessments Completed on Time

All new or proposed Feed-in-Tariff generation connections (FIT) require a Connection Impact Assessment (CIA) to be performed to determine (a) if there is sufficient capacity and (b) it is safe to connect the generation project to the distribution/transmission network. A distributor has 120 days to complete the CIA from the date the application is received from the customer. Over the 5-year period of 2015-2019, WNP has received 1 FIT request and completed the CIA within the required time.

Connection of Renewable Generation

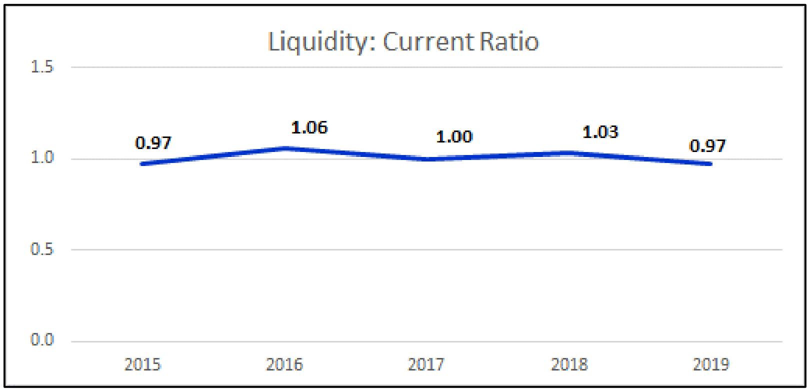
Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. The OEB expects these facilities to be connected within 5 business days once contractually approved by the IESO. Over the 5-year period of 2015-2019, WNP has received several MicroFIT connection requests and have completed the connections within the required time.

1.8.1.4 FINANCIAL PERFORMANCE

Liquidity: Current Ratio *(Current Assets/Current Liabilities)*

The chart below summarizes WNP's Liquidity performance over the past 5 years:

Table 34 – Liquidity Performance – Current Ratio



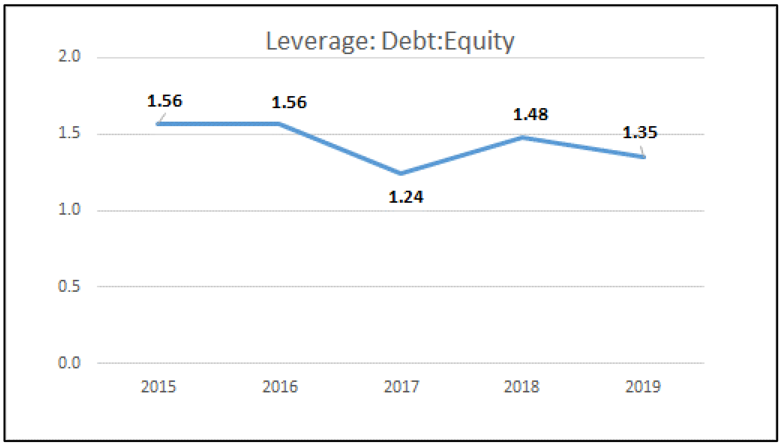
Over the 5-year reporting period, WNP's current ratio has remained at approximately 1.0 which is considered good. In 2015, WNP's current ratio was less than 1.0. WNP completed a major capital investment project in 2014 (replacement of an "old" substation.) The utility applied for a loan to finance this capital project and, although the financial institution approved the loan amount in early December 2014, the funds were not transferred until March 2015. Consequently, WNP had to draw on its' own assets ("cash") and incurred short-term debt, therefore WNP's cash position at the end of 2014 / opening 2015 was lower than in previous years, therefore affecting the company's current ratio. Approximately $330,000 of invoices were paid in 2019 for a major capital project, the replacement of a substation that was completed in 2018. WNP secured a loan to pay for the new substation which was procured in 2018; consequently, liquidity was higher in 2018 and went down in 2019 when the money was disbursed.

WNP anticipates its' current ratio is expected to remain between 1 and 1.5 in the Bridge Year (2020) and Test Year (2021).

Leverage: Total Debt *(includes short-term and long-term debt)* **to Equity Ratio**

The chart below summarizes WNP's Leverage performance over the past 5 years:

Table 35 – Leverage Performance – Current Ratio



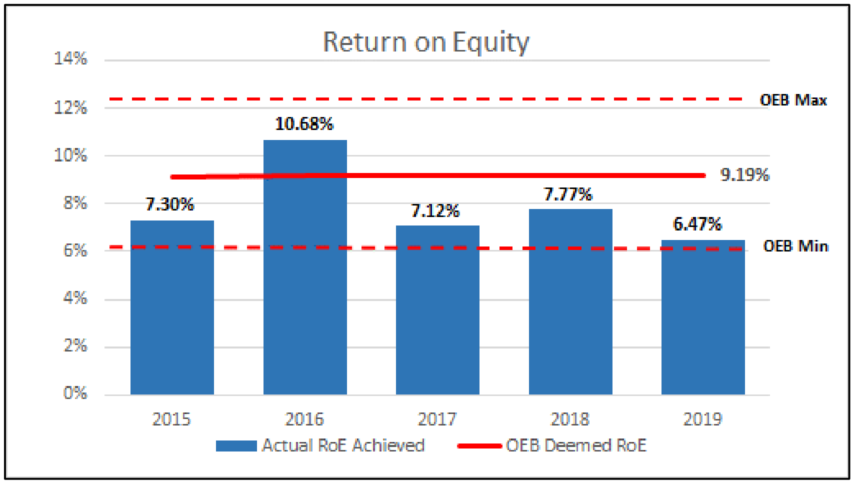
WNP's Debt-to-Equity (Leverage ability) has been consistent over the past 5 years operating at approximately the ratio of 1.5 as expected by the OEB. In 2017, lower Leverage ratio represented smaller short-term loans at the end of the year and no new financing loans were required in the year. In 2018, the utility secured a financing loan to fund the replacement of an aged substation.

WNP anticipates to maintain a debt to equity ratio of 1.5 as per the Ontario Energy Board's expectations in the Bridge Year (2020) and Test Year (2021).

Profitability: Regulatory Return on Equity *(ROE)*

As shown below, WNP has achieved a steady ROE over the 5-year reporting period and within the OEB's prescribed range[70] recognizing good cost-control and budgetary practices:

Table 36 – WNP's Return on Equity (RoE)



For 2020, Wellington North Power Inc. anticipates a Return on Equity within the +/-3% range of 9.19%.

(As noted in section 1.4.1, the Applicant has not made any assumptions about the effects or implications of the COVID-19 pandemic in its forward looking years of Bridge Year (2020) or Test Year (2021) in regards to service, efficiency or financial performance.)

1.8.1.5 SUMMARY OF PERFORMANCE

WNP has continued to perform as a customer focused, financially viable, safe and reliable LDC. Customer satisfaction and feedback inform and influence WNP's operations, which are reflected in the continued low number of dissatisfied customers. WNP has included a summary of its' performance, using the Scorecard metrics, in its 2020-2021 Business Plan (section 1.1.3).

The table below shows the latest (2019) Scorecard as published on WNP's and the OEB's website.

[70] 2016's RoE included regulatory revenue earned from prior years that, with OEB approval and direction, was realized in the utility's 2016 Audited Financial Statements. This regulatory revenue accounted for approx. 3.3% of 2016's ROE of 10.68%.

Table 37 – WNP's Scorecard

Scorecard - Wellington North Power Inc.

9/29/2020

Performance Outcomes	Performance Categories	Measures		2015	2016	2017	2018	2019	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	100.00%	100.00%	100.00%	100.00%		90.00%	
		Scheduled Appointments Met On Time		95.60%	99.00%	99.42%	99.09%	98.11%		90.00%	
		Telephone Calls Answered On Time		100.00%	99.90%	99.72%	99.00%	99.00%		65.00%	
	Customer Satisfaction	First Contact Resolution		99.63%	99.84%	99.83%	99.87%	99.85%			
		Billing Accuracy		99.56%	99.47%	99.60%	99.57%	99.49%		98.00%	
		Customer Satisfaction Survey Results		A	79.0%	79%	81.1%	81.1			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness		82.40%	82.40%	83.30%	83.30%	83.50%			
		Level of Compliance with Ontario Regulation 22/04 [1]		C	C	C	C	C			C
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0			0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000			0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]		0.06	0.34	0.10	0.16	0.24			0.28
		Average Number of Times that Power to a Customer is Interrupted [2]		0.06	0.20	0.16	0.33	0.20			0.15
	Asset Management	Distribution System Plan Implementation Progress		DSP filed	24%	35%	69%	79.8			
	Cost Control	Efficiency Assessment		4	4	4	4	3			
		Total Cost per Customer [3]		$791	$838	$812	$818	$847			
		Total Cost per Km of Line [3]		$38,763	$39,667	$38,753	$39,383	$15,594			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]		12.05%	22.39%	37.46%	50.00%	51.00%			5.89 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time					100.00%				
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%		100.00%			90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		0.97	1.06	1.00	1.03	0.96			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		1.56	1.56	1.24	1.48	1.44			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.12%	9.19%	9.19%	9.19%	9.19%			
			Achieved	7.30%	10.68%	7.12%	7.77%	6.47%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend: 5-year trend: up, down, flat
Current year: target met, target not met

1.9 FINANCIAL INFORMATION

The OEB's RRFE for electricity distributors includes Financial Performance as one of the performance measurements. The four-financial metrics included are liquidity, leverage, deemed return on equity and achieved return on equity. The table below shows WNP's performance for these metrics for years 2015 to 2019:

Table 38 – Financial Ratios from Scorecard

Financial Ratios

	Liquidity: Current Ratio *(Current Assets/Current Liabilities)*	Leverage: Total Debt *(includes short-term and long-term debt) to Equity Ratio*	Profitability *(Approved ROE)*	Regulatory Return on Equity *(Achieved ROE)*
2015	0.97	1.56	9.12%	7.30%
2016	1.06	1.56	9.19%	10.68%
2017	1.00	1.24	9.19%	7.12%
2018	1.03	1.48	9.19%	7.77%
2019	0.96	1.44	9.19%	6.47%

As noted above, WNP's actual RoE for the period 2015 to 2019 has been within +/- 3% of the OEB's approved rate.

WNP's metrics for historical years 2015 to 2019 as well as the projections for 2020 Bridge Year and 2021 Test Year are discussed in detail in the Business Plan (refer to section 1.1.3). WNP has reproduced the information below for ease of reference.

1.9.1 FINANCIAL RESULTS

WNP's financial performance has been stable since its last Cost of Service application in 2016.

Actual Return vs. Allowed Return

- Liquidity: Current Ratio (Current Assets/Current Liabilities)

  WNP's current liquidity ratio has fluctuated between 0.97 and 1.06 during the 5 year period of 2015 to 2019. The utility considers that its ratios are an indicator of good financial health and WNP expects liquidity to remain stable going forward.

- Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

  WNP's Debt-to-Equity (Leverage ability) has been consistent over the 5 year period of 2015 to 2019 operating at approximately the ratio of 1.5 as expected by the OEB

- Profitability: Regulatory Return on Equity (RoE) – Deemed (included in current rates) vs Achieved (2016)

  WNP has achieved a steady RoE over the 5-year reporting period of 2015 to 2019 and within the OEB's prescribed range recognizing good cost-control and budgetary practices. The utility's actual RoE for the period 2015 to 2019 has been within +/- 3% of the OEB's approved rate.

Profit and Loss

Outlined in the following table, are some of the essential components of the projected profit and loss for WNP:

Table 39 - Profit and Loss Table

Particulars	Board Approved 2016	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Projected 2020	Projected 2021
WCA							
Cost of Power	14,081,514	12,536,742	11,574,763	11,109,584	11,362,446	12,059,931	12,196,563
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Working Capital Allowance	1,186,382	1,072,290	998,190	962,922	989,802	1,048,105	1,059,680
Utility Income							
Operating Revenues							
Distribution Revenues	2,538,073	2,594,322	2,505,835	2,569,002	2,618,786	2,625,000	2,996,360
Other Revenue	130,104	127,027	145,241	160,679	173,002	129,604	135,330
Total Operating Revenues	**2,668,177**	**2,721,349**	**2,651,077**	**2,729,681**	**2,791,789**	**2,754,604**	**3,131,690**
OM&A Expenses	1,722,909	1,744,054	1,718,058	1,713,234	1,819,082	1,897,500	1,918,500
Depreciation & Amortization	365,779	365,478	407,729	424,389	441,385	438,822	500,023
Property Taxes	14,000	13,493	13,282	12,892	12,560	14,000	14,000
Total Costs & Expenses	**2,102,688**	**2,123,026**	**2,139,069**	**2,150,515**	**2,273,027**	**2,350,322**	**2,432,523**
Deemed Interest Expenses	218,794	198,269	215,007	213,595	208,541	249,860	279,926
Total Expenses	**2,321,481**	**2,321,295**	**2,354,076**	**2,364,110**	**2,481,568**	**2,600,182**	**2,712,449**
Utility Income before Income Taxes / PILs	**346,696**	**400,054**	**297,001**	**365,571**	**310,220**	**154,422**	**419,241**
PILs / Income Taxes	0	-23,610	-14,330	2,870	-896	0	0
Utility Income	**346,696**	**423,664**	**311,331**	**362,701**	**311,116**	**154,422**	**419,241**

The net profit/loss for 2020 and 2021 are forecast to be $154,422 and $419,241 respectively.

1.9.2 RATE BASE AND REVENUE DEFICIENCY

As shown in the following table, WNP's revenue deficiency has steadily grown indicating that it is time for the utility to re-establish its rates based on its costs.

Table 40 - Table of Rate Base and Revenue Deficiency

Particulars	Board Approved 2016	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Projected 2020	Projected 2021
Utility Income	**346,696**	**423,664**	**311,331**	**362,701**	**311,116**	**154,422**	**419,241**
Gross Fixed Assets (year end)	8,847,868	10,092,965	10,795,777	11,241,040	11,744,327	12,679,295	14,986,188
Accum Depreciation	-1,960,867	-1,259,550	-1,695,875	-2,143,082	-2,536,132	-3,046,199	-3,730,847
Net Fixed Assets	8,847,868	8,833,414	9,099,903	9,101,958	9,205,195	9,633,096	11,255,340
Average Net Fixed Assets	8,265,840	8,269,126	8,966,659	9,100,931	9,155,077	9,420,646	11,241,982
Utility Rate Base	9,442,187	9,341,198	9,964,616	10,065,272	10,146,524	10,468,503	12,301,661
Deemed Equity Portion of Rate Base	3,776,875	3,736,479	3,985,847	4,026,109	4,058,609	4,187,401	4,920,665
Income/(Equity Portion of Rate Base)	**9.19%**	**11.34%**	**7.81%**	**9.01%**	**7.67%**	**3.69%**	**8.52%**
Indicated Rate of Return	**5.99%**	**6.66%**	**5.28%**	**5.72%**	**5.12%**	**3.86%**	**5.68%**
Approved Rate of Return	**5.99%**	**5.99%**	**5.99%**	**5.99%**	**5.99%**	**5.68%**	**5.68%**
Sufficiency / (Deficiency) in Return	**0.00%**	**0.67%**	**-0.71%**	**-27.00%**	**-0.87%**	**-1.82%**	**0.00%**
Equity	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*	*40%*
Short Term Debt	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
Long Term Debt	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*	*56%*
Equity Return	*9.19%*	*9.19%*	*9.19%*	*9.19%*	*9.19%*	*8.52%*	*8.52%*
Short Debt Return	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Long Debt Return	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
Tax Rate	*16%*	*16%*	*16%*	*16%*	*16%*	*16%*	*16%*
Net Revenue Sufficiency / (Deficiency)	**0**	**62,122** ***Sufficiency***	**-70,903** ***Deficiency***	**-27,226** ***Deficiency***	**-88,263** ***Deficiency***	**-190,698** ***Deficiency***	**0**

The revenue deficiency has been growing over time as a result of the inflationary increases to labour and third-party maintenance fees as well as additional (or "new") expenses that were not previously included in WNP's operating budgets, (for instance, cyber-security expenses to address the requirements of the OEB's cyber-security framework). This is an indication that the utility's costs have exceeded its revenues and as such better aligned rates are needed.

WNP expects a deficit of -$190,698 in 2020 and its deficiency to be eliminated in 2021 with the approval of new rates. WNP endeavors to be financially responsible in controlling capital and OM&A expenditures to provide a rate of return within the OEB allowed return on equity and therefore meeting the shareholder's expectations while continuing to reinvest in its' distribution system to meet customer expectations and operational efficiencies for the safe and reliable delivery of electricity.

1.9.3 HISTORICAL FINANCIAL STATEMENTS

The following attachments are included in the Appendices of Exhibit 1: [71]

- ✓ Appendix 1H Year ended 31 December 2017
- ✓ Appendix 1I Year ended 31 December 2018
- ✓ Appendix 1J Year ended 31 December 2019

1.9.4 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RESULTS FIELD[72]

A detailed reconciliation between the financial results shown in WNP's RRR filings, Audited Financial Statements and with the regulatory financial results filed in the application is presented Appendices of Exhibit 1 as Appendix 1K.

1.9.5 ANNUAL REPORT

WNP does not publish an annual report to its' shareholders. [73]

1.9.6 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

WNP does not issue debt or share nor do they publish any prospectus.[74]

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[71] MFR - Non-consolidated Audited Financial Statements for 2 most recent years (i.e. 3 years of historical actuals)
[72] MFR - Detailed reconciliation of AFS with regulatory financial results filed in the application, with identification of any deviations that are being proposed
[73] MFR - Annual Report and MD&A for most recent year of distributor and parent company, if applicable
[74] MFR - Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances

1.9.7 OTHER RELEVANT INFORMATION

Distributor Consolidation

WNP has not, nor is, currently contemplating selling its' utility or amalgamating with other utilities and as such, there are no savings identified in this Application. [75][76]

ICM / ACM [77]

WNP applied for an Advanced Capital Module (ACM) in its 2016 Cost of Service application (EB-2015) for capital investment to replace an aged and deteriorated municipal substation (MS3) in 2018. In the Board's Decision and Rate Order for this proceeding, it included the following under section 3.1.1 Advanced Capital Module:

> ***"Findings***
>
> *As part of the overall settlement, the OEB approves the ACM and notes that the review and approval process of the costs and for the establishment of the rate riders intended to recover approved project costs will be part of the Price Cap IR application process."*[78]

Subsequently, in WNP"s 2018 IRM application (EB-2017-0082), for approval of May 1, 2018 distribution rates, the utility filed the necessary information and applied for ACM rate riders to recover the cost of the MS3 substation replacement. In the Board's Decision and Rate Order for this proceeding, it included the following under section 8 Advanced Capital Module:

> ***"Findings***
>
> *The OEB finds that the proposed ACM amount to be disposed through rate riders, as calculated in the 2018 ACM Model, is consistent with the settlement proposal in Wellington North Power's 2016 cost of service application, and with updated parameters and data on*

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[75] MFR - If a distributor has acquired or amalgamated with another distributor, identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement.
[76] MFR - Description of actual savings as a result of consolidation compared to what was in the approved consolidation application and explanation of how savings are sustainable and the efficacy of any rate plan approved as part of the MAADs application
[77] MFR - Identify approved ACM or ICM from a previous Price Cap IR application it proposes be incorporated into rate base.
[78] Decision and Rate Order EB-2015-0110, section 3.1.1 Advanced Capital Module, pages 3 and 4, March 31, 2016

> *customers kWh and kW as provided in the application and in responses to interrogatories. The rate riders will be in effect until the next cost of service based rate order".*[79]

WNP confirms that the substation was replaced, energized and in-service in 2018 as planned. Furthermore, the Applicant confirms that it did establish ACM rate riders effective May 1, 2018 and through this 2021 Cost of Service application, is seeking to end the rate-riders and transfer the asset value of the new MS3 substation into the utility's rate-base in the Test Year 2021.

In this Applicant, WNP is not applying for an ACM.

Other Information

The utility does not have any additional or relevant information other than what is being filed in this application.

[79] Decision and Rate Order EB-2017-0082, section 8 Advanced Capital Module, pages 7 and 8, March 22, 2018

APPENDICES

List of Appendices:

Appendix 1A	Summary of Application for Customers
Appendix 1B	2020-2021 Business Plan
Appendix 1C	WNP Board Resolution of 2020-2021 Business Plan
Appendix 1D	List of Approvals
Appendix 1E	WNP’s Response To COVID-19
Appendix 1F	Customer Engagement
Appendix 1G	2019 Scorecard
Appendix 1H	2017 Audited Financial Statements
Appendix 1I	2018 Audited Financial Statements
Appendix 1J	2019 Audited Financial Statements
Appendix 1K	2019 Reconciliation for RRR to FS

APPENDIX A: SUMMARY OF APPLICATION FOR WNP CUSTOMERS

Wellington North Power Inc.'s 2021 Cost of Service Application

Dear Wellington North Power customers,

Your local hydro company, Wellington North Power Inc. (WNP), is applying to the energy regulator, the Ontario Energy Board, to adjust its' electricity distribution rates effective May 1, 2021. If the application is approved, a typical residential customer of WNP will see an increase of approximately $2.41 per month (or 1.9% above a current bill) and a typical small business customer will see an increase of approximately $9.56 per month (or 3.0%).

The application, which is being filed in October 2020 with the Ontario Energy Board, is called a "Cost of Service" and involves the setting and approval of new rates based on the value of the utility's assets and the costs incurred in providing service to its' customers. For WNP, this involves the maintenance and service of 6 substations, over 1,900 poles, all pad-mount and pole-mount transformers, powerlines, and approx. 3,800 meters as well as the costs with maintaining our vehicle fleet and buildings. All expenses and materials related to the distribution of power form the basis for the costs included in the application.

The Revenue Requirement is the amount of money required by WNP to run its' day-to-day operations and to safely distribute electricity to our customers. In its' application, WNP is seeking approval for a Revenue Requirement of $2,996,360. This represents an increase of $457,287 from its' last Cost of Service application in 2016 - or approx. $90,000 per year for the period 2016 to 2021, due to the reasons explained below.

Aligning Rates with Costs

There are several reasons why WNP is seeking a rate increase starting in May of 2021, including:

- The utility's current base rates were approved in 2016 and subsequently updated for the rate of inflation. As such, revenues from rates can no longer support WNP's operating costs.
- Expenses related to enhance cyber-security controls to protect sensitive data and information.
- Increase in costs for insurance and third-party maintenance fees for products and services.
- Increase in amortization expenses as a result of infrastructure investment necessary to maintain reliability of distribution of electricity across of community.
- Adjustments to Pass-Through rates to better reflect the transmission and distribution charges WNP is required to pay to third-parties.

Summary of 2021 Cost of Service application:

a) Approval for a 5-year capital investment plan for the period 2021-2025 totaling $3.3M equivalent to $659K per year. This is approx. $50K per year less than the current 2016-2020 plan.
b) Approval for WNP's 2021 operating budget to be adjusted by an average increase of 1.9% per year since 2016 which is in-line with annual inflation rates.
c) Approval to adjust pass-through costs including Retail Transmission Service Rates and Low Voltage Charges.

Approval is required from the Ontario Energy Board, who will review WNP's application. The Ontario Energy Board, is an independent regulatory body that protects the interests of consumers, ensuring electricity rates are reasonable.

Aging Infrastructure

Like most utilities in Ontario, WNP faces the challenges of replacing aging assets, meeting the energy demand of consumers, and keeping pace with new technology. Over the past 5 years, WNP has invested approx. $3M in distribution infrastructure equipment necessary to maintain the reliability of supply of electricity to homes and businesses. Infrastructure investments have included:

- Several pole-line replacement projects;
- A new 2nd line feeder in Mount Forest in 2016 to meet the electricity demand of this growing community today and for the future; and
- Replacing a 45-year old substation in 2018 that was showing signs of aging and deterioration.

We have a 5-year capital construction plan that is paced and prioritizes investments to replace assets based on the age and health condition of the assets and the probability of failure. This is the most economic opportunity rather than running those assets to failure.

Reliability and Service

Over the past 5 years, WNP has continued to distribute electricity reliably and safely as well as offering excellent service to our customers. Some highlights include:

- Reliability of supply has remained steady with minimal power outages or interruptions. Our reliability performance has been at or below the 5-year target as set by the OEB.
- WNP has consistently exceeded OEB standards for customer service, including live-answering over 99% of its customer calls within 30 seconds and a billing accuracy of over 99%.
- In 2019, nearly 100 million kWh of electricity was delivered to WNP customers.

Focus on Customers

By focusing on customer engagement and communications, WNP is helping customers make choices and create healthy, sustainable results for our community. The utility provides a range of financial programs to customers who need assistance in managing their hydro bills. For instance, the utility has over 10% of its' residential customer-base taking advantage of the Ontario Electricity Support Program that applies a monthly credit to customers' bills.

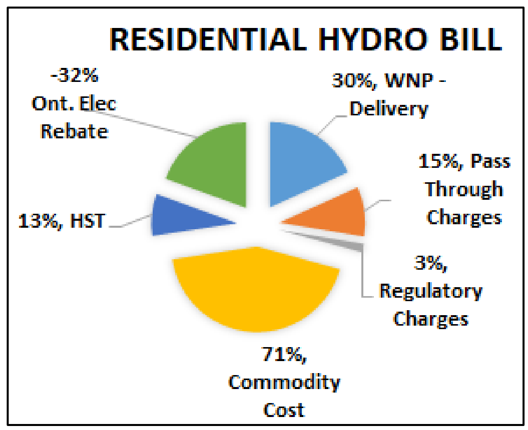
In preparing for its' Cost of Service rate application, in Quarter 4 of 2019, WNP initiated Customer Surveys inviting Residential, Small Business and Industrial & Commercial customers to get feedback about how we should prioritize investments. We heard the priorities that our customers want are:

- 1st - "Maintaining and upgrading equipment"
- 2nd - "Reducing response time to outages"
- 3rd - "Having an on-line outage map"; and
- Joint 4th - "Investing more in the electricity grid" and "Investing more in tree-trimming."

In preparing our 2020 Distribution System Plan (DSP), we have included customers' preferences and priorities which has helped shape our 5-year capital investment plan for 2021 to 2025.

Bill Ownership

Of the money collected by WNP from customers paying their hydro bills, the utility keeps approx. 30% to pay for the day-to-day running of the company. The rest of the money is dispersed to other parties as shown below:



Conclusion

With its' 2021 Cost of Service application, WNP looks to the future to continuing distribute electricity within our community, safely and reliably, as well as to provide excellent service and assistance to our customers.

You can find more information about WNP's 2021 Cost of Service application on the following websites:

- Ontario Energy Board's website: (https://www.oeb.ca/)
- WNP's website: https://www.wellingtonnorthpower.com/rate-application-.cfm

If you have any questions or comments, please e-mail us at: customerservice@wellingtonnorthpower.com

APPENDIX B: 2020-2021 BUSINESS PLAN

Wellington North Power Inc.

Business Plan

2020 - 2021

Table of Contents

Table of Figures

1. Executive Summary

Wellington North Power Inc. (WNP) is a local electricity distribution company regulated by the Ontario Energy Board (license ED-2002-0511). The company provides safe, reliable electricity distribution to residential and business consumers in its service area. Wellington North Power's service area is based upon the amalgamation of the hydro companies operating in the urban areas of Arthur, Holstein and Mount Forest in 1999/2000. The service area does not include rural areas – customers are in the urban areas of Arthur, Holstein and Mount Forest.

The Energy Competition Act, 1998 required local distribution utilities like WNP to incorporate under the Ontario Business Corporations Act. Accordingly the Town of Arthur, the Village of Southgate and the Town of Mount Forest passed by-laws transferring all assets and liabilities of the Arthur Hydro-Electric Commission, the Southgate Hydro-Electric Commission and Mount Forest Public Utilities Commission to Wellington North Power Incorporated.

Wellington North Power Inc. is considered a "local distribution company" or a "wires company".

WNP manages the electrical distribution system servicing approximately 3,800 metered customers. The utility earns income based on fixed and volumetric service charges for the distribution of electricity. The service charges are set through a periodic rate making process via applications to the regulator, the Ontario Energy Board (OEB).

The utility's current rates were based on OEB approved 2016 revenues of $ 2,669,178 which was adjusted for an annual Price Cap Index (inflation) in 2017, 2018, 2019 and 2020. The utility's actual 2019 revenue was $2,887,947. WNP uses the revenue in the operation, maintenance and administration functions of the utility and contributing towards the RoE as well as investing in capital programs such a rebuilding infrastructure which has reached its end of life.

The overall value of the Business Plan is based on three critical statements. The vision statement, mission statement, and values statement are written corporate commitments that legitimize the plan by setting the future direction of the Company, stating what it will do to get there, and how it will get there based on a set of fundamental principles it follows in business.

1.1 Vision

To be regarded within the province of Ontario as an industry leader in the safe, reliable and cost efficient distribution of electricity.

1.2 Mission

Wellington North Power Inc. shall provide its customers with the most cost effective delivery of electricity safely, reliably and efficiently. This will be done while providing superior customer service and promoting customer education and green initiatives within its service area.

Although we operate as a business and are to be profitable for our Shareholders, our main reason for existing is to provide safe, reliable, and economic electricity services to the residents and business in the urban areas of Arthur, Holstein and Mount Forest.

1.3 Values

All individuals and companies associated with WNP will demonstrate the utmost honesty, integrity and respect. They will exhibit the highest levels of dedication, professionalism and accountability. They value their personal safety and those of their co-workers, customers and members of the community. They recognize the importance of cost efficiency and forthright, timely and accurate communication. They promote the wellbeing and economic prosperity of the local community as represented by WNP's shareholders.

1.4 Objectives

a) *Manage a safe and reliable distribution system in an efficient and cost-effective manner:*
- We plan to charge fair and reasonable rates to residential and business consumers that reflect equitable apportionment of recovery of costs.
- We have a 5-year capital construction plan that is paced and prioritizes investments that replaces assets based on the age and health condition of the assets and the probability of failure. This is the most economic opportunity rather than running those assets to failure.
- We will work with stakeholders (consumers, businesses, developers, the Township of Wellington North and Township of Southgate) to promote electrical safety and energy conservation in our community.

b) *Provide outstanding customer service:*
- We will ensure our offices are accessible 5 days a week between 8:30am and 4:30pm.
- We will respond to customers' queries and concerns in a timely manner using the communication channel preferred by the customer (face-to-face, telephone or e-mail).
- We will continue to meet the customer service quality standards set-out by the energy regulator.
- We will work with customers to provide assistance with managing their electricity usage.

c) *Continue to increase shareholder value:*
- We plan to achieve a Return on Equity of between +/-3.00% per annum of the allowed Return on Equity rate set by the regulator
- We plan to re-invest annual net income into the company to be used towards annual capital (construction) projects.
- We will continue to forge relationships with the Council and Staff of Township of Wellington North.
- We will continue to forge relationships with the Council and Staff of Township of Southgate.

d) *Meet all regulatory obligations*

- We plan to have the 2021 Cost of Service rate application approved by the Ontario Energy Board in March / April and for new distribution rates to be effective from May 1, 2021.
- We plan to have the Distribution System Plan including the 5-year capital investment plan approved by the Ontario Energy Board in March / April.
- We plan to pass the Electrical Safety Association Reg 22/04 safety audit.
- We plan to meet the debt obligations and covenants as required by the corporation's banking company and the lending institutions.

1.5 Overview of Projected Cost of Service

In preparing its' 2021 Cost of Service, WNP has determined the requirements to maintain overall business objectives and regulatory requirements. The tables below compares the 2016 OEB Approved Cost of Service to the 2021 Proposed Cost of Service (CoS). The proposal includes an OpEx of $1,918,500 and CapEx of $627,000.

Table 1 – 2021 Proposed CoS versus 2016 OEB-Approved CoS

`	2016 CoS OEB Approved	2021 CoS Proposed	Change
OpEx	$1,722,909	$1,918,500	11%
Depreciation (yearly)	$365,779	$500,023	51%
Property Tax	$14,000	$14,000	
Total Expenses	$2,067,362	$2,432,523	18%
Regulated Return on Capital	$566,491	$699,167	25%
Service Revenue Requirement	**$2,669,178**	**$3,131,690**	**19%**
Less: Revenue Offsets	$130,105	$135,330	4%
Base Revenue Requirement	$2,539,073	$2,996,360	20%
CapEx (No Special Projects 2021)	$1,593,911	$627,000	N/A
Net Income	$347,464	$419,241	20%

Based upon the above projections in its' 2021 Cost of Service application, the effect to WNP's customers' monthly electricity bills would be:

Table 2 – 2021 Proposed CoS – Total Bill Impact

Rate Class	$ Change	% Change
Residential	$2.41	1.90%
Small Business (GS<50 kW)	$9.56	2.99%
Medium Business (GS50-999 kW)	$178.63	2.18%
Large Business (GS1000-4999 kW)	$4,099.75	3.22%
Unmetered Scattered Load	-$6.81	-7.97%
Sentinel Lighting	$29.46	9.89%
Street Lights	$4,110.98	86.49%

* *Total Bill impact includes all billing elements and HST.*

2. About the Utility

2.1 Utility Description

Wellington North Power Inc. (WNP) is an embedded distributor within Hydro One's service territory and is supplied from three of Hydro One's Sub-Transmission feeders at 44,000 volts.

WNP is a registered Market Participant, dealing directly with the Independent Electricity System Operator (IESO) for the electricity which is passed through our distribution system to consumers. As an embedded utility, WNP is billed monthly by Hydro One for all Transmission related charges including Low Voltage charges. Transmission and Low Voltage charges are passed through to WNP's customers.

WNP's service area consists of 44kV, 8.3kV, and 4.16kV high voltage systems.

WNP has three Hydro One 44kV feeders serving its distribution territory. WNP owns and operates the electricity distribution system in its licensed service area including parts of the Township of Wellington North and the Township of Southgate, serving 3,830 metered Residential and General Service customers as well as 924 Street Lighting, 23 Sentinel Light and 2 Unmetered Scattered Load connections.

WNP currently relies on a total of 86 km of primary circuits, 6 municipal substations and 640 transformers to deliver 98,574,327 kWh (2019) of energy.

Of its 3,830 metered customers, 86.53% are residential customers, 12.43% are general service <50kW, 0.91% are general service 50 to 999 kW and 0.13% are general service 1000 to 4999 kW.

There are 1 FIT and 22 microFIT accounts generating approximately 392,026 kWh within WNP's service area annually.

2.2 Utility Ownership (Shareholders)

The Township of Wellington North has 97% ownership of WNP. The remaining 3% is owned by the Township of Southgate. The Governance of WNP is through five Board of Directors appointed by the major Shareholder, the Township of Wellington North. Two of the directors are independent which meet the requirements of Section 2.1.2 of the Affiliate Relationships Code for Electricity Distributors and Transmitters.

3. Economic Overview and Customer Description

3.1 Location

Wellington North Power Inc. (WNP) is a local distribution company servicing approximately 3,800 customers in the Town of Mount Forest, Village of Arthur and the Village of Holstein in southwestern Ontario, approx. 120 km northwest of Toronto (as the crow flies). The distributor's service territory is approximately 14 sq. km of medium density urban area and spans across the County of Wellington (Arthur and Mount Forest) and Grey County (Holstein).

3.2 Interesting Facts about Our Community

Until recently, the town of Mount Forest's motto was "High, Healthy, Happy", as on the water tower and welcome sign when approaching the town from the south and referring to its high elevation of 430 meters (1,410 ft) above sea level making it one of the highest towns in Southern Ontario.
The village of Arthur is referred to as the "Most Patriotic Village in Canada"; one out of every seven Arthur residents fought in the Second World War.
Holstein is a little village in the Township of Southgate in Grey County. This village is well-known for the Holstein Maplefest, Holstein Rodeo Expo and the famous Holstein Non-Motorized Santa Claus Parade.

3.3 Transportation

Mount Forest and Arthur are situated along Highway 6. Driving south on Highway 6 from Mount Forest for approx. 79 km will lead to the 401 highway, south of Guelph. There are no train services or public bus services available in the area; however in January 2020 a private transportation company started an intercity bus route with a fourteen passenger mini-bus operating between Owen Sound and Guelph with stops at Mount Forest and Arthur, running two buses in each direction per day. In October 2019, Wellington County launched a county wide, demand based, public transit service available to all residents and visitors. This five-year pilot is funded by the Government of Ontario and offers a safe, affordable option for people to move throughout the County. RIDE WELL™ is a public transit service that uses a rideshare model of operation and provides an alternative option to owning and using a personal vehicle and for those who cannot access vehicles for regular needs.

3.4 Climate

Mount Forest features a humid continental climate, characterized by warm, sometimes wet summers and cold, snowy winters. At an elevation of 430 meters (1,410 ft) above sea level, Mount Forest is one of the highest towns in Southern Ontario being located in the western portion of the Dundalk Highlands. As such, its elevation and location downwind of Lake Huron makes it prone to hefty snow totals from lake effect snow averaging nearly 300 centimetres per year. Summers, with a daily mean average of 18°C to 20°C are often cooler than they otherwise would be due to the town's elevation and overnight lows are considerably cooler than places along the lakeshore. Winter average mean temperatures are between -9°C to -11°C and, as a result, WNP is a winter-peaking LDC.

3.5 Population

Mount Forest and Arthur exist within the Township of Wellington North. Wellington North has a population of 11,500 with an age profile as follows:

Table 3 – Population Figures

Age Range	% of Population
0 to 14	18.6%
15 to 64	60.7%
65 or older	20.7%

Source: 2016 Canada Census

Of interest, the age group “65 or older” is 4% higher than the Ontario average. Furthermore, the 28.2% of the population of the Town of Mount Forest falls within the “65 or older” group, which is 11.5% above the Ontario average.

3.6 Labour Force

Within Wellington North, the industry categories employing the highest percentages of the population are:

Table 4 – Industry Employment

Industry	% of Population
Manufacturing	21.5%
Agriculture	11.5%
Construction	10.8%
Retail	9.5%
Healthcare	9.2%

Source: 2016 Canada Census

Of the working population, 23% commute out of the area of Wellington North.

4. Historical Benchmarking and Performance Metrics

A development within the regulatory sphere that has brought utility customer satisfaction to the forefront is the use of benchmarking studies, which compare levels of customer satisfaction across utilities. Customers benefit from the efforts put forth by regulated utilities like WNP towards the achievement of favourable benchmarking results when compared to their peers.

The most widely known benchmark of efficiency rating comes from the Pacific Economics Group (PEG) report which surveys all 60+ utilities in Ontario. The PEG analysis is one of the only instruments that compares utilities' cost efficiencies on a consistent basis and is publicly available. PEG produces an annual report that provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring. Other indicators include cost performance to budget, capital spending, bill impacts and return on equity. The Ontario Energy Board uses the results of the PEG report directly when setting rates for regulated distributors of electricity like WNP during the Incentive Rate-Making Process.

The Scorecard, filed annually with OEB, reports on four key Performance Outcomes namely; Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance.

The following sections review past benchmarking, financial results and scorecard performance indicators.

4.1 Past Performances

Pacific Economics Group (PEG) Report

The PEG Past Performance table below shows WNP's rating for the last four historical years of business. The PEG report uses econometrics to determine the cost efficiency of distributors. There are five rankings 1 = Excellent; 2 = Good; 3 = Average; 4 = Fair; and 5 = Poor.

In 2019 WNP received a 3 which was an improvement from previous years:

Table 5 - PEG Past Performance (Stretch Factor)

	2016	2017	2018	2019
Stretch Factor Cohort - Annual Result	4	4	4	3

Cost Performance

The percentage difference between actual and budgeted cost is the measure of cost performance. Utilities with larger negative differences between actual and budgeted costs, such as WNP, are better cost performers and therefore eligible for lower stretch factors. This table shows WNP's difference between its actual costs and budgeted.

Table 6 - Summary of Cost Performance Results

Category	2016	2017	2018	2019	2020
Total OM&A Budget	$1,797,368	$1,749,500	$1,879,500	$1,875,000	$1,897,500
Actual OM&A Expense	$1,744,054	$1,718,059	$1,713,284	$1,819,081	
Variance	*-3.0%*	*-1.8%*	*-8.8%*	*-3.0%*	

The table above is a summary of the OM&A expense performance actual vs budget. The table shows an actual cost increase of 4.3% over a four year period.

Capital Spending

The 5 year Capital Plan as presented in the Distribution System Plan was approved by the Ontario Energy Board during WNP's 2015 Cost of Service Application. After 4 years, WNP completed 80% of its planned capital spend with only minor changes to accommodate other priority items which became known after 2015 such as cybersecurity requirements.

The table below summarizes annual capital expenditure as approved in WNP's 2016 Distribution System Plan (as filed in OEB application EB-2015-0110) versus actual capital expenditure. The table illustrates good cost control over capital spending and WNP's ability to reprioritize to meet current needs without over spending.

Table 7 - Historical Capital Spending

	2016	2017	2018	2019	2020	Total
DSP Approved	$ 1,593,911	$ 768,670	$ 2,196,470	$ 951,850	$ 963,000	$ 6,473,901
Actual	$ 1,545,545	$ 712,855	$ 2,229,731	$ 674,983		$ 5,163,114
Variance (%)	-3%	-7%	2%	-29%		-20%

Special projects supported by our customers were completed in 2016 and 2018 specifically the addition of a second 44kV feed to Mount Forest and the replacement of at municipal substation which was at its end of life.

Bill Impacts

Bill impacts are subject to a modest increase during the years between Cost of Service by way of the Incentive Regulation Mechanism. It's important to note that bill impacts also include the effects of the disposition of deferral and variance accounts from the pass-through charges (regulatory assets).

Table 8 - Historical Bill Impacts (Residential)

	2016 CoS	2017 IRM	2018 IRM	2019 IRM	2020 IRM
Monthly Charge	$ 23.97	$ 27.95	$ 31.81	$ 35.83	$ 36.39
Volumetric $/kWh	0.0153	0.0103	0.0052	0	0
Total Bill Impact (%)	2.59%	0.02%	0.97%	0.31%	0.54%

Return on Equity

The table below illustrates the historic relatively consistent return on equity.

Table 9 - Historical Return on Equity

	2016	2017	2018	2019
OEB Return on Equity	10.68%	7.12%	7.77%	6.47%

4.2 Scorecard Results and Analysis

The Distribution System Code (DSC) details the minimum service quality requirements that a distributor must meet in carrying out its obligations to distribute electricity under its license and the Energy Competition Act, 1998. WNP records service quality data for activities such as service accessibility, appointment scheduling, telephone call answer rate and emergency response times. As per the Ontario Energy Board (OEB) "Reporting and Record Keeping Requirements" (RRR), WNP submits its service quality data information to the regulator on an annual basis. This information is used to evaluate WNP's service quality performance against the OEB expected targets.

Customer Focus

The table below illustrates the performance of the customer focus measures for WNP for the period 2016 to 2019. Over the last 4-years, WNP has met or exceeded the requirements prescribed by the OEB for each customer service quality indicator listed in the table below.

Table 10 – Customer Service Quality Indicators

Customer Focus Measures	Target	2016	2017	2018	2019
New Residential/Small Business Services Connected on Time	90.00%	100.00%	100.00%	100.00%	100.00%
Scheduled Appointments Met On Time	90.00%	98.98%	99.42%	99.09%	98.11%
Telephone Calls Answered On Time	65.00%	99.92%	99.72%	99.00%	99.00%
First Contact Resolution	-	99.84%	99.83%	99.87%	99.85%
Billing Accuracy	98.00%	99.47%	99.60%	99.57%	99.49%
Customer Satisfaction Survey	-	79.00%		81.10%	

Customer Satisfaction

WNP conducts bi-annual customer satisfaction surveys; the results of the surveys indicate that customers are generally satisfied with WNP:

Table 11 – Customer Satisfaction Survey

	2016	2018
Satisfaction Score	79.00%	81.10%
Survey Sample Size	N=300	N=300

* At the time of preparing this plan, the 2020 Customer Satisfaction survey has not been performed.

Operational Effectiveness

Operational effectiveness is a measure of Safety, Reliability, Asset Management and Cost Control.

Table 12 – Operational Effectiveness

Operational Effectiveness	2016	2017	2018	2019
Level of Public Awareness		83.30%		83.50%
Level of Compliance O.Reg. 22/04	C	C	C	C
Number of General Public Incidents	0	0	0	0
Average Number of Times Power to a Customer is Interrupted (Saidi)	0.20	0.16	0.33	0.20
Average Number of Hours Power to a Customer is Interrupted (SAifi)	0.34	0.10	0.16	0.24
Total Cost ($) per Customer	$ 838	$ 812	$ 818	$ 847
Total Cost ($) per km of Line	$39,667	$38,753	$39,383	$15,594

Safety

The Public Safety measure is generated by the Electrical Safety Authority (ESA). Safety remains one of WNP's highest priorities. The key elements include public awareness, O.Reg 22/04 compliance, employee training, and system renewal (maintaining and operating a safe system). WNP will continue to focus its efforts on raising awareness and making safety a priority.

System Reliability

WNP maintains a reliable distribution system through general good maintenance according to the Distribution System Code and continuous investment in system renewal projects as outlined in the System Distribution Plan.

Asset Management

WNP developed and implemented a Distribution System Plan (DSP) detailing the utility's historical and projected capital plan as part of its 2016 Cost of Service application. The capital plan and expenditures presented in this Business Plan are supported by the utility's DSP.

Cost Control

Cost control on the scorecard is a measure of the distribution costs per customer as well as distribution costs per km of line.

Public Policy Responsiveness

Public Policy Responsiveness includes measures on energy savings as delivered through the saveONenergy™ Conservation and Demand Management Programs, Completion of Connection Impact Assessments for Generation completed on time and Connection of Micro-embedded Generation completed on time. Table 9 contains the results of the three Public Policy Measures.

Table 13 – Public Policy Responsiveness

Public Policy Responsiveness	2016	2017	2018	2019
Net Cumulative Energy Savings (Percent of Target Achieved)	22.39%	37.46%	50.00%	51.00%
Renewable Generation Connection Impact Assessments Completed on Time			100.00%	
New Micro-Embedded Generation Facilities Connected on Time (Target: 90%)	100.00%		100.00%	

Net Cumulative Energy Savings

The IESO completed an Achievable Potential Study in 2016 to determine if utility CDM targets were reasonable. The finding was the WNP achievable potential was 33% below the assigned target or 3,972Mwh compared to 5,889Mwh.

In March 2019, the Minister of Energy, Northern Development and Mines directed the Independent Electricity System Operator (IESO) to discontinue the current 2015-2020 Conservation First Framework and implement a new interim framework, in support of the government's goal to reduce electricity costs for customers. The change means that the IESO will centrally deliver energy-efficiency programs on a province-wide basis with a focus on business and industrial programs beginning April 1, 2019 until December 31, 2020. Ontario businesses will continue to have access to incentives for retrofits and other energy-efficiency projects, and the Home Assistance program for low-income customers and conservation programming for Indigenous communities will continue.

Connection Impact Assessments and Connection of Renewable Generation

WNP has maintained 100% timely completion of Connection Impact Assessments as well as the Connection of Micro-Embedded Generation Facilities.

Financial Performance

Financial Performance is measured through Liquidity, Leverage and Profitability. As described below, WNP's financial results meet or exceed the expectations of the energy regulator and demonstrate prudent management of the utility.

Table 14 – Financial Performance

Financial Performance	2016	2017	2018	2019
Liquidity: Current Ratio	1.06	1.00	1.03	0.96
Leverage: Total Debt to Equity Ratio	1.56	1.25	1.48	1.44
Profitability: Regulatory Return on Equity Deemed	9.19%	9.19%	9.19%	9.19%
Profitability: Regulatory Return on Equity Achieved	10.68%	7.12%	7.77%	6.47%

* 2016's RoE included regulatory revenue earned from prior years that, with OEB approval and direction, was realized in the utility's 2016 Audited Financial Statements. This regulatory revenue accounted for approx. 3.3% of 2016's ROE of 10.68%.

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The OEB uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio indicates a utility may have difficulty generating sufficient cash flows to make its debt payments; while a low debt-to-equity ratio indicates that a utility is not taking advantage of the increased profits that may be had through increased financial debt.

Profitability: Regulatory Return on Equity

Return on Equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. A ROE of 10% is generally considered good.
WNP's current distribution rates were approved by the OEB in 2016 with an expected (deemed) regulatory return on equity of 9.19%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

5. Strategy and Implementation Summary

Wellington North Power regularly reviews and updates the Strategic Plan through its' Strategic Priorities Committee. The Committee uses several tools in evaluating the LDC including but not limited to historical performance, SWOT, regulatory requirements and customer survey/market trends.

5.1 SWOT Analysis

The use of the SWOT (strengths, weaknesses, opportunities, and threats) analysis is new to the utility, however it has already proven to be a valuable management tool that has helped WNP review key aspects of the utility to identify factors that will drive performance and decision making going forward.

5.1.1 WNP Strengths

Brand and Reputation

99% of Residential respondents to a customer survey indicated that they were either Very Satisfied or Satisfied with the overall service they receive from WNP.

Stakeholders

We support the local communities in which we operate including:

- Provide work for a number of local contractors and businesses;
- Promote energy conservation to residential, business and industrial customers;
- Participation in local community events.
- We have good working relationships with local contractors, business owners, developers and Township officials.

Financial Health

- Operating in a regulated industry, the "Return-on-Equity" is determined by the Ontario Energy Board. A regulated return implies a lower risk business with a "guaranteed" return.
- Annual profits are re-invested back into the company by funding capital projects in our communities.
- External financial auditors review our accounts on a yearly basis. To date, there have been no non-compliance items reported or fines imposed. As a business, we conform to the financial laws governed by the Ministry of Finance.
- Our regulatory accounts are reviewed periodically by the Ontario Energy Board. To date, there have been no non-compliance items reported or fines imposed.
- Our annual bad-debt write-off expense is minimal (less than 1%[1]).

[1] Based on annual write-off amount compared to Distribution Revenue

Customers and Service

- We provide customers with prompt, safe and reliable service.
- We ensure customers have access to a supply of electricity at a reasonable price.
- We are quick to respond to power outages.
- We perform regular preventative work (line-clearing) to minimize the risk of potential power outages.
- Our office is open 5 days a week with knowledgeable staff.
- We are nimble and able to respond quickly the needs of our community e.g. customer calls to seniors during COVID 19 to check on their well-being.

Knowledge and Experience

- We have a core of high quality qualified and experienced employees and effective management.
- We meet with our Industrial and Commercial customers to assist them with their planning as well as keeping them informed of programs that may help them manage energy costs e.g. ICI Program.
- As a small distribution company, we are nimble and able to quickly respond / adapt to industry, regulatory, financial and legal changes.
- We are a member of Cornerstone Hydro Electric Concepts (CHEC) – a non-for profit organization consisting of seventeen (17) like-minded small local distribution companies working collaboratively to fulfil customer expectations and meet all regulated requirements.
- We are forward-thinking and planning – we have a 5 year capital investment plan that considers customer, developer and Township requirements to support economic growth and to replace aged / deteriorated infrastructure assets at a paced and prioritized rate.
- We provide assistance to low / fixed income rate-payers[2] through a variety of programs. We have good relationships with the local social agencies to help promote and deliver mandated programs to our customers; for example, with over 10% of our Residential customer-base registered for the Ontario Electricity Support Program and are benefitting from the associated credit on their monthly electricity bill.

5.1.2 Weakness

Landscape

- The Township of Wellington North has experienced limited growth and development, therefore customer growth has been limited (approximately 1% per annum) resulting in distribution revenue being stagnant.

[2] Implementation of the Ontario Electricity Support Program (OESP) in 2016 and Low-Income Energy Assistance Program (LEAP) in 2011)

- Operating within three communities (Arthur, Holstein and Mount Forest) can present issues in terms of:
  - Presence in the community and allocating where money (capital investment) is spent;
  - Gaining customer engagement from all communities to support major investment in one community; and
  - Arthur and Mount Forest acting as separate communities (i.e. there are two Chamber of Commerce centres.)

Regulations

- Energy conservation incentives and programs are being promoted by the Ministry of Energy and across the energy sector. Energy conservation results in reduced revenue for an electricity distribution company such as Wellington North Power, although the impacts are mitigated as result of the move to fully fixed distribution rates for residential customers.
- Due to regulations, we cannot acquire "new customers" from beyond our service territory.

Image

- Customer perception about "high" hydro bills reflects negatively on our business, even though WNP is responsible for (controls) only approx. 25% of the total monthly electricity bill. We need to educate our customers of this fact and inform that 75% of the total bill relate to energy commodity costs, regulatory costs and tax.
- We need to continue to strengthen our relationships within the community (i.e. through attendance at Chamber of Commerce and other community meetings).

5.1.3 Opportunities

- We have an opportunity to maintain a high standard of service for our customers, contribute to the welfare of our local community and earn a profit that will be re-invested directly in distribution service to the benefit of Arthur, Holstein and Mount Forest rather than corporate gain.
- We can help our customers and Shareholder to "become more knowledgeable" regarding use of electricity. Customer engagement is required to communicate where rate-payers money is being spent as well as the importance of investing in an electricity system that offers reliability and supports community growth.
- We have an opportunity to continue to work with stakeholders to promote the importance and presence of their local hydro company.
- Implementation of the Economic Evaluation model in 2016 together with the Wellington North Power Inc.'s Developer's Agreement will minimize risk and corporate exposure for developments not being completed.

- Bill 112 legislation may allow us to pursue other business opportunities through our LDC thereby making more efficient use of our resources.[3]
- Recent Municipal[4] and Township[5] reports indicate growth in urban areas serviced by Wellington North Power which the utility is planning for to ensure there is adequate capacity to meet future demand. Projected growth implies new businesses are attracted to the area as well as a demand for new homes which will result in additional customer accounts and increased revenue.
- To continue to be active in membership organizations (CHEC and Electricity Distributors Association) to demonstrate the benefits of maintaining a local hydro company.

5.1.4 Threats

- Industry leaders and politicians, together with media speculation, indicate there is a government policy to pursue the consolidation of electricity distribution companies.
- Revenue recovery is based on approval from the Ontario Energy Board. The Ministry of Energy and the Ontario Energy Board's expectations and requirements are not always aligned and may result in increased expenses to deliver customer solutions that may be suitable for, for example, highly populated urban centers like the Greater Toronto Area but not necessarily for the customers within the service areas of smaller centers like the one served by WNP.
- Because of our geographical location, condition of major assets, financial position, lean staffing, and efficient operation, we may be a desirable target to be purchased by larger LDCs.
- As a relatively small utility, we face the threat of being "steamrolled" as large utility corporations exert pressure on the government to enact legislation which discourages local municipal ownership of utilities.
- Based on our customer composition, the largest, most intense energy-users (Industrial & Commercial customers in General Service 1,000-4,999 kW classes) represent only 0.1% of Wellington North Power's total customer base yet account for 49% of the annual total kWh billed volume. Should one of the Industrial & Commercial customers close-down or move out of the service area, this significantly reduces the revenue of the company in the short term and can expose the rest of the customer base to material rate increase in the long term.
- There is a risk of trained staff being poached by other electricity distribution companies.
- There is a risk of the major shareholder selling Wellington North Power Inc. The shareholder needs to be aware of the tangible and intangible benefits of ownership to both itself and to its residents.

[3] Bill 112 "Strengthening Consumer Protection and Electricity System Oversight Act, 2015, S.O. 2015, c. 29 - Bill 112, Section 71. (1) - this amendment enables electricity distribution companies to undertake other business activities as long as there is prior approval from the Ontario Energy Board.
[4] "Comprehensive Review of Residential Growth and Employment Growth in Wellington North", County of Wellington, 2009.
[5] "Township of Wellington North Economic Development Office Land Development Update" Township of Wellington North, 2014.

5.2 Future Outlook

WNP strives to cultivate a culture of continuous improvement by identifying areas where the effectiveness of the organization can be improved.

Over the past years, WNP took steps to add required system capacity, improve use of data, and add modernization to increase safety and reliability. We have been encouraging and helping customers incorporate energy savings technologies into their homes and businesses through various programs and general consultations.

WNP will continue to monitor its business objectives to ensure that we are aligned with the OEB scorecard and actively drive cost reductions and productivity improvement. This will be achieved the adopting technology when applicable, proper planning and replacement of assets in a paced and prioritized manner and through leveraging relationships with other utilities and suppliers.

WNP will continue to:

- Review its mission statement to ensure that it is relevant and serves as a guide for long-term growth/development.
- Detail specific short-term objectives and long-term goals.
- Review areas for improvement in the organization include process and technology improvements.
- Regularly review the business risk register and take appropriate action when necessary to mitigate or minimize risk.
- Analyze its economic conditions to better understand its effect on business strategy – including consideration for load forecast, predicted capital and operational costs, resources.
- Analyze its strengths and weaknesses to identify where it is the most vulnerable.

6. Outcomes of the Renewed Regulatory Framework

On October 18, 2012, the Ontario Energy Board ("The Board") issued its "*Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*." The report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that;

- Benefit existing and future customers
- Align customer and distributor interests
- Continue to support the achievement of important public policy objectives
- Place a greater focus on delivering value for money

On March 5, 2014, the Board issued its report on "*Performance Measurement for Electricity Distributors: A Scorecard Approach*." The report set out the Board's policies on the measures that are to be used to assess a distributor's effectiveness and improvement in achieving customer focus, operational efficiencies, public policy responsiveness, and financial performance to the benefit of existing and future customers.

With the above in mind, the next section provides an account of how WNP continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

6.1 Customer Focus

WNP values customer input and feedback. Customers are engaged through education opportunities, surveys and directly by the utility for input on the main initiatives. Customer satisfaction is measured on the Distributor Scorecard as well as a bi-annual survey and then incorporated into goal setting and planning processes with a focus on ensuring and improving customer satisfaction. By increasing and enhancing customer engagement and communications, WNP is helping customers make better choices and create healthy, sustainable results for the community it serves.

6.2 Seeking Customer Input

Customer satisfaction largely depends on whether a utility's products or services fulfill a customer's expectations—i.e., whether it meets, exceeds, or falls short of expectations. Quantifying customer satisfaction involves accumulating customer perceptions, measured through bi-annual surveys. WNP reaches out to its customers through Twitter, Facebook, Website and Bill Inserts.

The utility keeps open lines of communication with its customers to get valuable feedback on the utility's specific capital and operational spending. The utility further engaged with its customers using the following activities.

Office – Accessible office open to the general public 5 days a week from 8:30am to 4:30pm:

Customers can visit to talk to Customer Service employees about a whole range of topics including billing queries, pay their hydro bills, set-up payment arrangements, request disconnection or reconnection of hydro and queries concerning high/low hydro usage.

Customers, contractors and developers can meet with members of the Operations team to review service-layout plans, sizing requirements for new developments and all matter of technical subjects.

Since March 17, 2020, WNP has closed its' office to customers due to the COVID-19 pandemic; however since August, the utility is accepting customers by pre-arranged appointment adhering to public health guidelines including pre-screening checks and wearing of masks.

Community Support:

WNP supports local community businesses in various ways; WNP:

- does its banking at one of the financial institutions in the Town of Mount Forest;
- uses bill inserts printed at the local specialist printing store;
- purchases office supplies and equipment from a local stationery store;
- uses hardware stores to order and purchase equipment for the office or workshops as well as tools and equipment when applicable.

During visits to these local stores, store owners often ask WNP employees about their hydro bill or what caused last night's power outage.

Prior to March 2019, WNP hosted a kiosk at local Spring and Fall festivals to promote electrical safety and energy-saving programs.

Business Customer Meetings:

WNP staff attend business meetings to answer questions related to the hydro industry. For example, the CEO/President meets with the large Industrial and Commercial customers at least once a year to address concerns about reliability and capacity as well as discuss programs and incentives available to help manage costs and reduce their demand.

WNP attends the Chamber of Commerce meetings when invited to listen to businesses concerns about hydro and present information.

Special Meetings:

When appropriate WNP host special meetings; for example, in 2018, WNP replaced one of its' municipal substations, MS3, which is located near a residential neighbourhood. The utility hosted an "Open-House", inviting residents who lived close to the construction site as an opportunity to:

- Provide details of why the substation is being replaced and what replacement involved (i.e. decommissioning of the "old" substation, delivery and assembly of "new" substation.);
- Share the proposed traffic plan: WNP worked with the Township to create a traffic plan to minimize congestion, work and noise as heavy equipment and materials are delivered to the site; and
- Meet the Operations team as well as the engineering contractor and ask questions.

Eight residents attended the "Open House" and appreciated WNP's efforts to share its traffic plans to minimize noise and disruption during the construction period.

Customer Satisfaction Survey - OEB Requirement for Scorecard:

The OEB requires LDCs to conduct customer satisfaction surveys every two years and report the results on the utility's Scorecard. To fulfil OEB obligations concerning statistically sound results, the utility retains a third-party, Redhead Media Solutions Inc., to conduct the surveys by telephone interviewing a sample size of 300 customers consisting of Residential and Small Business customers. The survey canvasses customer satisfaction in the areas of power quality and reliability; price; billing and payment; communications; and overall customer service experience.

Customer Survey-Cost of Service Application:

In preparing for its' Cost of Service rate application, in Quarter 4 of 2019, WNP initiated Customer Surveys inviting Residential, Small Business and Industrial & Commercial customers to provide feedback. The survey questions were prepared by WNP with:

a) Residential & Small Business customers able to access the survey through the LDC's website, through an on-line survey platform (Survey Monkey ©) or available at the office for walk-in customers (i.e. seniors who may not have access to computer.)

b) Industrial and Commercial customers received an e-mail from WNP's CEO/President with the survey attached for the customer to complete and return.

From the collated responses the top "high priority" statements for investment prioritization are:

1st - "Maintaining and upgrading equipment" - 76% of all respondents;
2nd - "Reducing response time to outages" - 68% of all respondents;
3rd -"Having an on-line outage map" - 54% all respondents.
Joint 4th - "Investing more in the electricity grid" - 42% of all respondents; and
Joint 4th - "Investing more in tree-trimming" - 42% of all respondents.

Note: In collating the survey responses, there was no weighting applied (i.e. each customer's vote, regardless of rate-class, was counted as 1 vote.)

6.3 Alignment of Goals to Needs and Preference of Customers

WNP's customer satisfaction results and finding based on discussions with its customers supports the valid hypothesis that good service—i.e., high levels of reliability, or low SAIDI— combined with reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible.

High level of reliability requires system-wide investments - notably enhancing the distribution system to provide more reliable service can be expensive. Much like other utilities, WNP must frequently consider trade-offs between costs and benefits; that is, to target initiatives that will provide the best outcomes or increase in customer satisfaction.

In addition to system-wide investments, WNP continues to focus on reducing its costs to demonstrate to customers that they are delivering as much value per dollar as possible. WNP has found that the key is to strike the right balance in delivering initiatives, such as properly pacing upgrades to its distribution system when possible, all while improving its customer interfaces or customizing customer engagement programs.

WNP feels that it is moving in a positive direction. The survey results helped to identify customer attitudes about the utility's standing and reputation in the community as well as its view on what is important to them. The results will assist WNP in further refining its programs, services and communications.

Customers' feedback, input, views and preferences are welcome and encouraged. WNP is confident that the utility's capital budget, as proposed in the Distribution System Plan, supports WNP's customer priority and preferences. For obvious reasons, WNP's priority over the next several years will be to carefully manage the aging infrastructure and to improve customer communication.

WNP's reliability, safety and cost efficiency metrics are excellent and it intends on continuing this trend in future years. WNP is committed to providing its employees with a safe and injury-free workplace as well as delivering its services in a manner that ensures both customer and public safety. Our customers have high expectations of reliability and WNP strives to meet and exceed those expectations on a daily basis, now and into the future, as demonstrated by WNP's comprehensive Distribution System Plan.

6.4 Public Policy Responsiveness

As a result of the Minister of Energy, Northern Development and Mines' directive on March 20, 2019, the IESO's Conservation First Framework (CFF) was revoked. All electricity CDM activity for 2019 and 2020 will be centralized and administered by the IESO.

WNP will continue to work with its customers on energy projects like energy storage to manage peak demand which include Connection Impact Assessments and potential changes to the distribution system.

6.5 Financial Performance

WNP continues to record solid financial performance metrics. Key factors to this financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and expense expenditures to budget. The Business Plan and Distribution System Plan will serve a major role in providing the future direction of financial investment and performance.

7. Proposed Financial Plans and Targets

WNP's financial performance has remained steady over the past several years with the utility delivering a Return on Equity (RoE) of within the +/- 3% range of the allowable RoE as set by the Energy regulator.

7.1 Forecast of Customers, Connections and Usage

Load forecasting affects all aspects of the utility's future including supply capacity of the distribution system and revenue requirements. Since expenses and revenues are often closely tied to the utility's customer count and load, it is important to go over the utility's historical and projected load before discussing financial results. WNP's customer growth is primarily in the Residential Class. The utility projects no change in the General Service, Unmetered Scattered Load, Sentinel or Street Light customer counts. Overall, the trend table shows is a slow growth in the number of residential customers.

Table 15 - Load and Customer Forecast Table

Customer Class Name	2016	2017	2018	2019	Test 2020	Forecast 2021
Customer Count						
Residential	3,219	3,246	3,279	3,302	3,328	3,355
General Service < 50 kw	469	473	470	470	469	468
General Service 50 to 999 kw	36	35	34	35	35	34
General Service 1000 to 4000 kw	5	5	5	5	5	5
Unmetered Scattered Load	2	2	2	2	2	2
Sentinel	24	23	23	23	23	23
Street Lighting	907	908	908	908	924	924
Consumption kwHr						
Residential	24,523,576	23,863,110	25,345,905	25,253,896	25,886,876	26,503,100
General Service < 50 kw	11,967,606	11,410,391	11,582,140	11,138,172	11,302,682	11,455,522
General Service 50 to 999 kw	19,893,743	19,029,613	18,305,429	18,739,880	18,727,304	18,697,353
General Service 1000 to 4000 kw	45,496,516	45,750,527	43,913,956	42,766,148	42,766,148	42,766,148
Unmetered Scattered Load	6,816	6,801	6,801	6,288	6,288	6,288
Sentinel	22,057	19,673	19,673	19,673	19,673	19,673
Street Lighting	723,427	697,359	691,015	650,270	229,833	229,833
Demand kW						
Residential						
General Service < 50 kw						
General Service 50 to 999 kw	55,436	53,405	52,915	51,685	52,509	52,425
General Service 1000 to 4000 kw	96,818	98,592	98,025	96,230	92,890	92,890
Unmetered Scattered Load						
Sentinel	61	55	55	55	55	55
Street Lighting	1,984	1,920	1,902	1,810	632	632

* In preparing forecasts for years 2020 and 2021, WNP has not included any assumptions to the effects or implications of the COVID-19 pandemic.

7.2 Cost of Power Forecast

The table below shows the actual (2019) and projected (2020 and 2021) Cost of Power expenses in order to meet the electricity demands of WNP's customers.

Table 16 – Proposed Cost of Power Expenses

Power Purchase Accounts	2019	2020	2021
4705-Power Purchased	$ 9,695,040	$ 10,198,634	$ 10,199,792
4708-Charges-WMS	$ 328,032	$ 350,058	$ 351,135
4710-Cost of Power Adjustments	$ -	$ -	$ -
4712-Charges-One-Time	$ -	$ -	$ -
4714-Charges-NW	$ 628,577	$ 662,895	$ 659,184
4715-System Control and Load Dispatching	$ -	$ -	$ -
4716-Charges-CN	$ 452,569	$ 512,346	$ 539,323
4720-Other Expenses	$ -	$ -	$ -
4725-Competition Transition Expense	$ -	$ -	$ -
4730-Rural Rate Assistance Expense	$ -	$ 52,715	$ 52,868
4750-Charges - LV	$ 258,227	$ 257,483	$ 368,287
4751-IESO Smart Meter Entity Expenses	$ 25,204	$ 25,800	$ 25,974
	$ 11,387,649	$ 12,059,931	$ 12,196,563

7.3 Operating Costs

The operating costs are used in the operations, maintenance and administration (OM&A) of the utility. These operating costs are necessary to comply with the Distribution System Code, environmental requirements, and government direction. WNP is seeking approval of the 2021 operating budget to be adjusted by an average increase of 1.9% per year since 2016 which is in-line with annual inflation rates. This includes additional operating costs required to meet new requirements, for example, cybersecurity.

WNP's Operations strategy is to provide safe, reliable service at an appropriate level of quality throughout the licensed service areas.

Table 17 – Operating Costs

	2016	2017	2018	2019	2020	2021
Operations	$ 442,995	$ 444,043	$ 394,084	$ 407,117	$ 430,429	$ 443,000
Maintenance	$ 218,122	$ 222,539	$ 243,715	$ 214,209	$ 253,402	$ 252,000
Billing and Collecting	$ 380,741	$ 347,237	$ 351,745	$ 402,260	$ 417,717	$ 415,500
Community Relations	$ 8,794	$ 6,835	$ 9,833	$ 7,370	$ 5,458	$ 7,500
Administrative and General+LEAP	$ 693,403	$ 697,404	$ 713,859	$ 788,126	$ 790,494	$ 800,500
Total	$1,744,054	$1,718,058	$1,713,234	$1,819,082	$1,897,500	$1,918,500

* In preparing forecasts for years 2020 and 2021, WNP has not included any assumptions to the effects or implications of the COVID-19 pandemic.

The table below compares WNP's forecasted total controllable costs for years 2020 and 2021 against the predicted costs as derived from the Pacific Economics Group (PEG) model. WNP forecasts its 2021 total costs to be 4% lower than the PEG model. (PEG is retained by the OEB to perform econometric benchmarking analysis for all electricity distributors across Ontario.) Both WNP and the PEG model forecast the utility remaining in cohort 3 in terms of efficiency, that is having actual costs between -10% to +10% compared to the predicted modelled costs. Group 3 is considered "average" – i.e. costs are in-line with the average cost range for all electricity distributors in the Province.

Table 18 – Target Costs

Cost Benchmarking Summary	2020	2021
Actual Total Cost	1,897,500	1,918,500
Predicted Total Cost	1,899,544	1,996,935
Difference	-2.044	-78,435
Percentage Difference (Cost Performance)	0.00%	-4.09%
Stretch Factor Cohort - Annual Result	3	3

7.4 Five Year Capital Plan

In managing its' distribution system assets, WNP's core objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. WNP is committed to providing our customers with an economical, safe, reliable supply of electricity and enabling our community to be energy efficient.

WNP places a high priority on balancing its obligations to accommodate growth while addressing the upkeep and replacement of its aging infrastructure. The following are the actions that WNP plans to take over the next 5-10 years to bring about the desired future.

- Priority will be given to WNP's legislated/mandatory requirements; for example:
  - System access including the obligation to connect customers – mostly Residential, but also Commercial.
  - Accommodate Township, County, Ministry, etc. mandatory project requirements.
  - Meet the OEB's – and other regulatory bodies' – quality, reliability, health, safety, environmental, etc. performance standards.
- To safeguard the major investments already made in its critical assets and continue to maintain and upgrade as necessary.
- Continue to invest prudently in modern information technology to provide customers with clear, meaningful bills that can assist them in managing their electricity usage.
- Optimal life extension, for example:
  - Intensify condition monitoring to minimize uncertainty regarding decisions relating to equipment maintenance, renewal, and replacement.
  - Where economically viable, refurbish cables and equipment in-situ to extend their reliable useful lives.

In addition to the capital needs of the network, WNP provides maintenance planning for the assets. WNP's assets fall into two broad categories:

- Distribution Plant - includes assets such as substation building, wires, overhead and underground electricity distribution infrastructure, transformers, meters and substations; and
- General Plant - includes assets such as, office building and service centre, computer equipment and software. General Plant also includes the company's fleet of six vehicles and stores equipment.

The table below summarizes WNP's 5-year capital investment plan over the period of 2021-2025:

Table 19 – Five Year Capital Plan

Category	2021	2022	2023	2024	2025	Total
General Plant	$ 152,500	$ 608,050	$ 219,450	$ 165,800	$ 158,500	$ 1,304,300
System Access	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 300,000
System Renewal	$ 361,500	$ 293,500	$ 296,000	$ 340,000	$ 354,000	$ 1,645,000
Grand Total	$ 574,000	$ 961,550	$ 575,450	$ 565,800	$ 572,500	$ 3,249,300

7.5 Resulting Profit and Loss

The following is a summary of the major components of both the historical and projected profit and loss.

Table 20 – Profit and Loss

Particulars	Board Approved 2016	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Projected 2020	Projected 2021
WCA							
Cost of Power	14,081,514	12,536,742	11,574,763	11,109,584	11,362,446	12,059,931	12,196,563
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Working Capital Allowance	1,186,382	1,072,290	998,190	962,922	989,802	1,048,105	1,059,680
Utility Income							
Operating Revenues							
Distribution Revenues	2,538,073	2,594,322	2,505,835	2,569,002	2,618,786	2,625,000	2,996,360
Other Revenue	130,104	127,027	145,241	160,679	173,002	129,604	135,330
Total Operating Revenues	**2,668,177**	**2,721,349**	**2,651,077**	**2,729,681**	**2,791,789**	**2,754,604**	**3,131,690**
OM&A Expenses	1,722,909	1,744,054	1,718,058	1,713,234	1,819,082	1,897,500	1,918,500
Depreciation & Amortization	365,779	365,478	407,729	424,389	441,385	438,822	500,023
Property Taxes	14,000	13,493	13,282	12,892	12,560	14,000	14,000
Total Costs & Expenses	**2,102,688**	**2,123,026**	**2,139,069**	**2,150,515**	**2,273,027**	**2,350,322**	**2,432,523**
Deemed Interest Expenses	218,794	198,269	215,007	213,595	208,541	249,860	279,926
Total Expenses	**2,321,481**	**2,321,295**	**2,354,076**	**2,364,110**	**2,481,568**	**2,600,182**	**2,712,449**
Utility Income before Income Taxes / PILs	**346,696**	**400,054**	**297,001**	**365,571**	**310,220**	**154,422**	**419,241**
PILs / Income Taxes	0	-23,610	-14,330	2,870	-896	0	0
Utility Income	**346,696**	**423,664**	**311,331**	**362,701**	**311,116**	**154,422**	**419,241**

The forecast Operating Revenues for 2020 and 2021 are $2,754,604 and $3,131,690 respectively.

Cost and Expenses total $2,600,182 and $2,712,450 resulting in net profits of $154,422 and $419,241 for 2020 and 2021 respectively.

7.6 Actual Return vs. Allowed Return

Regulatory Return on Equity – Deemed (included in current rates)

WNP current distribution rates were rebased and approved by the OEB in 2016 and included an expected (deemed) regulatory return on equity of 9.19%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. The actual return on equity for 2019 is 6.47% which supports the reasoning for WNP to submit a Cost of Service application to the regulator to review and adjust rates to in order to address habitual under earning of the utility’s return on equity.

APPENDIX C: WNP BOARD RESOLUTION OF 2020-2021 BUSINESS PLAN

Wellington North Power Inc.
290 Queen Street West, PO Box 359, Mount Forest, ON N0G 2L0
Phone: 519.323.1710   Fax: 519.323.2425
www.wellingtonnorthpower.com   E-mail: wnp@wellingtonnorthpower.com
ESA # 7012854

Wellington North Power Inc.

Date: October 22nd 2020

Resolution: # 2020-1022-101

Be it Resolved:

THAT the Board of Directors for Wellington North Power Inc. have reviewed the information related to:

a) Capital investment plan for 2021-2025.

b) Operating budget for 2021.

c) The customer bill impacts as calculated in the 2021 Cost of Service application.

d) The Business Plan 2020-2021.

The Board of Directors approves that the information listed above is to be filed with the Ontario Energy Board as part of Wellington North Power Inc.'s 2021 Cost of Service application.

Recorded Vote		
Board Member	**Yes**	**No**
Chairman Andy Lennox	Yes	
Director Dan Yake	Yes	
Director Mike Givens	Yes	
Director Mark Hillis	Yes	
Director Paul Smith	Yes	

Wellington North Power Inc.
290 Queen Street West, PO Box 359, Mount Forest, ON N0G 2L0
Phone: 519.323.1710 Fax: 519.323.2425
www.wellingtonnorthpower.com E-mail: wnp@wellingtonnorthpower.com
ESA # 7012854

Wellington North Power Inc.

Date: October 22nd 2020

Resolution: # 2020-1022-102

Be it Resolved:

THAT the Wellington North Power Inc.'s Special Board of Directors meeting held Thursday, October 22nd 2020 be adjourned at 5:31 p.m.

Recorded Vote		
Board Member	**Yes**	**No**
Chairman Andy Lennox	Yes	
Director Dan Yake	Yes	
Director Mike Givens	Yes	
Director Mark Hillis	Yes	
Director Paul Smith	Yes	

APPENDIX D: LIST OF APPROVALS

Wellington North Power Inc.
290 Queen Street West, PO Box 359, Mount Forest, ON N0G 2L0
Phone: 519.323.1710 Fax: 519.323.2425
www.wellingtonnorthpower.com E-mail: wnp@wellingtonnorthpower.com
ESA # 7012854

Cost of Service Application

EB-2020-0061

Wellington North Power Inc.

List of Approvals

WNP accordingly applies to the Board for the following Order or Orders:

1) Approval to charge distribution rates effective May 1, 2021 to recover a base revenue requirement of $2,996,360 which includes a revenue deficiency of $350,116 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2) Approval of the Distribution System Plan as outlined in Exhibit 2.
3) Approval to adjust the Retail Transmission Rates – Network and Connection approved in the Final Rate Order EB-2019-0073 and as detailed in Exhibit 8.
4) Approval of the proposed Loss Factors as detailed in Exhibit 8.
5) Approval to continue to charge Wholesale Market Services, Capacity Based Recovery and Rural Rate Protection Charges.
6) Approval of revised Low Voltage charges as detailed in Exhibit 8.
7) Approval to continue the specific Service Charges (with the exception of the MicroFIT Monthly Service charge) and Transformer Allowance as previously approved by the OEB and as detailed in Exhibit 8.
8) Approval to continue applying the MicroFIT monthly service charge of $15.69 as approved in the Applicant's 2016 Cost of Service (EB-2015-0110) and detailed in Exhibit 3.
9) Approval to include assets relating to a new substation (built and energized in 2018) into the Applicant’s 2021 Rate Base as detailed in Exhibit 2.
10) Approval of the Rate Riders for a two-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.

11) Disposal / recovery of 1588 & 1589 commodity account balances at as December 31st 2019 on a final basis with Rate Riders for a two-year disposition.
12) Approval to dispose of balances in the LRAM variance account as presented in Exhibit 9 with account disposition requested as a final balance.
13) Approval for recovery of the variance between the Advanced Capital Module (ACM) Rate Rider revenue collected since implementation of May 2016 rates versus the forecasted revenue projected in the Applicant's 2018 IRM application (EB-2017-0082). This variance has been calculated as a "true-up" as illustrated in Exhibit 2 and included in the EDDVAR model as detailed in Exhibit 9. The resulting Rate Rider is included within the Group 2 Deferral and Variance account balances (1508 account) which the Applicant is seeking approval for a two year disposition.
14) Acceptance of the Demand Profile methodology to determine the Non-Coincident Peak and Coincident Peak Demand Allocators as applied in the Cost Allocation model (worksheet I8) and described in Exhibit 7.
15) Disposal of the balance in the wireline pole attachment variance account as at December 31st 2019 as recorded in account 1508 with account disposition requested as a final balance.
16) Disposal / recovery of balances related to OPEB accrual amount variance in account 1508 as at December 31st 2020 based upon the Actuarial Report filed with the Application and detailed in Exhibit 4.
17) Disposal / recovery of account 1557 - MIST meters balances as at December 31st 2019 plus subsequent carrying charges calculated for January to December of 2020 and January to April of 2021 on a final basis as detailed in Exhibit 9.
18) Disposal of 1508 sub-account balances relating to (a) Capital project variance for the 2nd line 44kV Feeder Line constructed in 2016 (as per 2015 DSP and included in the Applicant's 2016 Cost of Service application - EB-2015-0110); and (b) East Energy Consultation Cost. Disposal requested on a final basis as detailed in Exhibit 9.
19) Requests that affiliate debt interest rate remains at 4.54% as detailed in Exhibit 5.
20) Such other approvals that WNP may request and that the OEB accepts during the application process.

APPENDIX E: WNP'S RESPONSE TO COVID-19 PANDEMIC

RESPONSE TO COVID 19

On March 11, 2020, Coronavirus disease (COVID-19) outbreak was declared a pandemic by the World Health Organization. Consequently, governments around the world, including the Canadian and Ontario governments, began enacting emergency measures to combat the spread of the virus. The full impact of COVID 19 in our communities remains uncertain.

Below is a summary of the events and actions taken by Wellington North Power Inc. to maintain operations of its distribution system, continuation of service to our customers and implementation of measures to protect the well-being of employees and the public.

- **March 17, 2020: Office Closed to the Public**

Like many other local distribution companies (LDCs) in Ontario, Wellington North Power (WNP) chose to close its doors to the public on March 17, 2020 in-line with the decision made by the local municipality, the Township of Wellington North. WNP announced the closure of its building to customers, suppliers, developers and contractors by putting up a notice on the front door, placing a letter on the company's website and posting messages through the company's social media pages (Twitter and Facebook). The notices informed customers how to contact us

- **March 19, 2020: Social Distancing**

WNP implemented social distancing of administrative staff by dividing into groups to work out of other buildings owned by the Township of Wellington North. The groups and working locations were:

- The Manager of Finance and the Operation Tech transferred to the Mount Forest Sports Complex;
- The Manager of Customer Service and Regulatory Affairs and the Lead Customer Service Representative transferred to the Arthur Arena;
- One Customer Service Representative worked from home; and
- Three staff, the Financial Analyst, the Operations Coordinator who was also assigned to on Customer Service duties and the CEO/President remained at Wellington North Power's main facility in Mount Forest.

The line crew split into two groups and operated out of WNP's facilities at Mount Forest and Arthur.

The actions taken were to protect the general public, protect our employees and maintain services.

- **March 23, 2020 – Closure of Public Buildings**

A complete closure of the public buildings was implemented by the Township of Wellington North leading to implementation of a seamless transition to work from home for all Wellington North Power staff. Line crews remained at home on standby until there was clear understanding of how crews could work safely.

- **Emergency Operations Control Group**

Wellington North Power's CEO/President, a member of both the Township of Wellington North and Wellington County's Emergency Control Group, attended regularly scheduled virtual meetings. The purpose of the meetings was primarily to communicate important updates regarding COVID 19, share operational information and maintain a common message to the community. The frequency of the meetings reduced to weekly and then biweekly and has since dropped to monthly or as needed. Working together with local government is a key to providing confidence to our community that essential services like electricity remain safe and reliable.

- **Implementing Technology**

As a result of COVID 19, Wellington North Power moved to online virtual communication for staff meetings and communications. The employees adapted to the new norms, using a Teams environment to meet, as well as share documents and information. Both virtual meetings and online chat was implemented.

Board meetings were also conducted in a virtual environment. Board packages were sent prior to meeting. Information was reviewed and discussed in the virtual environment. Resolutions were voted on and recorded by verbal votes.

The phone system was modified to allow for customers to choose an emergency option or call back option when resources were not available to answer the phone during certain times of the day. The phone system issued an email to Customer Service Representatives working from home. A Customer Service Representative was designated to return calls.

- **Government & Regulatory Initiatives:**
  a) March 19, 2020, the OEB extended the winter ban on electricity disconnections for non-payment for residential customers to July 31, 2020. Low-volume, small business customers were also protected by the ban.
  b) March 24, 2020, the Ontario government set Time-of-Use (TOU) rates at 10.1 ¢/kWh no matter what time of day the electricity was consumed.
  c) Effective June 1, 2020 the TOU rate was adjusted to 12.1 ¢/kWh and to be effective until October 31, 2020.

d) July 13, 2020, the government introduced the COVID-19 Emergency Assistance Program (CEAP) for Residential customers.
e) August 31, 2020 introduced the COVID-19 Emergency Assistance Program (CEAP-SB) for small businesses.
f) September 30, 2020, the Ontario Energy Board (OEB) issued a Decision & Order revising the eligibility criteria for CEAP and CEAP-SB.
g) April 8, 2020 the regulator hosted a webinar to provide “OEB COVID-19 Guidance” to LDCs addressing several items including establishing a new account (Account 1509 – Impacts Arising from the COVID-19 Emergency) to record costs for billing & system changes relating to implementing “fixed” TOU prices, lost revenues and other costs.
h) May 12, 2020, the OEB issued a letter requiring LDCs to submit monthly reports about their financial situation during the COVID-19 emergency.

In support of these measures WNP has:

a) Implemented the TOU prices, as mandated by the government, and frequently informed customers through our website and social media channels as well as confirming LDC implementation as required by OEB.
b) Promoted the CEAP and CEAP-SB programs on WNP’s website and social media channels as well as through day-to-day interaction with customers via telephone and e-mail.
c) Submitted the monthly liquidity reports to the OEB as required.
d) Tracked costs specifically related to COVID-19 in “Account 1509 – Impacts Arising from the COVID-19 Emergency” for OEB review and disposition at a future date. WNP has been prudent in its spending in responding to the COVID-19 pandemic.

- **Customer Assistance**

WNP has supported customers through the following initiatives:

- WNP has worked with customers to inform them of various payment options and programs to provide assistance in managing their hydro invoices. Assistance has been provided by telephone and e-mail during customer conversations as well as frequently promotion of programs, like CEAP and LEAP on WNP’s website and social media channels.
- WNP elected to postpone the implementation of its May 1, 2020 rates until November 1, 2020.
- WNP waived interest on late payment fees for the months of April and May 2020.

In addition, WNP began contacting senior customers by phone. The calls were intended to be a simple outreach to a demographic who may be quarantined with limited contact. Wellington North Power offered a friendly voice and a brief conversation.

- **Return to Work**

In early April, Wellington North Power created Policy/Procedure 1500 Corona Virus – Prevention and Management. Stock of hand sanitizer, wipes and masks were increased. Various types of masks were purchased to address other potential hazards in addition to COVID-19, for example, the line crew was equipped with an arc flash mask in the event there was a need for two workers in a double bucket.

Policy/Procedure 1500 was revised to include a Disinfect Checklist. Staff are required to clean higher traffic areas with disinfectant on a regular basis. The revision also included a sign in procedure for contractors or visitors.

Further precautions included the re-arrangement of the existing office furniture and the installation of barriers.

Effective September 1, 2020, customers could setup appointments with a Customer Service Representative. Only one customer was allowed in the lobby area at a time. The doors remain locked to control traffic and to encourage customers to call to schedule an appointment.

- **Looking Forward**

WNP continues to keep safety measures in place including social distancing and limited access to facilities. It continues to search for alternate and innovative ways to reach our customers. The utility will continue to follow the recommendation of local health officials to help protect our staff and customers.

WNP is nimble and flexible. It will continue to respond to any new mandates and supporting customers as well as working with social agencies.

APPENDIX F: CUSTOMER ENGAGEMENT: SURVEY

Customer Engagement

Background:

In Quarter 4 2019, Wellington North Power Inc. (WNP) conducted a survey of its Residential, Small Business and Industrial & Commercial (I&C) customers. The survey questions were prepared by WNP and were available to customers to complete by:

- Accessing using the LDC's website.
- Accessing on-line through Survey Monkey™.
- Available at the office counter for walk-in customers.
- E-mailed directly to I&C contacts

Purpose:

The intent of the survey was to capture customers' feedback to assist WNP with business planning for the period 2021 to 2025. The responses will help provide an insight into the services offered by WNP as well better understand the needs and preferences of our customers.

Survey Questions:

Survey questions focused on the following themes:

1. Satisfaction;
2. Rating of Service Provided;
3. Power outages;
4. Effectiveness during an Outage;
5. Company profile;
6. Investment priorities;
7. Price and reliability; and
8. Trust.

Survey Promotion:

WNP promoted the survey through the following channels:

a) Bill inserts included with October, November and December bills.

b) Messages on customers' e-bill for bills issued in October, November and December.

c) Promoted on Wellington North Power's website.

d) Weekly messages posted on social media (Facebook and Twitter).

e) Walk-in customer visits to the LDC's office.

Survey Reponses:

The table below illustrates the response rate by each customer class:

Customer Class	Responses Received	% of Customer Class
Residential	219	7%
Small Business (GS <50kW)	12	3%
I&C (GS 1000-4999kW)	3	75%

The LDC acknowledges this response rate is not statistically significant; however the responses do provide valuable feedback to how our customers perceive the services offered by WNP to assist in preparing capital plans and operating budgets.

Survey Results:

Below is a summary of the results, segregated by the three customer classes of Residential, Small Business and Industrial & Commercial (I&C) customers, for each of the questions asked in the survey. Results are shown as a percentage of responses received.

1. Satisfaction

Question: How satisfied are you with overall service you receive from Wellington North Power?

Results: Respondents could choose from 4 responses as summarized below:

	Residential	Small Business	I&C
Very Satisfied	64.4%	33.3%	100%
Satisfied	34.7%	66.7%	
Dissatisfied	0.5%	0.0%	
Very Dissatisfied	0.5%	0.0%	

Observation: 99% of all respondents are satisfied or very satisfied with the overall service they receive from their local hydro company, Wellington North Power.

2. Rating of Service Provided

Question: How do you rate the following services provided by Wellington North Power?

Results: Respondents could choose from "Agree," "Disagree" or "Undecided." The results below represent the response "Agree" as being selected by the respondent:

Statement	Residential	Small Business	I&C
Provide consistent reliable electricity	99%	92%	100%
Delivers on its service to customers	97%	92%	100%
Accurate billing	92%	75%	100%
Quickly handles outages	89%	100%	100%
Makes electricity safety a priority	87%	75%	100%
Uses responsible environmental practices	74%	58%	100%
Efficient at managing the electric system	83%	67%	100%
Provides excellent quality service	95%	92%	100%

Observation: 97% of all respondents agreed that WNP provides consistent reliable electricity.

83% of all respondents agreed that WNP is efficient at managing the electric system.

95% of all respondents agreed that WNP provides excellent quality service.

77% of all respondents agreed that WNP uses responsible environmental practices. This was the lowest scoring statement

For consideration:

WNP needs to assess how the LDC can better communicate to customers items such as environmental practices and examples of efficient handling of the electricity system. For instance, publishing articles on these items in the local newspaper on a quarterly basis.

3. Power outages

Question: Have you experienced any power outages in last 12 months?

Results: Yes or no response:

	Residential	Small Business	I&C
Yes	68%	50%	67%
No	32%	50%	33%

Question: During the power outage, what method did you use to contact WNP?

Results: Yes or no response:

Statement	Residential	Small Business	I&C
Telephone	33.3%	66.7%	66.7%
E-mail	0.5%	0.0%	33.3%
Social Media	12.8%	0.0%	
In-Person	1.8%	0.0%	
Other	30.6%	16.7%	
Did not Contact	21.0%	16.7%	

Observation: Over 50% of respondents had experienced a power outage over the past 12 months.

During an outage, the majority of respondents telephone the LDC.

For consideration:

Nearly one-third of residential respondents used an “other” method to contact the LDC. If this questions is asked again, maybe include free-text to identify what this “other” method is

4. Effectiveness during an Outage

Question: During an outage, how do you rate Wellington North Power's effectiveness?

Results: Respondents could choose from "Effective," or "Undecided." The results below represent the response "Effective" as being selected by the respondent:

Statement	Residential	Small Business	I&C
Responding to questions	86%	92%	67%
Providing reason for outage	87%	92%	67%
Providing an estimated time for power restoration	86%	83%	67%
Responding to power outage	95%	100%	100%
Communicating updates periodically	87%	75%	67%
Posting information on the website	79%	83%	67%
Using media channels for providing updates	85%	83%	67%

Observation: Communicating updates periodically and posting information on the LDC's website were rated the lowest "effective" scores.

For consideration:

During an outage, WNP posts the same information on its social media pages as it does on its website. WNP website also shows the social media thread conversation. Consequently, LDC is perplexed why respondents rated website posting effectiveness lower than social media posting effectiveness – the only rationale is customers go to social media first before checking the WNP's website.

5. **Company profile**

Question: How do you rate Wellington North Power as a company?

Results: Respondents could choose from “Agree,” “Disagree” or “Undecided.” The results below represent the response “Agree” as being selected by the respondent:

Statement	Residential	Small Business	I&C
Respected in the Community	92%	92%	67%
Maintain high standards of business ethics	88%	92%	67%
A leader in promoting energy conservation	71%	75%	67%
Keeps it promises to customers and community	79%	75%	67%
Is a socially responsible company	79%	67%	33%
Is a trusted and trustworthy company	89%	92%	67%
Operates a cost-effective hydro system	67%	58%	100%
Having a local company is a benefit	92%	92%	100%

Observation: Residential and Small Business respondents rated WNP at 67% and 58% respectively of operating accost-effective hydro system.

For consideration:

WNP is respected in the communities in which it operates and needs to work towards maintaining the trust of its customers and stakeholders. From the survey results, the LDC needs to consider:

- What messages it communicates to its customers.
- How it communicates with customers.
- The demographics of the service territories.

WNP has a social media presence but this media may not appeal to the majority of the LDC’s customers. The LDC could consider:

a) An article in the local newspaper each quarter about capital projects completed and future plans which could make reference to being social-responsible (i.e. safe disposal of oil-filled transformers).
b) A yearly open-house community meeting to present proposed operating budgets and capital investment plans. This may help inform our customers about what options were explored, why investment is needed and how the LDC is being cost-effective for stakeholders’ needs today and for the future.

6. Investment priorities

Question: What are your investment priorities when planning the hydro infrastructure?

Results: Respondents were given statements and could choose from "High Priority," "Low Priority" or "No Opinion." The results below represent the response "High Priority" as being selected by the respondent:

Statement	Residential	Small Business	I&C
Maintaining and upgrading equipment	76%	67%	67%
Investing more in electricity grid	42%	50%	67%
Burying overhead wires	37%	17%	0%
Investing more in tree trimming	43%	25%	33%
Reducing response time to outages	68%	58%	100%

Results: The results below represent the response "Low Priority" as being selected by the respondent:

Statement	Residential	Small Business	I&C
Maintaining and upgrading equipment	5%	8%	0%
Investing more in electricity grid	21%	25%	0%
Burying overhead wires	35%	50%	67%
Investing more in tree trimming	34%	50%	67%
Reducing response time to outages	15%	17%	0%

Observation: From the collated responses the top "high priority" statements for investment prioritization are:

- 1st - "Maintaining and upgrading equipment" - 76% of all respondents;
- 2nd - "Reducing response time to outages" - 68% of all respondents;
- 3rd -"Having an on-line outage map" - 54% all respondents.
- Joint 4th - "Investing more in the electricity grid" and "Investing more in tree-trimming" - 42% of all respondents.

WNP has incorporated these priorities in to its' planning process and specific project needs, as detailed in WNP's 2020 Distribution System Plan.

Concerning tree-trimming, WNP has an aggressive 3-year tree trimming schedule and is a direct reflection of the LDC's low outage and duration of outage statistics. WNP will continue with this tree-trimming schedule.

For consideration:

Regarding priority 3, "Having an on-line Outage Map," the utility will start exploring what "outage map" solutions exist and whether there are other alternatives (e.g. SMS text messaging to customers of outages and restoration times). WNP has not included this item in its capital investment program for 2021-2025 due to having no cost estimates or scope of work available; however the LDC will identify a solution and circle back with customers to determine if this is still a requirement.

7. Price and reliability

Question: Important to you - Rank the following statement that is importance to you: (Ranking: 1 = the most important to 5 = the least important)

Results: The results below represent the statements that were scored a "1" (i.e. most important) by the respondents:

Statement	Residential	Small Business	I&C
Pay lower electricity rates with reduced reliability	18.7%	25%	0%
Pay higher electricity rates with increased reliability	8.2%	0%	0%
Increase spending to accommodate grid modernization	12.8%	8%	0%
Pay higher electricity rates to pay for burying cables	8.7%	0%	0%
Continue with current investment spending levels to balance electricity reliability and rates	46.1%	42%	33%

Results: The results below represent the statements that were scored a "5" (i.e. least important) by the respondents:

Statement	Residential	Small Business	I&C
Pay lower electricity rates with reduced reliability	22.8%	17%	100%
Pay higher electricity rates with increased reliability	26.0%	17%	33%
Increase spending to accommodate grid modernization	11.0%	8%	0%
Pay higher electricity rates to pay for burying cables	37.0%	50%	67%
Continue with current investment spending levels to balance electricity reliability and rates	4.6%	0%	0%

Observation: "Continue with current investment spending levels to balance electricity reliability and rates" statement was ranked as the highest "most important" score of all statements.

For consideration:

In preparing its capital plans and setting operating budgets, based upon the survey result, WNP should continue with current investment spending levels to balance electricity reliability and rates.

8. **Trust**

Question: Do you trust your local hydro company, Wellington North Power, to make decisions about the future of electricity infrastructure and capital investment in your community? (This question was not included in the I&C survey).

Results: Yes or no response:

	Residential	Small Business
Yes	95%	75%
No	4%	25%
Did not answer	1%	

Question: Would you attend a local community meeting to hear & provide feedback about our 2021 operating budget and 2021-2025 capital infrastructure plans?

Results: Yes or no response:

	Residential	Small Business
Yes	35%	58%
No	64%	42%
Did not answer	1%	

Observation: The vast majority of residential and small business respondents trusted WNP, 95% and 75% respectively.

For consideration:

WNP appreciates and acknowledges the trust bestowed on the LDC by its customers. WNP has been serving the community for over 100 years and is committed to continuing to provide outstanding service to its customers and stakeholders.

Given the response from the residential and small business customers who participated in the survey, WNP should host a community meeting to enable customers to hear about and be involved in WNP's 2021 operating budget and capital investment plans.

Feedback from Customers:

WNP planned to host a community meeting in May 2020 to present its proposed operating budget for 2021 and 5-year capital investment plan for 2021-2025 incorporating feedback from customer surveys; however due to the COVID-19 pandemic and public health guidelines regarding social distancing, this meeting did not happen. Consequently, WNP has taken the following steps to follow-up with and inform our customers:

- August 2020: Posted the results of the customer surveys on WNP's website. The results are condensed into individual reports (residential, small business and industrial and commercial reports) and written in plain language. Customers are encouraged to contact us if they want further information or have questions. (At the time of preparing this report, the LDC has received no questions or comments from customers.)
- August 2020: Included a bill insert and on-line bill message informing customers to review WNP's website for the results of the 2019 customer surveys.

APPENDIX G: 2019 SCORECARD

Scorecard - Wellington North Power Inc.

9/29/2020

Performance Outcomes	Performance Categories	Measures	2015	2016	2017	2018	2019	Trend	Target: Industry	Target: Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	→	90.00%	
		Scheduled Appointments Met On Time	95.60%	99.00%	99.42%	99.09%	98.11%	↑	90.00%	
		Telephone Calls Answered On Time	100.00%	99.90%	99.72%	99.00%	99.00%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution	99.63%	99.84%	99.83%	99.87%	99.85%			
		Billing Accuracy	99.56%	99.47%	99.60%	99.57%	99.49%	↓	98.00%	
		Customer Satisfaction Survey Results	A	79.0%	79%	81.1%	81.1			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	82.40%	82.40%	83.30%	83.30%	83.50%			
		Level of Compliance with Ontario Regulation 22/04 [1]	C	C	C	C	C	→		C
		Serious Electrical Incident Index: Number of General Public Incidents	0	0	0	0	0	→		0
		Serious Electrical Incident Index: Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	→		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]	0.06	0.34	0.10	0.16	0.24	↓		0.28
		Average Number of Times that Power to a Customer is Interrupted [2]	0.06	0.20	0.16	0.33	0.20	↑		0.15
	Asset Management	Distribution System Plan Implementation Progress	DSP filed	24%	35%	69%	79.8			
	Cost Control	Efficiency Assessment	4	4	4	4	3			
		Total Cost per Customer [3]	$791	$838	$812	$818	$847			
		Total Cost per Km of Line [3]	$38,763	$39,667	$38,753	$39,383	$15,594			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Conservation & Demand Management	Net Cumulative Energy Savings [4]	12.05%	22.39%	37.46%	50.00%	51.00%			5.89 GWh
	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time				100.00%				
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%		100.00%		→	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.97	1.06	1.00	1.03	0.96			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.56	1.56	1.24	1.48	1.44			
		Profitability: Regulatory Return on Equity — Deemed (included in rates)	9.12%	9.19%	9.19%	9.19%	9.19%			
		Profitability: Regulatory Return on Equity — Achieved	7.30%	10.68%	7.12%	7.77%	6.47%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. The trend's arrow direction is based on the comparison of the current 5-year rolling average to the distributor-specific target on the right. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
4. The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Legend:
5-year trend: ↑ up ↓ down → flat
Current year: target met; target not met

Wellington North Power Inc.’s 2019 Scorecard:

Management Discussion & Analysis

General Overview:

Wellington North Power Inc. is an electricity distribution company regulated by the Ontario Energy Board. Our company provides safe and reliable electricity distribution to consumers in the urban areas of Arthur, Holstein and Mount Forest.

Wellington North Power Inc.’s Scorecard summarizes how we are performing each year against measures set by the energy regulator, the Ontario Energy Board. All electricity distributors in Ontario publish their Scorecard performance results annually.

The Ontario Energy Board’s document *“Scorecard - Performance Measures and Descriptions”* provides a plain language description of each measure and how the performance may be compared for each of the Scorecard’s categories in the 2019 Scorecard Management Discussion and Analysis – this document can be viewed on the Ontario Energy Board’s website at:
https://www.oeb.ca/utility-performance-and-monitoring/what-are-electricity-utility-scorecards

Wellington North Power Inc. continues to focus on you, the customer. We make every effort to engage our customers to ensure we are aware of your needs and are committed to provide a safe and reliable service at the least possible cost as well as meeting legislative and regulatory requirements.

Aging distribution infrastructure continues to be the primary challenge facing utilities today. Similar to most utilities in Ontario, Wellington North Power Inc. needs to maintain or replace aging infrastructure in order to maintain the reliability and safety of electricity distribution within our community.

In 2020, Wellington North Power Inc. will continue to focus on improving its overall Scorecard performance results as compared to prior years. This performance improvement is expected as a result of continued investment in our infrastructure, our employees and in our response to your needs.

Thank you for taking the time to review our 2019 Scorecard.

Should you have any questions or comments regarding Wellington North Power Inc.’s Scorecard, please call us at 519-323-1710 (business hours) or e-mail customerservice@wellingtonnorthpower.com.

Wellington North Power Inc.

Customer Focus: **Service Quality**

- **New Residential/Small Business Services Connected on Time**

  In 2019, Wellington North Power Inc. received 42 low-voltage (connections under 750 volts) connection requests from residential and small business customers. All requests were safely connected within the five business day timeline as prescribed by the Ontario Energy Board. This represents a slight decrease of 14% in the number of connection requests compared to 2018.

  Wellington North Power Inc. views "New Services Connected on Time" as an important form of customer engagement because this is our first opportunity to meet and/or exceed customers' expectations which promotes customer satisfaction.

  Consistent with prior years, Wellington North Power Inc. connected 100% of these customers on time (i.e. within 5 working days) which exceeds the Ontario Energy Board's mandated target of 90% for this measure.

  Outlook: Wellington North Power Inc. expects to maintain this level of performance for this service.

- **Scheduled Appointments Met On Time**

  Wellington North Power Inc. scheduled 265 appointments (where the presence of a customer / customer representative is required) in 2019 to connect services, disconnect services or complete work requested by our customers. This represents an increase of 20% in the number of scheduled appointments compared to 2018.

  Wellington North Power Inc. considers "Scheduled Appointments Met" as an important form of customer-engagement as customer presence is required for all types of appointments. Wellington North Power Inc. met 98.11% of these appointments on time, which exceeds the Ontario Energy Board's mandated target of 90% for this measure.

  Outlook: Wellington North Power Inc. expects to maintain this level of performance for this service.

- **Telephone Calls Answered On Time**

  In 2019, Wellington North Power Inc. received 5,676 telephone calls. Of these calls, 4,921 were "qualified" telephone calls (i.e. related to electricity). The utility received 1% more "qualified" telephone calls in 2019 compared to 2018; however the 5-year trend from 2015 to 2019 shows the number of telephone calls reducing suggesting more customers prefer to contact us by e-mail rather than by telephone.

  Wellington North Power Inc. considers "Telephone Calls" to be an important communication tool for responding to customers' needs. Wellington North Power live-answered 99.00% of these calls in 30 seconds or less, which exceeds the Ontario Energy Board mandated target of 65% for this measure.

  Outlook: Wellington North Power Inc. expects to maintain this level of performance for this service.

- **First Contact Resolution**

  First Contact Resolution is a scorecard measure introduced by the Ontario Energy Board (OEB) in 2014. Currently, there is no standardized definition and therefore this measure may differ from other electricity distribution companies in the Province.

  Wellington North Power Inc. defines “First Contact Resolution” as the number of customer service enquiries received by telephone, letter, fax or e-mail that are resolved by the first contact person at the utility (i.e. the query is not escalated to an alternative person at the company such as a supervisor or a manager.) We consider the ability to address customer enquiries efficiently and accurately to be an essential component of customer satisfaction.

  In 2019, Wellington North Power Inc. received 5,299 enquiries from its customers, of which 99.85% were successfully resolved at the point of first contact.

  Outlook: Wellington North Power Inc. expects to maintain this level of customer satisfaction.

- **Billing Accuracy**

  Billing Accuracy is defined as the number of accurate bills issued shown as a percentage of total bills issued. Wellington North Power Inc. considers timely and accurate billing to be an essential component of customer satisfaction.

  In 2019, Wellington North Power Inc. issued 45,762 customer bills and achieved a billing accuracy of 99.49% which is above the Ontario Energy Board mandated target of 98%.

  Outlook: Wellington North Power Inc. expects to maintain this level of customer satisfaction.

- **Customer Satisfaction Survey Results**

  Customer Satisfaction Survey is a scorecard measure introduced by the Ontario Energy Board (OEB) in 2014. Currently, there is no standardized definition and therefore this measure may differ from other utilities in the Province.

  Wellington North Power Inc. engaged a third-party organization to conduct a customer satisfaction survey. This statistical survey canvassed a number of key areas including power quality and reliability, price, billing and payments, communications and the overall customer service experience. We believe this satisfaction survey to be useful tool for engagement to identify customer requirements with respect to the provision of electricity services as well as identifying areas that may require improvement.

  Wellington North Power Inc.’s Customer Satisfaction latest survey was conducted in 2018 and received a rating of 81.10%. Thank you for participating in this telephone survey and for providing positive feedback about your local hydro company.

  Outlook: Wellington North Power Inc. is required to report on this measure every two years with the next survey being conducted in 2020.

- **Public Safety**

The Public Safety measure is generated by the Electrical Safety Authority (ESA) and consists of three components as described below:

a) **Component A – Public Awareness of Electrical Safety:**

Component A involves a new statistical survey that gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment located in Wellington North Power Inc.'s service area. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required.

Wellington North Power Inc. engaged a third-party organization to conduct the Electrical Safety Authority's Public Awareness safety survey. The utility considers this survey to be useful tool to measure customer's knowledge of electrical safety as well as identifying areas that may require improvement.

Wellington North Power Inc.'s most recent public awareness safety survey was conducted in 2019 and received a rating of 83.50% which falls within the very tight spectrum of index scores for all distribution companies in Ontario.

Outlook: Wellington North Power Inc. is required to report on this measure every two years with the next survey being conducted in 2021.

b) **Component B – Compliance with Ontario Regulation 22/04:**

Component B is an evaluation of Wellington North Power Inc.'s compliance with Ontario Regulation 22/04 – "Electrical Distribution Safety". Ontario Regulation 22/04 defines the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service.

Annual audits conducted by the Electrical Safety Authority have reported that Wellington North Power Inc. was "C" - Compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This has been achieved and maintained by our resilient commitment to safety coupled with the adherence to company procedures & policies.

Outlook: Wellington North Power Inc. will continue to construct and maintain the electrical distribution system in accordance with the safety standards set-out by the Ontario Regulation 22/04 code.

c) **Component C - Serious Electrical Incident Index:**

Component C consists of the number of serious electrical incidents, including fatalities, which occur within a utility's territory.

During 2019, Wellington North Power Inc. had zero fatalities and zero serious incidents within its operating service area of the urban areas of Arthur, Holstein and Mount Forest.

Outlook: Wellington North Power Inc. will continue its commitment to safety to protect the public and employees within our community.

Operational Effectiveness: **System Reliability**

- **Average Number of Hours that Power to a Customer is Interrupted**

  The average number of hours that power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. Wellington North Power Inc. considers the reliability of electrical service as a high priority for its customers and constantly monitors its distribution system for signs of reliability degradation. Regular maintenance of equipment is carried-out to ensure the level of reliability is kept as high as possible.

  The Ontario Energy Board (OEB) requires a utility to keep its hours of interruption within the range of its historical performance. Wellington North Power Inc.'s 5-year performance is 0.28 average hours based on the utility's average performance for the years of 2011 to 2015.

  In 2019, Wellington North Power Inc. achieved 0.24 average hours of interrupted power which is below the utility's target of 0.28 average hours.

  Outlook: Wellington North Power Inc. anticipates its system reliability to be within the performance target of 0.28 average hours of interruption.

- **Average Number of Times that Power to a Customer is Interrupted**

  The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for Wellington North Power Inc. As outlined above, the OEB also typically requires a utility to keep this measure within the range of its historical performance and outside factors can also greatly impact this measure.

  In 2019, Wellington North Power Inc. experienced interrupted power 0.20 times which is marginally above the range of the utility's 5-year average performance of 0.15 times for interrupted power between the years of 2011 to 2015. This frequency of increased power outages was primarily a consequence of:

  - Planned projects, such as pole-line replacement in a residential area, will result in residential customers experiencing a brief power outage to enable crews to work safely rather than work on a "live system". We count each residential property individually when there is a power-outage.

  Outlook: Wellington North Power Inc. anticipates its system reliability to be within the performance target of 0.15 times per customer.

Notes:

1) The above measures exclude power outages caused by a "Loss of Supply". A "Loss of Supply" are interruptions due to an outage that occurs upstream of a Wellington North Power Inc.'s electricity system and is beyond the control of the company.
2) The above measures also exclude defined major events (there were 0 major events reported by Wellington North Power Inc. in 2019).
3) The above measures include planned and unplanned power outages:
   - "Planned" outages are scheduled with affected customers being notified in advance. The electricity supply is turned off to allow powerline technicians to work safely.
   - "Unplanned" outages include equipment failure or damage, obstacles interfering with power lines (such as tree limbs) and severe weather conditions (including strong winds or heavy snow or rain and ice accumulation).
4) Wellington North Power Inc. has adopted a proactive, balanced approach to distribution system planning, infrastructure investment and replacement programs to address immediate risks associated with end-of-life assets; manage distribution system risks; ensure the safe and reliable delivery of electricity; and balance customers' expectations versus utility affordability. This approach is summarized in our Distribution System Plan discussed below.

Operational Effectiveness: **Asset Management**

- **Distribution System Plan Implementation Progress**

Distribution system plan implementation progress is a performance measure implemented by the Ontario Energy Board (OEB) beginning in 2013. The Distribution System Plan illustrates Wellington North Power Inc.'s forecasted capital expenditures over the next five years that are required to maintain the utility's electricity system; meet the current and future requirements of our customers; as well as keep pace with technological, safety and legislative changes.

The Distribution System Plan Implementation Progress measure is intended to assess Wellington North Power Inc.'s effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization and as a result, this measure may differ from other electricity distribution companies in the Province.

Wellington North Power Inc. filed its 5-year Distribution System Plan with the Ontario Energy Board in 2015, detailing planned capital expenditures for the years 2016 to 2020. From 2016 to 2019 inclusive, the utility has spent 79.8% of its planned total 5-year capital budget.

Outlook: Wellington North Power Inc.'s planned capital expenditure in 2020 accounts for 15% of the approved total 5-year capital planned budget.

Operational Effectiveness: **Cost Control**

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the Ontario Energy Board to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs.

The five efficiency groups are ranked as: 1 = Excellent; 2 = Good; 3 = Average; 4 = Fair; and 5 = Poor.

In 2019, Wellington North Power Inc. was placed in Group 3 in terms of efficiency – i.e. defined as having actual costs between -10% to +10% compared to the predicted modelled costs. Group 3 is considered "average" – i.e. costs are in-line with the average cost range for all electricity distributors in the Province. (In 2018, Wellington North Power Inc. was placed in efficiency Group 4 – "Fair").

Outlook: Although Wellington North Power Inc.'s forward looking goal is to advance to a "more efficient" group, management's expectation is that its efficiency performance will not decline in the foreseeable future.

- **Total Cost per Customer**

$$Total\ Cost\ per\ Customer = \frac{\text{Capital Costs + Operating Expenses}}{\text{Total Number of Customers serviced by Wellington North Power Inc.}}$$

The cost performance result for 2019 is $847[1] per customer which is a 3.6% increase ($29 increase per customer per year) compared to 2018. This slight increase is due to higher operating costs in 2019. Wellington North Power Inc.'s Total Cost per Customer has increased by 1.4% per year over the 5-year period of 2015 to 2019.

Similar to most distributors in the province, Wellington North Power Inc. has experienced increases in its' total costs required to deliver quality and reliable services to customers. Investments in new information systems technology and labour cost adjustments for inflation for our employees as well as the renewal of the distribution system have all contributed to increased operating and capital costs. Wellington North Power Inc. will continue to replace distribution assets balancing system risks and customer bill impacts as described in the utility's Cost of Service 2016 rate application. In addition, on-going customer engagement initiatives will continue to ensure customers have an opportunity to share their viewpoint on their local hydro's capital spending plans.

Outlook: It is anticipated the utility's costs are expected to keep pace with economic fluctuations and inflation rates. Wellington North Power Inc. will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

$$Total\ km\ of\ line = \frac{\text{Capital Costs + Operating Expenses}}{\text{Kilometers of line maintained by Wellington North Power Inc.}}$$

The cost performance result for 2019 is $15,594[2] per kilometer of line which is a 60% decrease compared to 2018. The decrease is due to a change in the Ontario Energy Board's methodology in 2019 of calculating total cost per km of line. In 2019, the utility reported to the OEB the length of primary overhead and underground lines (as per previous years) as well as the length of secondary overhead and underground lines. The inclusion of secondary line results in the total line length increasing from 79 km to 208 km.

Wellington North Power Inc.'s growth rate for its territory is considered to be relatively steady at less than 1% per year. The utility will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Outlook: As noted above, Wellington North Power Inc. will continue to replace distribution assets to maintain electricity system reliability and to meet customers' requirements as well as technology demands.

[1] Based on the econometric benchmarking analysis conducted by a third-party appointed by the Ontario Energy Board using distributor reported information.
[2] Based on the econometric benchmarking analysis conducted by a third-party appointed by the Ontario Energy Board using distributor reported information.

In 2015, a new energy conservation program called "Conservation First Framework" was mandated by the Ministry of Energy for the period 2015 to 2020 (6 years). Consequently, the program administrator, the Independent Electricity System Operator (IESO) established CDM targets for the reduction of electrical consumption (kWh's) to be met by licensed electricity distributors across the province.

The Independent Electricity System Operator (IESO) supports this initiative by measuring the energy savings as a result of Provincial approved energy saving programs. These approved energy savings programs are available to all energy consumers - Residential, Small Business, Industrial and Commercial.

Wellington North Power Inc. Energy Conservation Plan was approved by the Independent Electricity System Operator.

In January 2016, Wellington North Power Inc. announced its partnership with GreenSaver for delivery and promotion of conservation programs in our service area. This partnership has been successful with GreenSaver promoting energy conservation to all our customers and providing knowledgeable assistance to complete energy-saving programs.

- **Net Cumulative Energy Savings (percent of target achieved)**

  Wellington North Power Inc.'s Energy Savings target for the period 2015 to 2020 is 5.89 GWh (5,890,000 kWh – equivalent to a 5% annual reduction of electricity consumption from all Wellington North Power Inc.'s customers in Arthur, Holstein and Mount Forest.)

  The utility has achieved 51% of the six-year target kWh energy savings.[3] Wellington North Power Inc. and GreenSaver continued to forge good relationships with residential, small business and commercial customers. This was achieved by leveraging the suite of Provincial approved energy-saving programs designed for the residential, small business and commercial customers.

  Outlook: In March 2019, the Minister of Energy, Northern Development and Mines directed the Independent Electricity System Operator (IESO) to discontinue the current 2015-2020 Conservation First Framework and implement a new interim framework, in support of the government's goal to reduce electricity costs for customers.

  The change meant the IESO will centrally deliver energy-efficiency programs on a province-wide basis with a focus on business and industrial programs beginning April 1, 2019 until December 31, 2020. Ontario businesses will continue to have access to incentives for retrofits and other energy-efficiency projects, and the Home Assistance program for low-income customers will also continue. Program-specific information can be found on the Save on Energy website at: https://www.saveonenergy.ca/

[3] The CDM measure is based on the now discontinued 2015-2020 Conservation First Framework. 2019 results include savings reported to the IESO up until the end of February 2020.

Public Policy Responsiveness: **Connection of Renewable Generation**

- **Renewable Generation Connection Impact Assessments Completed on Time**

  All new or proposed Feed-in-Tariff generation connections (FIT) require a Connection Impact Assessment (CIA) to be performed to determine (a) if there is sufficient capacity and (b) it is safe to connect the generation project to the distribution/transmission network. A distributor has 120 days to complete the CIA from the date the application is received from the customer.
  In 2019, Wellington North Power Inc. received no IESO approved FIT applications and therefore no CIA assessments were required.

  Outlook: Wellington North Power Inc. anticipates no or very few new renewable generation requests in 2020; however, the utility is ready to review and support requests if there is customer demand.

- **New Micro-embedded Generation Facilities Connected On Time**

  Micro-embedded generation facilities consist of solar, wind, or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms or small businesses. The Ontario Energy Board expects these facilities to be connected within 5 business days once contractually approved by the Independent Electricity System Operator.

  In 2019, Wellington North Power Inc. received no new micro-embedded generation facility requests.

  Outlook: Wellington North Power Inc. anticipates there will be no new Micro-embedded Generation facility connections in 2020 as the program ended in 2018.

Financial Performance: **Financial Ratios**

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

  As an indicator of financial health, a current ratio indicates a company's ability to pay its short term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities.

  Wellington North Power Inc.'s current ratio slightly decreased from 1.03 in 2018 to 0.96 in 2019. This liquidity decrease was due to the final payment of invoices to contractors in Quarter 1 of 2019 related to replacing our substation (MS3) in Mount Forest that was completed in 2018.

  Outlook: Wellington North Power Inc.'s current ratio is expected to remain between 1 and 1.5 in 2020.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**
  The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt to equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt to equity ratio indicates a utility may have difficulty generating sufficient cash flows to make its debt payments; while a low debt-to-equity ratio indicates that a utility is not taking advantage of the increased profits that may be had through increased financial debt.

  In 2019, Wellington North Power Inc.'s debt to equity ratio was 1.44 which is fractionally below the 1.5 ratio expected by the Ontario Energy Board.

  Outlook: For 2020, Wellington North Power Inc. expects to maintain a debt to equity ratio of 1.5 as per the Ontario Energy Board's expectations.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**
  Return on Equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. A ROE of 10% is generally considered good.

  Wellington North Power Inc.'s current distribution rates were approved by the Ontario Energy Board (OEB) in 2016 with an expected (deemed) regulatory return on equity of 9.19%. The Ontario Energy Board allows a distributor to earn within +/- 3% of the expected return on equity. If a distributor performs outside of this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**
  Wellington North Power Inc. achieved a Return on Equity (ROE) of 6.47% in 2019, which is within the +/-3% range allowed by the Ontario Energy Board (*see above paragraph*), a variance of -2.72% below the expected (deemed) Return on Equity of 9.19%.

  Wellington North Power Inc.'s ROE over the past five years has been steady recognizing good cost-control and budgetary practices.[4]

  Outlook: For 2020, Wellington North Power Inc. anticipates a Return on Equity within the +/-3% range of 9.19%.

Important Note:

The information provided by Wellington North Power Inc. for the utility's future performance ("outlook" or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgment on the reporting date of the performance scorecard, and could be markedly different in the future.

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[4] 2016's RoE included regulatory revenue earned from prior years that, with OEB approval and direction, was realized in the utility's 2016 Audited Financial Statements. This regulatory revenue accounted for approx. 3.3% of 2016's ROE of 10.68%.

APPENDIX H: 2017 AUDITED FINANCIAL STATEMENT

Financial Statements of

WELLINGTON NORTH POWER INC.

Year ended December 31, 2017

KPMG

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wellington North Power Inc.

We have audited the accompanying financial statements of Wellington North Power Inc., which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellington North Power Inc. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Public Accountants, Licensed Public Accountants

Waterloo, Canada
March 27, 2018

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2017, with comparative information for 2016

	Note	2017	2016
Assets			
Current assets			
Cash		$ 321,415	$ -
Accounts receivable	5	1,291,618	1,634,575
Unbilled revenue		1,343,467	1,503,494
Income taxes receivable		26,463	34,356
Materials and supplies	6	124,685	127,105
Prepaid expenses		250,907	244,807
Total current assets		3,358,555	3,544,337
Non-current assets			
Property, plant and equipment	7	8,337,014	8,037,087
Intangible assets	8	883,195	918,293
Other assets		2,145	2,145
Deferred tax assets	9	93,191	150,000
Total non-current assets		9,315,545	9,107,525
Total assets		12,674,100	12,651,862
Regulatory debit balances	10	889,030	659,405
Total assets and regulatory balances		$ 13,563,130	$ 13,311,267

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2017, with comparative information for 2016

	Note	2017	2016
Liabilities			
Current liabilities			
Bank indebtedness		$ -	$ 518,539
Accounts payable and accrued liabilities	11	3,099,655	2,556,503
Current portion of notes payable	12	256,254	256,907
Customer deposits		241,618	197,255
Total current liabilities		3,597,527	3,529,204
Non-current liabilities			
Long-term notes payable	12	4,779,786	5,037,357
Post-employment benefits	13	171,755	176,872
Deferred revenue		120,306	121,966
Total non-current liabilities		5,071,847	5,336,195
Total liabilities		8,669,374	8,865,399
Equity			
Share capital	14	1,634,404	1,634,404
Retained earnings		2,425,639	2,114,309
Accumulated other comprehensive loss		(3,565)	(11,564)
Total equity		4,056,478	3,737,149
Total liabilities and equity		12,725,852	12,602,548
Regulatory credit balances	10	837,278	708,719
Total liabilities, equity and regulatory balances		$ 13,563,130	$ 13,311,267

See accompanying notes to the financial statements.

On behalf of the Board:

_________________ Director

_________________ Director

WELLINGTON NORTH POWER INC.

Statement of Comprehensive Income
Year ended December 31, 2017, with comparative information for 2016

	Note	2017	2016
Revenue			
Sale of energy		$ 13,323,184	$ 14,348,740
Distribution revenue		2,500,179	2,452,128
Other	15	140,704	122,563
		15,964,067	16,923,431
Operating expenses			
Cost of power purchased		13,412,621	14,241,468
Operations and maintenance		666,582	661,117
Billing and collections		354,072	389,534
Administrative and general		693,701	690,394
Amortization and depreciation		397,535	355,284
Property taxes		16,985	16,503
		15,541,496	16,354,300
Income from operating activities		422,571	569,131
Finance costs	17	215,007	198,269
Income before income taxes		207,564	370,862
Income tax expense	9	42,480	63,160
Net income for the year		165,084	307,702
Net movement in regulatory balances, net of tax	10	146,246	115,962
Net income for the year and net movement in regulatory balances		311,330	423,664
Other comprehensive income for the year		-	-
Remeasurement of post-employment benefits		7,999	-
Total comprehensive income for the year		$ 319,329	$ 423,664

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Changes in Equity
Year ended December 31, 2017, with comparative information for 2016

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2016	$1,634,404	$1,690,645	$ (11,564)	$ 3,313,485
Net income and net movement in regulatory balances	-	423,664	-	423,664
Balance at December 31, 2016	1,634,404	2,114,309	(11,564)	3,737,149
Balance at January 1, 2017	1,634,404	2,114,309	(11,564)	3,737,149
Net income and net movement in regulatory balances	-	311,330	7,999	319,329
Balance at December 31, 2017	$1,634,404	$2,425,639	$ (3,565)	$ 4,056,478

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Cash Flows
Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Operating activities		
Net Income and net movement in regulatory balances	$ 311,330	$ 423,664
Adjustments for:		
Depreciation and amortization	449,573	348,370
Amortization of deferred revenue	(1,660)	(1,515)
Post-employment benefits	4,293	568
Loss on disposal of property, plant and equipment	7,640	16,813
Income tax expense	42,480	63,160
	813,656	851,060
Change in non-cash operating working capital:		
Accounts receivable	342,957	(231,477)
Unbilled revenue	160,027	(183,082)
Materials and supplies	2,420	(25,946)
Prepaid expenses	(6,100)	(34,137)
Accounts payable and accrued liabilities	543,152	401,787
Customer deposits	44,363	(2,128)
	1,086,819	(74,983)
Regulatory balances	(101,066)	107,453
Income tax paid	20,811	5,922
Net cash from operating activities	1,820,220	889,452
Investing activities		
Purchase of property, plant and equipment	(700,992)	(596,681)
Proceeds on disposal of property, plant and equipment	9,752	-
Purchase of intangible assets	(30,802)	(907,118)
Contributions received from customers	-	11,555
Net cash used by investing activities	(722,042)	(1,492,244)
Financing activities		
Change in bank indebtedness	(518,539)	(267,354)
Proceeds from long-term debt	-	1,100,000
Repayment of long-term debt	(258,224)	(229,854)
Net cash from (used by) financing activities	(776,763)	870,146
Change in cash	321,415	-
Cash, beginning of year	-	-
Cash, end of year	$ 321,415	$ -

See accompanying notes to the financial statements.

1. Reporting entity

Wellington North Power Inc. (the “Company”) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the Township of Wellington North. The address of the Company’s registered office is 290 Queen Street West, Mount Forest, Ontario.

The Company delivers electricity and related energy services to residential and commercial customers in the urban areas of Mount Forest, Arthur, and Holstein. The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share).

The financial statements are for the Company as at and for the year ended December 31, 2017.

2. Basis of presentation

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on March 27, 2018.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of presentation (continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Note 3(b) – measurement of unbilled revenue
(ii) Notes 7, 8 – estimation of useful lives of its property, plant and equipment and intangible assets
(iii) Note 10 – recognition and measurement of regulatory balances
(iv) Note 13 – measurement of defined benefit obligations: key actuarial assumptions
(v) Note 18 – recognition and measurement of provisions and contingencies

(e) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Company ("OEFC") once each year.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Company files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Company’s business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company last filed a COS application in March 2016 for rates effective May 1, 2016 to April 30, 2021. The GDP IPI-FDD for 2018 is 1.20%, the Company’s productivity factor is nil% and the stretch factor is 0.45%, resulting in a net adjustment of 0.75% to the previous year’s rates.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies

(a) The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(b) Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Company does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

(c) Revenue recognition

Sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Company is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Other revenue (continued)

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Buildings	15-60 years
Distribution stations	20-55 years
Distribution lines	45-65 years
Distribution transformers	40 years
Distribution meters	5-30 years
Distribution services	40-60 years
Computer equipment	5 years
Transportation equipment	5-8 years
System supervisory equipment	10 years
Other	5-10 years

3. Significant accounting policies (continued)

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Company after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Distribution rights	25 years
Computer software	5 years

(f) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued)

(i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

3. Significant accounting policies (continued)

(j) Post-employment benefits

(i) Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

3. Significant accounting policies (continued)

(k) Leased assets

Leases, where the terms cause the Company to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

(m) Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Standards issued but not yet adopted

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

The IASB has issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

Financial Instruments

In July 2016, the IASB issued a new standard, IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

4. Standards issued but not yet adopted (continued)

Leases

In January 2017, the IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosures of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

5. Accounts receivable

	2017	2016
Trade customer receivables	$ 1,273,140	$ 1,570,507
Other trade receivables	13,386	35,003
Billable work	5,092	29,065
	$ 1,291,618	$ 1,634,575

6. Materials and supplies

The amount written down due to obsolescence in 2017 was $nil (2016 - $nil).

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2017	$ 445,956	$7,588,506	$1,018,404	$ 12,461	$9,065,327
Additions	29,678	460,271	104,485	106,558	700,992
Transfers	-	-	-	-	-
Disposals/retirements	-	(21,624)	(7,356)	-	(28,980)
Balance at December 31, 2017	$ 475,634	$8,027,153	$1,115,533	$ 119,019	$9,737,339
Balance at January 1, 2016	$ 445,956	$7,060,122	$ 983,848	$ -	$8,489,926
Additions	-	549,664	34,556	12,461	596,681
Transfers	-	-	-	-	-
Disposals/retirements	-	(21,280)	-	-	(21,280)
Balance at December 31, 2016	$ 445,956	$7,588,506	$1,018,404	$ 12,461	$9,065,327
Accumulated depreciation					
Balance at January 1, 2017	$ 39,649	$ 572,741	$ 415,850	$ -	$1,028,240
Depreciation	14,976	232,719	135,978	-	383,673
Disposals/retirements	-	(5,053)	(6,535)	-	(11,588)
Balance at December 31, 2017	$ 54,625	$ 800,407	$ 545,293	$ -	$1,400,325
Balance at January 1, 2016	$ 25,496	$ 410,571	$ 288,946	$ -	$ 725,013
Depreciation	14,153	166,637	126,904	-	307,694
Disposals/retirements	-	(4,467)	-	-	(4,467)
Balance at December 31, 2016	$ 39,649	$ 572,741	$ 415,850	$ -	1,028,240
Carrying amounts					
At December 31, 2017	$ 421,009	$7,226,746	$ 570,240	$ 119,019	$8,337,014
At December 31, 2016	406,307	7,015,765	602,554	12,461	8,037,087

8. Intangible assets

	Distribution rights	Computer software	Total
Cost or deemed cost			
Balance at January 1, 2017	$ 838,765	$ 291,966	$ 1,130,731
Additions	-	30,802	30,802
Balance at December 31, 2017	$ 838,765	$ 322,768	$ 1,161,533
Balance at January 1, 2016	$ -	$ 223,613	$ 223,613
Additions	838,765	68,353	907,118
Balance at December 31, 2016	$ 838,765	$ 291,966	$ 1,130,731
Accumulated amortization			
Balance at January 1, 2017	$ 16,775	$ 195,663	$ 212,438
Amortization	33,551	32,349	65,900
Balance at December 31, 2017	$ 50,326	$ 228,012	$ 278,338
Balance at January 1, 2016	$ -	$ 171,762	$ 171,762
Amortization	16,775	23,901	40,676
Balance at December 31, 2016	$ 16,775	$ 195,663	$ 212,438
Carrying amounts			
At December 31, 2017	$ 788,439	$ 94,756	$ 883,195
At December 31, 2016	821,990	96,303	918,293

9. Income tax expense

Income tax expense

	2017	2016
Current year	$ (6,190)	$ (18,530)
Adjustment for prior years	(6,728)	(5,080)
Current tax recovery	(12,918)	(23,610)
Origination and reversal of temporary differences	55,398	86,770
Tax adjustment included in other comprehensive income	1,411	-
Deferred tax expense	56,809	86,770
Income tax expense	$ 43,891	$ 63,160
Income tax expense excluding other comprehensive income	$ 42,480	$ 63,160

9. Income tax expense (continued)

Reconciliation of effective tax rate

	2017	2016
Income before taxes	$ 207,564	$ 370,862
Canada and Ontario statutory Income tax rates	15.00%	15.00%
Expected tax provision on income at statutory rates	31,135	55,629
Increase (decrease) in income taxes resulting from:		
Permanent differences	149	231
Adjustment for prior years	(4,799)	2,082
Temporary differences	(1,134)	(1,756)
Net movement in regulatory balances	13,415	-
Loss carryback	(6,190)	-
Change in enacted tax rate	9,904	6,974
Income tax expense	$ 42,480	$ 63,160

Significant components of the Company's deferred tax balances

	2017	2016
Deferred tax assets:		
Property, plant and equipment	$ 9,840	$ 60,177
Post-employment benefits	24,046	26,531
Deferred revenue	56,002	63,292
Charitable donations	3,303	-
	$ 93,191	$ 150,000

10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2017	Additions/ activity	Recovery/ reversal	December 31, 2017
Retail settlement variance accounts	$ 438,056	$ 285,823	$ -	$ 723,879
Disposition accounts	122,513	19,240	(91,967)	49,786
Other regulatory accounts	72,365	26,554	-	98,919
Deferred income tax	26,471	(10,025)	-	16,446
	$ 659,405	$ 321,592	$ (91,967)	$ 889,030

Regulatory deferral account debit balances	January 1, 2016	Additions/ activity	Recovery/ reversal	December 31, 2016
Retail settlement variance accounts	$ 719,923	$ (158,589)	$ (123,278)	$ 438,056
Disposition accounts	68,664	(184,900)	238,749	122,513
Other regulatory accounts	193,649	(58,305)	(62,979)	72,365
Deferred income tax	44,230	-	(17,759)	26,471
	$ 1,026,466	$ (401,794)	$ 34,733	$ 659,405

Regulatory deferral account credit balances	January 1, 2017	Additions/ activity	Recovery/ reversal	December 31, 2017
Retail settlement variance accounts	$ 532,248	$ 195,393	$ -	$ 727,641
Disposition accounts	-	-	-	-
Other regulatory accounts	-	-	-	-
Deferred income tax	176,471	(66,834)	-	109,637
	$ 708,719	$ 128,559	$ -	$ 837,278

Regulatory deferral account credit balances	January 1, 2016	Additions/ activity	Recovery/ reversal	December 31, 2016
Retail settlement variance accounts	$ 550,864	$ 48,366	$ (66,982)	$ 532,248
Disposition accounts	-	-	-	-
Other regulatory accounts	136,463	-	(136,463)	-
Deferred income tax	281,000	-	(104,529)	176,471
	$ 968,327	$ 48,366	$ (307,974)	$ 708,719

10. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Once approval is received, the approved account balance is moved to the regulatory settlement account. An application has not been made to the OEB to recover or dispose of any of these accounts in the 2018 IRM as the Company did not meet the threshold test for the Group 1 deferral accounts. The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2017, the rate ranged from 1.10% to 1.50%.

11. Accounts payable and accrued liabilities

	2017	2016
Accounts payable – energy purchases	$ 1,336,972	$ 1,133,588
Debt retirement charge payable to OEFC	44,956	45,123
Other	1,717,727	1,377,792
	$ 3,099,655	$ 2,556,503

12. Long-term debt

	2017	2016
Township of Wellington North promissory note, interest only at 4.54%, payable quarterly in arrears	$ 985,015	$ 985,015
Ontario Infrastructure loan, interest at 2.46%, payable in monthly instalments, due 2018 secured by a General Security Agreement	102,611	211,946
Ontario Infrastructure loan, interest at 4.42%, payable in monthly instalments, due 2026 secured by a General Security Agreement	768,947	842,752
Ontario Infrastructure loan, interest at 4.49%, payable in monthly instalments, due 2043 secured by a General Security Agreement	1,033,830	1,054,476
Ontario Infrastructure loan, interest at 3.28%, payable in monthly instalments, due 2045 secured by a General Security Agreement	1,085,151	1,109,412
Ontario Infrastructure loan, interest at 3.47%, payable in monthly instalments, due 2041 secured by a General Security Agreement	527,491	541,850
Ontario Infrastructure loan, interest at 3.27%, payable in monthly instalments, due 2041 secured by a General Security Agreement	532,995	548,813
	5,036,040	5,294,264
Less current portion of long-term debt	256,254	256,907
	$ 4,779,786	$ 5,037,357

On June 3, 2013, the Council of the Township of Wellington North passed a resolution to defer all future principal payments on the existing promissory note and that interest will continue to be payable at 4.54%.

13. Post-employment benefits

(a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2017, the Company made employer contributions of $104,863 to OMERS (2016 - $103,352), of which $10,060 (2016 - $11,266) has been capitalized as part of PP&E and the remaining amount of $94,803 (2016 - $92,086) has been recognized in profit or loss. The Company estimates that a contribution of $107,311 to OMERS will be made during the next fiscal year.

As at December 31, 2017, OMERS had approximately 482,000 members, of whom 12 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2017, which reported that the plan was 94% funded, with an unfunded liability of $5.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2017	2016
Defined benefit obligation, beginning of year	$ 176,872	$ 176,304
Included in profit or loss		
Current service cost	4,043	3,886
Interest cost	7,123	6,849
	188,038	187,039
Included in OCI		
Actuarial gains arising from:		
changes in financial assumptions	(9,410)	-
	178,628	187,039
Benefits paid	(6,873)	(10,167)
Defined benefit obligation, end of year	$ 171,755	$ 176,872

Actuarial assumptions	2017	2016
Discount (interest) rate	3.90%	4.00%
Salary levels	2.25%	3.30%
Medical Costs	7.00%	6.31%
Dental Costs	4.60%	4.60%

13. Post-employment benefits (continued)

(b) Post-employment benefits other than pension (continued)

A 1% increase or decrease in the assumed discount rate would have an insignificant effect on the defined benefit obligation.

14. Share capital

	2017	2016
Authorized:		
Unlimited number of common shares		
Unlimited number of special shares, issuable in series		
Issued:		
1,557 common shares	$ 1,634,404	$ 1,634,404

On March 27, 2018, the Company declared a dividend of $47,899 to be paid to shareholders.

15. Other revenue

	2017	2016
Rendering of services	$ 58,854	$ 68,614
Other	81,850	53,949
	$ 140,704	$ 122,563

16. Employee salaries and benefits

	2017	2016
Salaries, wages and benefits	$ 1,214,235	$ 1,239,385
CPP and EI remittances	45,823	49,559
Contributions to OMERS	104,863	103,352
	$ 1,364,921	$ 1,392,296

17. Finance costs

	2017	2016
Finance costs		
Interest expense on long-term debt	$ 202,412	$ 187,085
Other	12,595	11,184
	$ 215,007	$ 198,269

18. Commitments and contingencies

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected 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. As at December 31, 2017, no assessments have been made.

19. Related party transactions

(a) Parent and ultimate controlling party

The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share). The Townships produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties

	2017	2016
Township of Wellington North - receivable	$ 12,794	$ 29,397
Township of Wellington North - payable	(1,217,647)	(808,181)
Township of Wellington North - note payable (note 12)	(985,015)	(985,015)
	$ (2,189,868)	(1,763,799)

(c) Transactions with the Township of Wellington North

The Company delivers electricity to the Township of Wellington North throughout the year for the electricity needs of the Township of Wellington North and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the customers of the communities of Mount Forest and Arthur within the Township of Wellington North, including streetlight maintenance services and water and waste water billing and collection services. Revenue from these services was $98,825 (2016 - $88,525).

(d) Key management personnel

The key management personnel of the Company have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2017	2016
Directors' fees	$ 29,719	$ 33,404
Salaries and other benefits	415,774	405,060
	$ 445,493	$ 438,464

20. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the urban areas of Mount Forest, Arthur, and Holstein. At December 31, 2017, two customers represented 43% (2016 - 45%) of trade accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2017 is $12,997 (2016 - $13,037). An impairment loss of $11,578 (2016 - $11,753) was recognized during the year.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2017, approximately $1,984 (2016 - $2,351) is considered 60 days past due. The Company has over 3,700 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance on accounts billed over $10,000 per month. As at December 31, 2017, the Company holds security deposits in the amount of $241,618 (2016 - $197,255).

20. Financial instruments and risk management (continued)

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2017 would have increased interest expense on the long-term debt by $51,652 (2016 - $46,763), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $1,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2017, $nil had been drawn under the Company's credit facility (2016 - $nil).

The Company also has a facility for $558,879 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the Independent Electricity System Operator ("IESO"), of which $nil has been drawn and posted with the IESO (2016 - $nil).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes equity and long-term debt. As at December 31, 2017, equity amounts to $4,056,478 (2016 - $3,737,149) and long-term debt amounts to $5,036,040 (2016 - $5,294,264).

APPENDIX I: 2018 AUDITED FINANCIAL STATEMENT

Financial Statements of

WELLINGTON NORTH POWER INC.

Year ended December 31, 2018

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3 Canada
Tel 519-747-8800
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wellington North Power Inc.

Opinion

We have audited the financial statements of Wellington North Power Inc. (the Entity), which comprise:

- The statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 26, 2019

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2018, with comparative information for 2017

	Note	2018	2017
Assets			
Current assets			
Cash		$ -	$ 321,415
Accounts receivable	5	1,545,690	1,291,618
Unbilled revenue		1,242,277	1,343,467
Income taxes receivable		-	26,463
Materials and supplies	6	125,647	124,685
Prepaid expenses		171,892	250,907
Total current assets		3,085,506	3,358,555
Non-current assets			
Property, plant and equipment	7	10,071,367	8,337,014
Intangible assets	8	822,681	883,195
Other assets		2,145	2,145
Deferred tax assets	9	50,729	93,191
Total non-current assets		10,946,922	9,315,545
Total assets		$ 14,032,428	$ 12,674,100
Regulatory debit balances	10	738,852	889,030
Total assets and regulatory balances		$ 14,771,280	$ 13,563,130

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2018, with comparative information for 2017

	Note	2018	2017
Liabilities			
Current liabilities			
Bank indebtedness		$ 2,280	$ -
Accounts payable and accrued liabilities	11	2,812,635	3,099,655
Income taxes payable		-	-
Current portion of notes payable	12	191,425	256,254
Customer deposits		195,531	241,618
Total current liabilities		3,201,871	3,597,527
Non-current liabilities			
Long-term notes payable	12	6,274,088	4,779,786
Post-employment benefits	13	175,425	171,755
Deferred revenue		118,646	120,306
Total non-current liabilities		6,568,159	5,071,847
Total liabilities		9,770,030	8,669,374
Equity			
Share capital	14	1,634,404	1,634,404
Retained earnings		2,760,376	2,425,639
Accumulated other comprehensive loss		(3,565)	(3,565)
Total equity		4,391,215	4,056,478
Total liabilities and equity		$ 14,161,245	$ 12,725,852
Regulatory credit balances	10	610,035	837,278
Total liabilities, equity and regulatory balances		$ 14,771,280	$ 13,563,130

See accompanying notes to the financial statements.

On behalf of the Board:

_______________ Director   _______________ Director

WELLINGTON NORTH POWER INC.

Statement of Comprehensive Income
Year ended December 31, 2018, with comparative information for 2017

	Note	2018	2017
Revenue			
Sale of energy		$ 12,075,935	$ 13,323,184
Distribution revenue		2,634,302	2,500,179
Other	15	156,133	140,704
		14,866,370	15,964,067
Operating expenses			
Cost of power purchased		12,102,862	13,412,621
Operations and maintenance		637,798	666,582
Billing and collections		361,577	354,072
Administrative and general		710,012	693,701
Amortization and depreciation		433,645	397,535
Property taxes		16,739	16,985
		14,262,633	15,541,496
Income from operating activities		603,737	422,571
Finance costs	17	245,158	215,007
Income before income taxes		358,579	207,564
Income tax expense	9	45,248	42,480
Net income for the year		313,331	165,084
Net movement in regulatory balances, net of tax	10	69,305	146,246
Net income for the year and net movement in regulatory balances		382,636	311,330
Other comprehensive income for the year		-	-
Remeasurement of post-employment benefits			7,999
Total comprehensive income for the year		$ 382,636	$ 319,329

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Changes in Equity
Year ended December 31, 2018, with comparative information for 2017

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2017	$1,634,404	$2,114,309	$ (11,564)	$ 3,737,149
Net income and net movement in regulatory balances	-	311,330	7,999	319,329
Balance at December 31, 2017	$1,634,404	$2,425,639	$ (3,565)	$ 4,056,478
Balance at January 1, 2018	$1,634,404	$ 2,425,639	$ (3,565)	$ 4,056,478
Net income and net movement in regulatory balances	-	382,636	-	382,636
Dividends	-	(47,899)	-	(47,899)
Balance at December 31, 2018	$1,634,404	$ 2,760,376	$ (3,565)	$ 4,391,215

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Cash Flows
Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating activities		
Net Income and net movement in regulatory balances	$ 382,636	$ 311,330
Adjustments for:		
Depreciation and amortization	490,229	449,573
Amortization of deferred revenue	(1,660)	(1,660)
Post-employment benefits	3,670	4,293
Loss on disposal of property, plant and equipment	27,877	7,640
Income tax expense	45,248	42,480
	948,000	813,656
Change in non-cash operating working capital:		
Accounts receivable	(254,072)	342,957
Unbilled revenue	101,190	160,027
Materials and supplies	(962)	2,420
Prepaid expenses	79,015	(6,100)
Accounts payable and accrued liabilities	(287,020)	543,152
Customer deposits	(46,087)	44,363
	(407,936)	1,086,819
Regulatory balances	(77,065)	(101,066)
Income tax refunded	23,677	20,811
Net cash from operating activities	486,676	1,820,220
Investing activities		
Purchase of property, plant and equipment	(2,189,285)	(700,992)
Proceeds on disposal of property, plant and equipment	2,040	9,752
Purchase of intangible assets	(4,700)	(30,802)
Contributions received from customers	-	-
Net cash used by investing activities	(2,191,945)	(722,042)
Financing activities		
Change in bank indebtedness	-	(518,539)
Proceeds from long-term debt	1,684,410	-
Repayment of long-term debt	(254,937)	(258,224)
Dividends paid	(47,899)	-
Net cash from (used by) financing activities	1,381,574	(776,763)
Change in cash	(323,695)	321,415
Cash, beginning of year	321,415	-
Cash (cash deficit), end of year	$ (2,280)	$ 321,415

See accompanying notes to the financial statements.

1. Reporting entity:

Wellington North Power Inc. (the “Company”) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the Township of Wellington North. The address of the Company’s registered office is 290 Queen Street West, Mount Forest, Ontario.

The Company delivers electricity and related energy services to residential and commercial customers in the urban areas of Mount Forest, Arthur, and Holstein. The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share).

The financial statements are for the Company as at and for the year ended December 31, 2018.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on March 26, 2019.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss

(ii) Contributed assets are initially measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of presentation (continued):

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Note 3(b) – Determination of the performance obligation for contributions from customers and the related amortization period
(ii) Note 3(b) – measurement of unbilled revenue
(iii) Notes 7, 8 – estimation of useful lives of its property, plant and equipment and intangible assets
(iv) Note 10 – recognition and measurement of regulatory balances
(v) Note 13 – measurement of defined benefit obligations: key actuarial assumptions
(vi) Note 18 – recognition and measurement of provisions and contingencies

(e) Rate regulation:

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Company ("OEFC") once each year.

2. Basis of presentation (continued):

(e) Rate regulation (continued):

Rate setting:

Distribution revenue

For the distribution revenue included in sale of energy, the Company files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company last filed a COS application in November 2015 for rates effective May 1, 2016 to April 30, 2021. The GDP IPI-FDD for 2018 is 1.20%, the Company's productivity factor is nil% and the stretch factor is 0.45%, resulting in a net adjustment of 0.75% to the previous year's rates.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

3. Significant accounting policies (continued):

(b) Revenue recognition:

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

The estimated useful lives are as follows:

Buildings	15-60 years
Distribution stations	20-55 years
Distribution lines	45-65 years
Distribution transformers	40 years
Distribution meters	5-30 years
Distribution services	40-60 years
Computer equipment	5 years
Transportation equipment	5-8 years
System supervisory equipment	10 years
Other	5-10 years

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Company after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Distribution rights	25 years
Computer software	5 years

3. Significant accounting policies (continued):

(f) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued):

(i) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits:

(i) Pension plan:

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

3. **Significant accounting policies (continued):**

(j) Post-employment benefits (continued):

(i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension:

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets:

Leases, where the terms cause the Company to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

3. Significant accounting policies (continued):

(m) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Change in Accounting Policy:

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments

The Company has initially applied IFRS 15 *Revenue from Contracts with Customers* from January 1, 2018 on a retrospective basis. The following practical expedients have been used in the initial application of this new standard:

For completed contracts, the Corporation did not restate contracts that:

(i) Began and ended within the same annual reporting period; or

(ii) Were completed at the beginning of January 1, 2017.

IFRS 15 contains a five step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

The Company has initially applied IFRS 9 *Financial Instruments* from January 1, 2018 on a retrospective basis. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for measuring impairment on financial assets, and new general hedge accounting requirements.

Despite the retrospective adoption, the accounting policy change did not result in a significant impact to the financial statements. As a result, the Company was not required to make any adjustments to the comparative figures upon initial adoption.

The updated accounting policies have been discussed further in note 3.

5. Accounts receivable:

	2018	2017
Trade customer receivables	$ 1,532,665	$ 1,273,140
Other trade receivables	10,961	13,386
Billable work	2,064	5,092
	$ 1,545,690	$ 1,291,618

6. Materials and supplies:

The amount written down due to obsolescence in 2018 was $nil (2017 - $nil).

7. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2018	$ 475,634	$ 8,027,153	$1,115,533	$ 119,019	$ 9,737,339
Additions	-	2,139,502	49,783	-	2,189,285
Transfers	-	118,272	-	(118,272)	-
Disposals/retirements	-	(50,829)	-	-	(50,829)
Balance at December 31, 2018	$ 475,634	$10,234,098	$1,165,316	$ 747	$11,875,795
Balance at January 1, 2017	$ 445,956	$ 7,588,506	$1,018,404	$ 12,461	$ 9,065,327
Additions	29,678	460,271	104,485	106,558	700,992
Transfers	-	-	-	-	-
Disposals/retirements	-	(21,624)	(7,356)	-	(28,980)
Balance at December 31, 2017	$ 475,634	$ 8,027,153	$1,115,533	$ 119,019	$ 9,737,339
Accumulated depreciation					
Balance at January 1, 2018	$ 54,625	$ 800,407	$ 545,293	$ -	$ 1,400,325
Depreciation	15,257	266,323	143,435	-	425,015
Disposals/retirements	-	(20,912)	-	-	(20,912)
Balance at December 31, 2018	$ 69,882	$ 1,045,818	$ 688,728	$	$ 1,804,428
Balance at January 1, 2017	$ 39,649	$ 572,741	$ 415,850	$ -	$ 1,028,240
Depreciation	14,976	232,719	135,978	-	383,673
Disposals/retirements	-	(5,053)	(6,535)	-	(11,588)
Balance at December 31, 2017	$ 54,625	$ 800,407	$ 545,293	$ -	$ 1,400,325
Carrying amounts-					
At December 31, 2018	$ 405,752	$ 9,188,280	$ 476,588	$ 747	$10,071,367
At December 31, 2017	$ 421,009	$ 7,226,746	$ 570,240	$ 119,019	$ 8,337,014

For the year ended December 31, 2018, depreciation expense in the amount of $56,586 (2017 - $52,038) related to other fixed assets was allocated to project costs and either expensed to operations and maintenance, or capitalized into construction-in-progress.

8. Intangible assets:

	Distribution rights	Computer software	Total
Cost or deemed cost			
Balance at January 1, 2018	$ 838,765	$ 322,768	$ 1,161,533
Additions	-	4,700	4,700
Balance at December 31, 2018	$ 838,765	$ 327,468	$ 1,166,233
Balance at January 1, 2017	$ 838,765	$ 291,966	$ 1,130,731
Additions	-	30,802	30,802
Balance at December 31, 2017	$ 838,765	$ 322,768	$ 1,161,533
Accumulated amortization			
Balance at January 1, 2018	$ 50,326	$ 228,012	$ 278,338
Amortization	33,551	31,663	65,214
Balance at December 31, 2018	$ 83,877	$ 259,675	$ 343,552
Balance at January 1, 2017	$ 16,775	$ 195,663	$ 212,438
Amortization	33,551	32,349	65,900
Balance at December 31, 2017	$ 50,326	$ 228,012	$ 278,338
Carrying amounts			
At December 31, 2018	$ 754,888	$ 67,793	$ 822,681
At December 31, 2017	$ 788,439	$ 94,756	$ 883,195

9. Income tax expense:

	2018	2017
Current year	$ -	$ (6,190)
Adjustment for prior years	2,870	(6,728)
Current tax expense (recovery)	$ 2,870	$ (12,918)
Origination and reversal of temporary differences	$ 41,066	$ 55,398
Tax adjustment included in other comprehensive income	-	1,411
Adjustment for prior years	1,312	-
Deferred tax expense	$ 42,378	$ 56,809
Income tax expense	$ 45,248	$ 43,891
Income tax expense excluding other comprehensive income	$ 45,248	$ 42,480

9. Income tax expense (continued):

Reconciliation of effective tax rate

	2018	2017
Income before taxes	$ 358,579	$ 207,564
Canada and Ontario statutory Income tax rates	13.5%	15.00%
Expected tax provision on income at statutory rates	48,408	31,135
Increase (decrease) in income taxes resulting from:		
Permanent differences	69	149
Adjustment for prior years	32	(4,799)
Temporary differences	-	(1,134)
Net movement in regulatory balances	-	13,415
Loss carryback	-	(6,190)
Change in enacted tax rate	(3,261)	9,904
Income tax expense	$ 45,248	$ 42,480

Significant components of the Company's deferred tax balances

	2018	2017
Deferred tax assets:		
Property, plant and equipment	$ -	$ 9,840
Post-employment benefits	23,682	24,046
Deferred revenue	53,762	56,002
Charitable donations	-	3,303
	$ 77,444	$ 93,191
Deferred tax liabilities:		
Property, plant and equipment	$ (26,717)	$ -
	$ (26,717)	$ -

10. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2018	Additions/ activity	Recovery/ reversal	December 31, 2018
Retail settlement variance accounts	$ 723,879	$ (144,485)	$ -	$ 579,394
Disposition accounts	49,786	925	-	50,711
Other regulatory accounts	98,919	1,911	-	100,830
Deferred income tax	16,446	(8,529)	-	7,917
	$ 889,030	$ (150,178)	$ -	$ 738,852

Regulatory deferral account debit balances	January 1, 2017	Additions/ activity	Recovery/ reversal	December 31, 2017
Retail settlement variance accounts	$ 438,056	$ 285,823	$ -	$ 723,879
Disposition accounts	122,513	19,240	(91,967)	49,786
Other regulatory accounts	72,365	26,554	-	98,919
Deferred income tax	26,471	(10,025)	-	16,446
	$ 659,405	$ 321,592	$ (91,967)	$ 889,030

Regulatory deferral account credit balances	January 1, 2018	Additions/ activity	Recovery/ reversal	December 31, 2018
Retail settlement variance accounts	$ 727,641	$ (176,335)	$ -	$ 551,306
Disposition accounts	-	-	-	-
Other regulatory accounts	-	-	-	-
Deferred income tax	109,637	(50,908)	-	58,729
	$ 837,278	$ (227,243)	$ -	$ 610,035

Regulatory deferral account credit balances	January 1, 2017	Additions/ activity	Recovery/ reversal	December 31, 2017
Retail settlement variance accounts	$ 532,248	$ 195,393	$ -	$ 727,641
Disposition accounts	-	-	-	-
Other regulatory accounts	-	-	-	-
Deferred income tax	176,471	(66,834)	-	109,637
	$ 708,719	$ 128,559	$ -	$ 837,278

10. Regulatory balances (continued):

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Once approval is received, the approved account balance is moved to the regulatory settlement account. An application has not been made to the OEB to recover or dispose of any of these accounts in the 2018 IRM as the Company did not meet the threshold test for the Group 1 deferral accounts. The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2018, the rate ranged from 1.50% to 2.17%.

11. Accounts payable and accrued liabilities:

	2018	2017
Accounts payable – energy purchases	$ 1,291,948	$ 1,336,972
Debt retirement charge payable to OEFC	-	44,956
Other	1,520,687	1,717,727
	$ 2,812,635	$ 3,099,655

12. Long-term debt:

	2018	2017
Township of Wellington North promissory note, interest only at 4.54%, payable quarterly in arrears	$ 985,015	$ 985,015
Ontario Infrastructure loan, interest at 2.46%, payable in monthly instalments, due 2018 secured by a General Security Agreement	-	102,611
Ontario Infrastructure loan, interest at 4.42%, payable in monthly instalments, due 2026 secured by a General Security Agreement	692,013	768,947
Ontario Infrastructure loan, interest at 4.49%, payable in monthly instalments, due 2043 secured by a General Security Agreement	1,012,239	1,033,830
Ontario Infrastructure loan, interest at 3.28%, payable in monthly instalments, due 2045 secured by a General Security Agreement	1,060,084	1,085,151
Ontario Infrastructure loan, interest at 3.69%, payable in monthly instalments, due 2048 secured by a General Security Agreement	836,881	-
Ontario Infrastructure loan, interest at 3.69%, payable in monthly instalments, due 2048 secured by a General Security Agreement	847,529	-
Ontario Infrastructure loan, interest at 3.47%, payable in monthly instalments, due 2041 secured by a General Security Agreement	512,624	527,491
Ontario Infrastructure loan, interest at 3.27%, payable in monthly instalments, due 2041 secured by a General Security Agreement	519,128	532,995
	6,465,513	5,036,040
Less current portion of long-term debt	191,425	256,254
	$ 6,274,088	$ 4,779,786

On June 3, 2013, the Council of the Township of Wellington North passed a resolution to defer all future principal payments on the existing promissory note and that interest will continue to be payable at 4.54%.

13. Post-employment benefits:

(a) OMERS pension plan:

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2018, the Company made employer contributions of $106,334 to OMERS (2017 - $104,863), of which $13,964 (2017 - $10,060) has been capitalized as part of PP&E and the remaining amount of $92,370 (2017 - $94,803) has been recognized in profit or loss. The Company estimates that a contribution of $110,076 (2017 - $107,311) to OMERS will be made during the next fiscal year.

As at December 31, 2018, OMERS had approximately 496,000 members, of whom 12 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2018, which reported that the plan was 96% funded, with an unfunded liability of $3.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(b) Post-employment benefits other than pension:

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation		2018		2017
Defined benefit obligation, beginning of year	$	171,755	$	176,872
Included in profit or loss				
Current service cost		7,452		4,043
Interest cost		6,498		7,123
		185,705		188,038
Included in OCI				
Actuarial gains arising from:				
changes in financial assumptions		-		(9,410)
		185,705		178,628
Benefits paid		(10,280)		(6,873)
Defined benefit obligation, end of year	$	175,425	$	171,755

Actuarial assumptions	2018	2017
Discount (interest) rate	3.90%	3.90%
Salary levels	2.25%	2.25%
Medical Costs	7.00%	7.00%
Dental Costs	4.60%	4.60%

13. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

A 1% increase or decrease in the assumed discount rate would have an insignificant effect on the defined benefit obligation.

14. Share capital:

	2018	2017
Authorized:		
Unlimited number of common shares		
Unlimited number of special shares, issuable in series		
Issued:		
1,557 common shares	$ 1,634,404	$ 1,634,404

On March 27, 2018, the Company declared a dividend of $47,899 to be paid to shareholders.

15. Other revenue:

	2018	2017
Rendering of services	$ 61,316	$ 58,854
Other	94,817	81,850
	$ 156,133	$ 140,704

16. Employee salaries and benefits:

	2018	2017
Salaries, wages and benefits	$ 1,239,416	$ 1,214,235
CPP and EI remittances	48,228	45,823
Contributions to OMERS	106,334	104,863
	$ 1,393,978	$ 1,364,921

17. Finance costs:

	2018	2017
Finance costs		
Interest expense on long-term debt	$ 196,254	$ 202,412
Other	48,904	12,595
	$ 245,158	$ 215,007

18. Commitments and contingencies:

General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected 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. As at December 31, 2018, no assessments have been made.

19. Related party transactions:

(a) Parent and ultimate controlling party:

The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share). The Townships produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties:

	2018	2017
Township of Wellington North - receivable	$ 10,961	$ 12,794
Township of Wellington North - payable	(789,680)	(1,217,647)
Township of Wellington North - note payable (note 12)	(985,015)	(985,015)
	$ (1,763,734)	$ (2,189,868)

(c) Transactions with the Township of Wellington North:

The Company delivers electricity to the Township of Wellington North throughout the year for the electricity needs of the Township of Wellington North and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the customers of the communities of Mount Forest and Arthur within the Township of Wellington North, including streetlight maintenance services and water and waste water billing and collection services. Revenue from these services was $99,525 (2017 - $98,825).

(d) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2018	2017
Directors' fees	$ 27,101	$ 29,719
Salaries and other benefits	428,601	415,774
	$ 455,702	$ 445,493

20. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the urban areas of Mount Forest, Arthur, and Holstein. At December 31, 2018, two customers represented 31% (2017 - 43%) of trade accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2018 is $13,315 (2017 - $12,997). An impairment loss of $12,048 (2017 - $11,578) was recognized during the year.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2018, approximately $1,373 (2017 - $1,984) is considered 60 days past due. The Company has over 3,700 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance on accounts billed over $10,000 per month. As at December 31, 2018, the Company holds security deposits in the amount of $195,532 (2017 - $241,618).

20. Financial instruments and risk management (continued):

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2018 would have increased interest expense on the long-term debt by $57,509 (2017 - $51,652), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $1,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2018, $nil had been drawn under the Company's credit facility (2017 - $nil).

The Company also has a facility for $558,879 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the Independent Electricity System Operator ("IESO"), of which $nil has been drawn and posted with the IESO (2017 - $nil).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes equity and long-term debt. As at December 31, 2018, equity amounts to $4,379,359 (2017 - $4,056,478) and long-term debt amounts to $6,465,513 (2017 - $5,036,040).

21. Revenue from contracts with customers:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs.

	2018	2017
Revenue with Contracts with Customers	$ 14,710,237	$ 15,823,363
Other revenue	156,133	140,704
	$ 14,866,370	$ 15,964,067

In the following table, revenue from contracts with customers is disaggregated by type of customer.

	2018	2017
Residential	$ 4,056,484	$ 4,286,707
General Service	5,249,822	7,964,673
Large Users	5,218,227	3,419,184
Other	185,704	152,799
	$ 14,710,237	$ 15,823,363

22. Future accounting pronouncements:

The Company is evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Leases

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

APPENDIX J: 2019 AUDITED FINANCIAL STATEMENT

Financial Statements of

WELLINGTON NORTH POWER INC.

And Independent Auditors’ Report thereon

Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wellington North Power Inc.

Opinion

We have audited the financial statements of Wellington North Power Inc. (the Entity), which comprise:

- The statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 31, 2020

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2019, with comparative information for 2018

	Note	2019	2018
Assets			
Current assets			
Accounts receivable	5	$ 1,340,978	$ 1,545,690
Unbilled revenue		1,367,195	1,242,277
Materials and supplies	6	122,569	125,647
Prepaid expenses		139,485	171,892
Total current assets		2,970,227	3,085,506
Non-current assets			
Property, plant and equipment	7	10,193,073	10,071,367
Intangible assets	8	791,785	822,681
Other assets		2,145	2,145
Deferred tax assets	9	5,783	50,729
Total non-current assets		10,992,786	10,946,922
Total assets		$ 13,963,013	$ 14,032,428
Regulatory debit balances	10	881,737	738,852
Total assets and regulatory balances		$ 14,844,750	$ 14,771,280

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Financial Position
December 31, 2019, with comparative information for 2018

	Note	2019	2018
Liabilities			
Current liabilities			
Bank indebtedness		$ 401,467	$ 2,280
Accounts payable and accrued liabilities	11	2,506,439	2,812,635
Current portion of notes payable	12	199,238	191,425
Customer deposits		146,857	195,531
Total current liabilities		3,254,001	3,201,871
Non-current liabilities			
Long-term notes payable	12	6,074,850	6,274,088
Post-employment benefits	13	178,948	175,425
Deferred revenue		142,177	118,646
Total non-current liabilities		6,395,975	6,568,159
Total liabilities		9,649,976	9,770,030
Equity			
Share capital	14	1,634,404	1,634,404
Retained earnings		3,017,595	2,760,376
Accumulated other comprehensive loss		(3,565)	(3,565)
Total equity		4,648,434	4,391,215
Total liabilities and equity		$ 14,298,410	$ 14,161,245
Regulatory credit balances	10	546,340	610,035
Total liabilities, equity and regulatory balances		$ 14,844,750	$ 14,771,280

See accompanying notes to the financial statements.

On behalf of the Board:

_____________ Director _____________ Director

WELLINGTON NORTH POWER INC.

Statement of Comprehensive Income
Year ended December 31, 2019, with comparative information for 2018

	Note	2019	2018
Revenue			
Sale of energy		$ 12,263,304	$ 12,075,935
Distribution revenue		2,717,303	2,634,302
Other	15	170,644	156,133
		15,151,251	14,866,370
Operating expenses			
Cost of power purchased		12,418,466	12,102,862
Operations and maintenance		621,325	637,798
Billing and collections		409,630	361,577
Administrative and general		784,856	710,012
Amortization and depreciation		470,150	433,645
Property taxes		15,831	16,739
		14,720,258	14,262,633
Income from operating activities		430,993	603,737
Finance costs	17	272,437	245,158
Income before income taxes		158,556	358,579
Income tax expense	9	44,050	45,248
Net income for the year		114,506	313,331
Net movement in regulatory balances, net of tax	10	200,108	69,305
Net income for the year and net movement in regulatory balances		314,614	382,636
Other comprehensive income for the year			
Remeasurement of post-employment benefits		-	-
Total comprehensive income for the year		$ 314,614	$ 382,636

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Changes in Equity
Year ended December 31, 2019, with comparative information for 2018

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2018	$1,634,404	$2,425,639	$ (3,565)	$ 4,056,478
Net income and net movement in regulatory balances	-	382,636	-	382,636
Dividends	-	(47,899)	-	(47,899)
Balance at December 31, 2018	$1,634,404	$2,760,376	$ (3,565)	$ 4,391,215
Balance at January 1, 2019	$1,634,404	$ 2,760,376	$ (3,565)	$ 4,391,215
Net income and net movement in regulatory balances	-	314,614	-	314,614
Dividends	-	(57,395)	-	(57,395)
Balance at December 31, 2019	$1,634,404	$ 3,017,595	$ (3,565)	$ 4,648,434

See accompanying notes to the financial statements.

WELLINGTON NORTH POWER INC.

Statement of Cash Flows
Year ended December 31, 2019, with comparative information for 2018

		2019		2018
Operating activities				
Net Income and net movement in regulatory balances	$	314,614	$	382,636
Adjustments for:				
Depreciation and amortization		521,427		490,229
Amortization of deferred revenue		(2,309)		(1,660)
Post-employment benefits		3,523		3,670
Loss on disposal of property, plant and equipment		41,692		27,877
Income tax expense		44,050		45,248
		922,997		948,000
Change in non-cash operating working capital:				
Accounts receivable		204,712		(254,072)
Unbilled revenue		(124,918)		101,190
Materials and supplies		3,078		(962)
Prepaid expenses		32,407		79,015
Accounts payable and accrued liabilities		(306,196)		(287,020)
Customer deposits		(48,674)		(46,087)
		(239,591)		(407,936)
Regulatory balances		(206,580)		(77,065)
Income tax refunded		896		23,677
Net cash from operating activities		477,722		486,676
Investing activities				
Purchase of property, plant and equipment		(631,904)		(2,189,285)
Proceeds on disposal of property, plant and equipment		10,182		2,040
Purchase of intangible assets		(32,207)		(4,700)
Contributions received from customers		25,840		-
Net cash used by investing activities		(628,089)		(2,191,945)
Financing activities				
Proceeds from long-term debt		-		1,684,410
Repayment of long-term debt		(191,425)		(254,937)
Dividends paid		(57,395)		(47,899)
Net cash from (used by) financing activities		(248,820)		1,381,574
Change in cash		(399,187)		(323,695)
Cash (bank indebtedness), beginning of year		(2,280)		321,415
Bank indebtedness, end of year	$	(401,467)	$	(2,280)

See accompanying notes to the financial statements.

1. Reporting entity:

Wellington North Power Inc. (the “Company”) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the Township of Wellington North. The address of the Company’s registered office is 290 Queen Street West, Mount Forest, Ontario.

The Company delivers electricity and related energy services to residential and commercial customers in the urban areas of Mount Forest, Arthur, and Holstein. The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share).

The financial statements are for the Company as at and for the year ended December 31, 2019.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on March 31, 2020.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss

(ii) Contributed assets are initially measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Basis of presentation (continued):

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Note 3(b) – Determination of the performance obligation for contributions from customers and the related amortization period
(ii) Note 3(b) – measurement of unbilled revenue
(iii) Notes 7, 8 – estimation of useful lives of its property, plant and equipment and intangible assets
(iv) Note 10 – recognition and measurement of regulatory balances
(v) Note 13 – measurement of defined benefit obligations: key actuarial assumptions
(vi) Note 18 – recognition and measurement of provisions and contingencies

(e) Rate regulation:

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Company ("OEFC") once each year.

2. Basis of presentation (continued):

(e) Rate regulation (continued):

Rate setting:

Distribution revenue

For the distribution revenue included in sale of energy, the Company files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Company’s business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

The Company last filed a COS application in November 2015 for rates effective May 1, 2016 to April 30, 2021. The GDP IPI-FDD for 2019 is 1.50%, the Company’s productivity factor is nil% and the stretch factor is 0.45%, resulting in a net adjustment of 1.05% to the previous year’s rates.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

3. Significant accounting policies (continued):

(b) Revenue recognition:

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

The estimated useful lives are as follows:

Buildings	15-60 years
Distribution stations	20-55 years
Distribution lines	45-65 years
Distribution transformers	40 years
Distribution meters	5-30 years
Distribution services	40-60 years
Computer equipment	5 years
Transportation equipment	5-8 years
System supervisory equipment	10 years
Other	5-10 years

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Company after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Distribution rights	25 years
Computer software	5 years

3. Significant accounting policies (continued):

(f) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued):

(i) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits:

(i) Pension plan:

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

3. Significant accounting policies (continued):

(j) Post-employment benefits (continued):

(i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension:

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets:

Under IAS 17

In the comparative period, assets held under leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) The contract involves the use of an identified asset;
(ii) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
(iii) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

(k) Leased assets (continued):

a) The Company has the right to operate the asset; or
b) The Company designed the asset in a way that predetermines how and for what purposes it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Short-term leases and low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the “Tax Acts”). Under the *Electricity Act*, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company (“OEFC”). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Change in Accounting Policy:

The Company adopted IFRS 16, Leases effective January 1, 2019. The adoption of IFRS 16 did not impact the Company's statement of financial position as all lease agreements are for low-value assets.

5. Accounts receivable:

	2019	2018
Trade customer receivables	$ 1,281,657	$ 1,532,665
Other trade receivables	10,517	10,961
Billable work	48,804	2,064
	$ 1,340,978	$ 1,545,690

6. Materials and supplies:

The amount written down due to obsolescence in 2019 was $nil (2018 - $nil).

7. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2019	$ 475,634	$10,234,098	$1,165,316	$ 747	$11,875,795
Additions	1,215	505,698	117,705	7,286	631,904
Transfers	-	-	-	-	-
Disposals/retirements	-	(75,028)	(19,216)	-	(94,244)
Balance at December 31, 2019	$ 476,849	$10,664,768	$1,263,805	$ 8,033	$12,413,455
Balance at January 1, 2018	$ 475,634	$ 8,027,153	$1,115,533	$ 119,019	$ 9,737,339
Additions	-	2,139,502	49,783	-	2,189,285
Transfers	-	118,272	-	(118,272)	-
Disposals/retirements	-	(50,829)	-	-	(50,829)
Balance at December 31, 2018	$ 475,634	$10,234,098	$1,165,316	$ 747	$11,875,795
Accumulated depreciation					
Balance at January 1, 2019	$ 69,882	$ 1,045,818	$ 688,728	$ -	$ 1,804,428
Depreciation	15,268	298,361	144,695	-	458,324
Disposals/retirements	-	23,154	19,216	-	42,370
Balance at December 31, 2019	$ 85,150	$ 1,321,025	$ 814,207	$	$ 2,220,382
Balance at January 1, 2018	$ 54,625	$ 800,407	$ 545,293	$ -	$ 1,400,325
Depreciation	15,257	266,323	143,435	-	425,015
Disposals/retirements	-	(20,912)	-	-	(20,912)
Balance at December 31, 2018	$ 69,882	$ 1,045,818	$ 688,728	$ -	$ 1,804,428
Carrying amounts					
At December 31, 2019	$ 391,699	$ 9,343,743	$ 449,598	$ 8,033	$10,193,073
At December 31, 2018	$ 405,752	$ 9,188,280	$ 476,588	$ 747	$10,071,367

7. Property, plant and equipment (continued):

For the year ended December 31, 2019, depreciation expense in the amount of $54,058 (2018 - $56,586) related to other fixed assets was allocated to project costs and either expensed to operations and maintenance, or capitalized into construction-in-progress.

8. Intangible assets:

	Distribution rights	Computer software	Total
Cost or deemed cost			
Balance at January 1, 2019	$ 838,765	$ 327,468	$ 1,166,233
Additions	-	32,207	32,207
Disposals/retirements	-	(44,738)	(44,738)
Balance at December 31, 2019	$ 838,765	$ 314,937	$ 1,153,702
Balance at January 1, 2018	$ 838,765	$ 322,768	$ 1,161,533
Additions	-	4,700	4,700
Balance at December 31, 2018	$ 838,765	$ 327,468	$ 1,166,233
Accumulated amortization			
Balance at January 1, 2019	$ 83,877	$ 259,675	$ 343,552
Amortization	33,551	29,552	63,103
Disposals/retirements	-	(44,738)	(44,738)
Balance at December 31, 2019	$ 117,428	$ 244,489	$ 361,917
Balance at January 1, 2018	$ 50,326	$ 228,012	$ 278,338
Amortization	33,551	31,663	65,214
Balance at December 31, 2018	$ 83,877	$ 259,675	$ 343,552
Carrying amounts			
At December 31, 2019	$ 721,337	$ 70,448	$ 791,785
At December 31, 2018	$ 754,888	$ 67,793	$ 822,681

9. Income tax expense:

	2019	2018
Current year	$ -	$ -
Adjustment for prior years	(896)	2,786
Current tax expense (recovery)	$ (896)	$ 2,786
Origination and reversal of temporary differences	$ 44,946	$ 41,066
Adjustment for prior years	-	1,396
Deferred tax expense	$ 44,946	$ 42,462
Income tax expense	$ 44,050	$ 45,248

Reconciliation of effective tax rate

	2019	2018
Income before taxes	$ 158,556	$ 358,579
Canada and Ontario statutory Income tax rates	13.5%	13.5%
Expected tax provision on income at statutory rates	21,405	48,408
Increase (decrease) in income taxes resulting from:		
Permanent differences	79	69
Adjustment for prior years	(2,448)	32
Net movement in regulatory balances	25,014	-
Change in enacted tax rate	-	(3,261)
Income tax expense	$ 44,050	$ 45,248

Significant components of the Company's deferred tax balances

	2019	2018
Deferred tax assets:		
Post-employment benefits	$ 22,369	$ 23,682
Deferred revenue	55,563	53,762
Non-capital loss carryforwards	11,583	-
	$ 89,515	$ 77,444
Deferred tax liabilities:		
Property, plant and equipment	$ (83,732)	$ (26,717)
	$ (83,732)	$ (26,717)

10. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2019	Additions/ activity	Recovery/ reversal	December 31, 2019
Retail settlement variance accounts	$ 579,394	$ 146,837	$ -	$ 726,231
Disposition accounts	50,711	1,117	-	51,828
Other regulatory accounts	100,830	2,022	-	102,852
Deferred income tax	7,917	(7,091)	-	826
	$ 738,852	$ 142,885	$ -	$ 881,737

Regulatory deferral account debit balances	January 1, 2018	Additions/ activity	Recovery/ reversal	December 31, 2018
Retail settlement variance accounts	$ 723,879	$ (144,485)	$ -	$ 579,394
Disposition accounts	49,786	925	-	50,711
Other regulatory accounts	98,919	1,911	-	100,830
Deferred income tax	16,446	(8,529)	-	7,917
	$ 889,030	$ (150,178)	$ -	$ 738,852

Regulatory deferral account credit balances	January 1, 2019	Additions/ activity	Recovery/ reversal	December 31, 2019
Retail settlement variance accounts	$ 551,306	$ (11,658)	$ -	$ 539,648
Disposition accounts	-	-	-	-
Other regulatory accounts	-	-	-	-
Deferred income tax	58,729	(52,037)	-	6,692
	$ 610,035	$ (63,695)	$ -	$ 546,340

Regulatory deferral account credit balances	January 1, 2018	Additions/ activity	Recovery/ reversal	December 31, 2018
Retail settlement variance accounts	$ 727,641	$ (176,335)	$ -	$ 551,306
Disposition accounts	-	-	-	-
Other regulatory accounts	-	-	-	-
Deferred income tax	109,637	(50,908)	-	58,729
	$ 837,278	$ (227,243)	$ -	$ 610,035

10. Regulatory balances (continued):

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Once approval is received, the approved account balance is moved to the regulatory settlement account. An application has not been made to the OEB to recover or dispose of any of these accounts in the 2019 IRM as the Company did not meet the threshold test for the Group 1 deferral accounts. The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2019, the rate ranged from 2.18% to 2.45%.

11. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable – energy purchases	$ 1,254,139	$ 1,291,948
Other	1,252,300	1,520,687
	$ 2,506,439	$ 2,812,635

12. Long-term debt:

	2019	2018
Township of Wellington North promissory note, interest only at 4.54%, payable quarterly in arrears	$ 985,015	$ 985,015
Ontario Infrastructure loan, interest at 4.42%, payable in monthly instalments, due 2026 secured by a General Security Agreement	611,200	692,013
Ontario Infrastructure loan, interest at 4.49%, payable in monthly instalments, due 2043 secured by a General Security Agreement	989,658	1,012,239
Ontario Infrastructure loan, interest at 3.28%, payable in monthly instalments, due 2045 secured by a General Security Agreement	1,034,182	1,060,084
Ontario Infrastructure loan, interest at 3.69%, payable in monthly instalments, due 2048 secured by a General Security Agreement	820,597	836,881
Ontario Infrastructure loan, interest at 3.69%, payable in monthly instalments, due 2048 secured by a General Security Agreement	832,356	847,529
Ontario Infrastructure loan, interest at 3.47%, payable in monthly instalments, due 2041 secured by a General Security Agreement	497,235	512,624
Ontario Infrastructure loan, interest at 3.27%, payable in monthly instalments, due 2041 secured by a General Security Agreement	503,845	519,128
	6,274,088	6,465,513
Less current portion of long-term debt	199,238	191,425
	$ 6,074,850	$ 6,274,088

On June 3, 2013, the Council of the Township of Wellington North passed a resolution to defer all future principal payments on the existing promissory note and that interest will continue to be payable at 4.54%.

Principal repayments for the next five years and thereafter are as follows:

2020	$ 199,238
2021	207,375
2022	215,850
2023	224,677
2024	233,870
Thereafter	5,193,078
	$ 6,274,088

13. Post-employment benefits:

(a) OMERS pension plan:

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Company made employer contributions of $109,103 OMERS (2018 - $106,334), of which $11,008 (2018 - $13,964) has been capitalized as part of PP&E and the remaining amount of $98,095 (2018 - $92,370) has been recognized in profit or loss. The Company estimates that a contribution of $109,180 (2018 - $110,076) to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 500,000 members, of whom 12 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of $3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(b) Post-employment benefits other than pension:

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation		2019		2018
Defined benefit obligation, beginning of year	$	175,425	$	171,755
Included in profit or loss				
Current service cost		7,742		7,452
Interest cost		6,630		6,498
		189,797		185,705
Included in OCI				
Actuarial gains arising from:				
changes in financial assumptions		-		-
		189,797		185,705
Benefits paid		(10,489)		(10,280)
Defined benefit obligation, end of year	$	178,948	$	175,425

Actuarial assumptions	2019	2018
Discount (interest) rate	3.90%	3.90%
Salary levels	2.25%	2.25%
Medical Costs	6.40%	7.00%
Dental Costs	4.60%	4.60%

13. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

A 1% increase or decrease in the assumed discount rate would have an insignificant effect on the defined benefit obligation.

14. Share capital:

	2019	2018
Authorized:		
Unlimited number of common shares		
Unlimited number of special shares, issuable in series		
Issued:		
1,557 common shares	$ 1,634,404	$ 1,634,404

15. Other revenue:

	2019	2018
Rendering of services	$ 63,265	$ 61,316
Other	107,379	94,817
	$ 170,644	$ 156,133

16. Employee salaries and benefits:

	2019	2018
Salaries, wages and benefits	$ 1,278,275	$ 1,239,416
CPP and EI remittances	46,317	48,228
Contributions to OMERS	109,103	106,334
	$ 1,433,695	$ 1,393,978

17. Finance costs:

	2019	2018
Finance costs		
Interest expense on long-term debt	$ 187,390	$ 196,254
Other	85,047	48,904
	$ 272,437	$ 245,158

18. Commitments and contingencies:

General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected 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. As at December 31, 2019, no assessments have been made.

19. Related party transactions:

(a) Parent and ultimate controlling party:

The Company is owned by the Township of Wellington North (97% share) and the Township of Southgate (3% share). The Townships produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties:

	2019	2018
Township of Wellington North - receivable	$ 49,616	$ 10,961
Township of Wellington North - payable	(853,182)	(789,680)
Township of Wellington North - note payable (note 12)	(985,015)	(985,015)
	$ (1,788,581)	$ (1,763,734)

(c) Transactions with the Township of Wellington North:

The Company delivers electricity to the Township of Wellington North throughout the year for the electricity needs of the Township of Wellington North and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the customers of the communities of Mount Forest and Arthur within the Township of Wellington North, including streetlight maintenance services and water and waste water billing and collection services. Revenue from these services was $100,609 (2018 - $99,525).

(d) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2019	2018
Directors' fees	$ 27,101	$ 27,101
Salaries and other benefits	433,502	428,601
	$ 460,603	$ 455,702

20. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the urban areas of Mount Forest, Arthur, and Holstein. At December 31, 2019, two customers represented 30% (2018 - 31%) of trade accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2019 is $18,583 (2018 - $13,315). An impairment loss of $13,749 (2018 - $12,048) was recognized during the year.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $19,468 (2018 - $1,373) is considered 60 days past due. The Company has over 3,700 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance on accounts billed over $10,000 per month. As at December 31, 2019, the Company holds security deposits in the amount of $146,857 (2018 - $195,532).

20. Financial instruments and risk management (continued):

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by $63,699 (2018 - $57,509), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a $1,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2019, $nil had been drawn under the Company's credit facility (2018 - $nil).

The Company also has a facility for $558,879 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the Independent Electricity System Operator ("IESO"), of which $nil has been drawn and posted with the IESO (2018 - $nil).

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(d) Capital disclosures:

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital includes equity and long-term debt. As at December 31, 2019, equity amounts to $4,648,434 (2018 - $4,391,215) and long-term debt amounts to $6,274,088 (2018 - $6,465,513).

21. Revenue from contracts with customers:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs.

	2019	2018
Revenue with Contracts with Customers	$ 14,980,607	$ 14,710,237
Other revenue	170,644	156,133
	$ 15,151,251	$ 14,866,370

In the following table, revenue from contracts with customers is disaggregated by type of customer.

	2019	2018
Residential	$ 4,393,606	$ 4,056,484
General Service	4,134,468	5,249,822
Large Users	6,204,563	5,218,227
Other	247,970	185,704
	$ 14,980,607	$ 14,710,237

APPENDIX K: RECONCILIATION FOR RRR TO FINANCIAL STATEMENT

Wellington North Power Inc.

RRR 2.1.13

Uniform System of Account Balances Mapped and Reconciled to Wellington North Power Inc.'s Audited 2019 Financial Statements

Contents

Balance Sheet

	Account	B/S Section	B/S Line Grouping	G/L Account Description		Current Year	Balance Sheet
ASSETS							
Current Assets							
	1005	Current Assets	Cash	Bank - TD Canada Trust	1-1005-1000-005-001	0.00	
	1010	Current Assets	Cash	Cash - Float	1-1010-1000-010-001	0.00	
							0.00
	1100	Current Asset	Receivables	Customer A/R - Energy Sales	1-1100-1100-100-001	1,305,033.17	
	1102	Current Asset	Receivables	Accounts Receivable - Services	1-1102-1100-102-001	(4,792.53)	
	1104	Current Asset	Receivables	A/R - Recoverable Work	1-1104-1100-104-001	59,321.12	
	1130	Current Asset	Receivables	Uncollectible Accts - Credit	1-1130-1100-130-001	(18,583.45)	
	1140	Current Asset	Receivables	Interest & Dividends Receivable	1-1140-1100-140-001	0.00	
							1,340,978.31
	1120	Current Asset	Unbilled Revenue	Unbilled Revenue	1-1120-1100-120-001		**1,367,194.51**
	2294	Current Asset	Income Taxes Receivable	Accrual - Payments In Lieu	1-2294-2200-294-001		**0.00**
	1330	Current Asset	Inventory	Inventory	1-1330-1300-330-001		**122,568.98**
	1180	Current Asset	Prepayments	Prepayments	1-1180-1100-180-001		**139,485.22**
Total Current Assets							**2,970,228.02**
Non-Current Assets							
	1805	Asset	Property and Equipment	Land	1-1805-1800-805-001	41,987.65	
	1612	Asset	Property and Equipment	Land - Rights/Easements	1-1612-1600-612-001	28,650.65	
	1808	Asset	Property and Equipment	Buildings & Fixtures	1-1808-1800-808-001	406,210.33	
	1820	Asset	Property and Equipment	Sub Stations	1-1820-1800-820-001	1,632,209.67	
	1830	Asset	Property and Equipment	Poles Towers & Fixtures	1-1830-1800-830-001	3,004,836.61	
	1835	Asset	Property and Equipment	O/H Conductors & Devices	1-1835-1800-835-001	1,250,067.07	
	1840	Asset	Property and Equipment	Underground Conduit	1-1840-1800-840-001	861.15	
	1845	Asset	Property and Equipment	U/G Conductors & Devices	1-1845-1800-845-001	579,208.06	
	1850	Asset	Property and Equipment	Line Transformers	1-1850-1800-850-001	1,358,096.30	
	1855	Asset	Property and Equipment	Services - Distribution	1-1855-1800-855-001	451,217.56	
	1860	Asset	Property and Equipment	Meters	1-1860-1800-860-001	1,050,941.56	
	1915	Asset	Property and Equipment	Office Furniture & Equip	1-1915-1900-915-001	68,235.70	
	1920	Asset	Property and Equipment	Computer Hardware	1-1920-1900-920-001	321,832.86	
	1930	Asset	Property and Equipment	Transportation Equipment	1-1930-1900-930-001	489,010.80	
	1935	Asset	Property and Equipment	Stores Equipment	1-1935-1900-935-001	1,496.77	
	1940	Asset	Property and Equipment	Tools, Shop & Garage Equipment	1-1940-1900-940-001	25,664.98	
	1945	Asset	Property and Equipment	Measurement & Testing Equipment	1-1945-1900-945-001	24,682.82	
	1955	Asset	Property and Equipment	Communication Equipment	1-1955-1900-955-001	23,244.49	
	1980	Asset	Property and Equipment	System Supervisory Equipment	1-1980-1900-980-001	283,636.12	
	1508	Asset	Property and Equipment	MS2 - ICM Assets	1-1508-1500-508-102	0.00	
	2440	Asset	Property and Equipment	Pre 2014 Deferred Revenue	1-2440-2400-440-001	(269,399.00)	
	1508	Asset	Property and Equipment	ACM NBV Assets	1-1508-1500-508-XXX	1,634,485.41	
	2055	Asset	Property and Equipment	Work In Process	1-2055-2000-005-001	8,032.84	
	2105	Asset	Property and Equipment	Acc Amort - PP&E	1-2105-2100-105-002	(2,222,137.30)	
Total Capital Assets							**10,193,073.10**
Intangible Assets							
	1925	Asset	Intangible Assets	Software	1-1925-1900-925-001	**314,934.79**	
	1925	Asset	Intangible Assets	Contributed Capital Paid	1-1609-1600-609-001	**838,765.15**	
		Asset	Intangible Assets	Acc Amort - Intangibles	1-2105-2100-105-002	(361,914.98)	
							791,784.96
Other Assets							
	1460	Asset	Future Income Taxes	Other - Non Current Assets	1-1460-1400-460-001		**2,145.28**
Total Other Assets							
Future Income Taxes							
	1460	Asset	Future Income Taxes	Other - Future Income Tax	1-1460-1400-460-002	5,782.50	
Total Future Income Taxes							**5,782.50**
Total Non-Current Assets							**10,992,784.84**
Total Assets							**13,963,012.86**

Balance Sheet

Account		B/S Section	B/S Line Grouping	G/L Account Description		Current Year	Balance Sheet
Regulatory DR Balances							
	1508	Asset	Regulatory Assets	Reg - Other Regulatory Items	1-1508-1500-508-1XX	(41,894.45)	
	2405	Asset	Regulatory Assets	Reg - Deferred Tax Asset	1-2405-2400-405-001	826.00	
	1510	Asset	Regulatory Assets	Preliminary Survey and Investigation Char	1-1510-1500-510-001	36,379.59	
	1518	Asset	Regulatory Assets	RCVA Retail - Variance	1-1518-1500-518-101	79,374.91	
	1525	Current Liabilities	Regulatory Liabilities	SM Entity Charge	1-1551-1500-551-101	(5,359.49)	
	1548	Asset	Regulatory Assets	RCVA STR - Variance	1-1548-1500-548-101	3,909.38	
	1550	Asset	Regulatory Assets	RSVA LV - Variance	1-1550-1500-550-101	413,155.99	
	1551	Asset	Regulatory Assets	RSVA NW - Variance	1-1584-1500-584-101	33,766.10	
	1555	Asset	Regulatory Assets	RSVA CN - Variance	1-1586-1500-586-101	196,172.84	
	1557	Asset	Regulatory Assets	Meter Cost Deferral Account	1-1557-1500-557-101	5,004.67	
	1568	Asset	Regulatory Assets	LRAM - Variance	1-1568-1500-568-101	25,437.37	
	1589	Asset	Regulatory Assets	RSVA Non-RPP GA - Variance	1-1589-1500-589-101	0.00	
	1588	Asset	Regulatory Assets	RSVA Power - Variance	1-1588-1500-588-101	83,136.23	
	1595	Asset	Regulatory Assets	Disposition and Recovery/Refund of Regul	1-1595-1500-595-201	51,827.69	
Total Regulatory Assets							**881,736.83**
Total Assets and Regulatory Balances							**14,844,749.69**
Liabilities and Shareholders' Equity							
Current Liabilities							
	2225	Current Liabilities		Bank Indebtedness	1-2225-2200-225-001	(401,467.49)	
							(401,467.49)
	2205	Current Liabilities		Accounts Payable	1-2205-2200-205-001	(1,275,298.13)	
	2208	Current Liabilities		Cust Credit Bal - Equal Billing	1-2208-2200-208-002	(266.96)	
	2220	Current Liabilities		Accrued Accounts Payable	1-2220-2200-220-001	(287,517.94)	
	2256	Current Liabilities		IESO Payable	1-2256-2200-256-001	(943,356.52)	
	2290	Current Liabilities		HST Federal 5% - A/P	1-2290-2200-290-020	0.00	
							(2,506,439.55)
	2294	Current Liabilities		Accrual - Payments In Lieu	1-2294-2200-294-001	0.00	
							0.00
	2260	Current Liabilities	Payable	Current Portion of Long Term Debt	1-2260-2200-260-001	(199,237.90)	
							(199,237.90)
Customer Deposits							
	2335	Liability	Other Liaiblities	Non-Current Customer Deposits	1-2335-2300-335-001	(146,856.71)	
							(146,856.71)
Total Current Liabilities							**(3,254,001.65)**
	2520	Liability	Other Non-Current Debt	Long Term Debt	1-2520-2500-520-001	**(6,074,849.77)**	
Other Liabilities							
	2440	Deferred Revenue	Deferred Revenue	Deferred Revenue	1-2440-2400-440-001	**(142,176.87)**	
Post-Employment Benefits							
	2306	Liability	OPEB Liability	Employee Future Benefits	1-2306-2300-306-001	**(178,948.00)**	
Total non-current Liabilities							**(6,395,974.64)**
Total Liabilities							**(9,649,976.29)**
Shareholders' Equity							
	3005	Shareholders' Equity	Common Shares	Common Shares	1-3005-3000-305-000	(1,634,404.00)	
							(1,634,404.00)
	3045	Shareholders' Equity	Retained Earnings	Unappropriated Retained Earnings	1-3045-3000-345-000	(2,976,837.38)	
	3055	Shareholders' Equity	Retained Earnings	Adjustment To Retained Earnings	1-3055-3000-355-001	(40,757.82)	
	3090	Shareholders' Equity	Oth Comp Loss	Accumulated	1-3090-3000-309-001	3,565.50	
							(3,014,029.70)
Total Shareholders' Equity							**(4,648,433.70)**

Balance Sheet

Account		B/S Section	B/S Line Grouping	G/L Account Description		Current Year	Balance Sheet
Total Liabilities and Shareholders' Equity							**(14,298,409.99)**
Regulatory CR Balances							
	1508	Current Liabilities	Regulatory Liabilities	Reg - Other Regulatory Items	1-1508-1500-508-102		
	1580	Current Liabilities	Regulatory Liabilities	RSVA WMS - Variance	1-1580-1500-580-101	(500,858.91)	
	1584	Current Liabilities	Regulatory Liabilities	SM Entity Charge	1-1551-1500-551-101	0.00	
	1586	Current Liabilities	Regulatory Liabilities	RSVA CN - Variance	1-1586-1500-586-101		
	1589	Current Liabilities	Regulatory Assets	RSVA Non-RPP GA - Variance	1-1589-1500-589-101	(38,788.52)	
	1589	Current Liabilities	Regulatory Liabilities	Non Current Future Income Tax	1-2350-2300-350-001	(6,692.29)	
Total Regulatory Liabilities							**(546,339.72)**
Total Liabilities, Equity & Regulatory Balances							(14,844,749.71)

Income Statement

Account		I/S Section	I/S Line Grouping	G/L Account Description		Current Year	Income Statement
Service Revenue							
	4006	Service Revenue	Residential Energy Sales	Residential Sales	1-4006-0000-420-000	1,929,928.67	
	4025	Service Revenue	Street Lighting Energy Sales	Street Light - Energy Sales	1-4025-0000-400-000	84,385.22	
	4030	Service Revenue	Sentinel Lighting Energy Sales	Sentinel Light Sales	1-4030-0000-420-000	1,265.04	
	4035	Service Revenue	General Energy Sales	General - RSVA	1-4035-0000-410-000	6,651,011.86	
	4050	Service Revenue	Revenue Adjustment	Unbilled Rev - Residential	1-4050-4000-400-000	114,742.63	
	4055	Service Revenue	Energy Sales for Resale	Resale	1-4055-0000-420-705	913,707.01	
	4062	Service Revenue	Billed WMS	Billed WMS - Residential	1-4062-4000-310-000	328,032.21	
	4066	Service Revenue	Billed NW	Billed NW - Residential	1-4066-4000-340-000	628,577.19	
	4068	Service Revenue	Billed CN	Billed CN - Residential	1-4068-4000-350-000	452,569.15	
	4075	Service Revenue	Billed LV	LV Billed - Residential	1-4075-4000-360-000	258,226.85	
	4076	Service Revenue	SM Entity Charge	SM Entity Charge	1-4076-4000-370-000	25,203.52	
Total Service Revenue							**11,387,649.35**
Adjustment for RSVA Entries							**875,654.45**
Distribution Services							
	1508	Distribution Services	Income From ICM Rate Riders	Income From ICM Rate Riders	1-1508-1500-508-102	106,353.50	
	4080	Distribution Services	Distribution Services Revenue	Distribution Volumetric	1-4080-4000-610-000	2,610,949.84	
Total Distribution Services							**2,717,303.34**
Other Operation Revenue							
	4082	Distribution Services	Retail Services Revenue	Retail Services Revenue	1-4082-4300-655-801	7,615.50	
	4084	Distribution Services	STR Revenue	STR - Requests	1-4084-4300-660-800	220.75	
	4210	Other Operation Revenue	Rent from Electric Property	Rent from Electric Property	1-4210-4340-710-800	29,224.70	
	4225	Other Operation Revenue	Late Payment Charges	Late Penalty Charges	1-4225-4340-720-800	26,204.18	
	4235	Other Operation Revenue	Misc. Service Revenues	Misc Rev - Utilismart Access	1-4235-4340-730-800	49,666.19	
	4245	Other Operation Revenue	Other Assistance CR to Income	Deferred Revenue	1-4245-4340-730-800	2,309.01	
	4325	Other Operation Revenue	Revenues from Merchandise	Jobbing Rev - Outside Labour	1-4325-4360-740-100	0.00	
	4330	Other Operation Revenue	Costs and Expenses of Merchandising	Jobbing Exp - Misc A/R - Labour	1-4330-4360-745-120	0.00	
	4355	Other Operation Revenue	Gain on Disposition of Assets	Gain - Disposition Of Assets	1-4355-4360-750-001	10,000.00	
	4360	Other Operation Revenue	Loss - Disposition of Assets	Loss - Disposition of Assets	1-4360-4360-755-001	(51,691.62)	
	4375	Other Operation Revenue	Revenue from Non Rate-Regulated Utility Operations	Nonuty Rev - Outside Labour	1-4375-4360-760-100	537,757.38	
	4380	Other Operation Revenue	Expenses of Non Rate-Regulated Utility Operations	Nonuty Exp - Jobbing Labour	1-4380-4360-765-120	(471,517.26)	
	4390	Other Operation Revenue	Misc. Non-Operating Income	Misc Nonops Rev - SCRA	1-4390-4360-770-003	2,750.00	
	4405	Other Operation Revenue	Interest and Dividend Income	Interest - Interest Earned	1-4405-4380-810-001	28,105.45	
Total Other Operating Revenue							**170,644.28**
Total Revenues							**15,151,251.42**
Cost of Power							
	4705	Cost of Power	Power Purchased	Power - Purchased	1-4705-4400-200-000	3,814,397.74	
	4707	Cost of Power	Power Purchased	Power - Purchased	1-4707-4400-221-000	5,880,642.68	
	4708	Cost of Power	Charges WMS	WMS Charges	1-4708-4400-110-003	328,032.21	
	4714	Cost of Power	Charges NW	Charges NW	1-4714-4400-140-005	628,577.19	
	4716	Cost of Power	Charges CN	Charges CN	1-4716-4400-150-005	452,569.15	
	4750	Cost of Power	Charges LV	LV Charges	1-4750-4400-160-010	258,226.85	
	4751	Cost of Power	SM Entity Charge	SM Entity Charge	1-4751-4400-751-001	25,203.52	
Adjustment for RSVA Entries						**1,030,816.65**	
Total Cost of Power							**12,418,465.99**

Income Statement

Account	I/S Section	I/S Line Grouping	G/L Account Description		Current Year	Income Statement
Expenses						
Operations and Maintenance						
5005	Operations and Maintenance	Operation Supervision and Engineering	Operation Supervision and Engineering	1-5005-5000-500-100	118,695.66	
5012	Operations and Maintenance	Station Buildings and Fixtures	Stn Bldg & Fixtures - Expenses	1-5012-5000-500-500	19,590.87	
5016	Operations and Maintenance	Distribution Statement Equipment-Labour	Dist Stn Equipment - Outside Labour	1-5016-5000-500-100	4,388.44	
5017	Operations and Maintenance	Distribution Statement Equipment-Expense	Distribution Statement Equipment Expense	1-5017-5000-500-300	19,945.84	
5020	Operations and Maintenance	O/H Distribution Lines & Feeders-Labour	OH Distribution Lines & Feeders - Labour	1-5020-5000-500-100	8,989.11	
5025	Operations and Maintenance	O/H Distribution Lines & Feeders-Expense	O/H Distribution Lines & Feeders - Expense	1-5025-5000-500-200	9,857.78	
5030	Operations and Maintenance	O/H Sub-Transmission Feeders	O/H Sub-Transmission Feeders	1-5030-5000-500-100	590.52	
5035	Operations and Maintenance	O/H Distribution Transformers	O/H Distribution Transformers	1-5035-5000-500-100	4,385.57	
5040	Operations and Maintenance	U/G Distribution Lines & Feeders-Labour	U/G Distribution Lines & Feeders-Labour	1-5040-5000-500-100	13.35	
5045	Operations and Maintenance	U/G Distribution Lines & Feeders-Expense	U/G Dist Ln & Feeders - Expense	1-5045-5000-500-200	5,503.93	
5055	Operations and Maintenance	U/G Distribution Transformers-Operation	U/G Dist Transformers - Outside Labour	1-5055-5000-500-100	2,250.14	
5065	Operations and Maintenance	Meter Expense	Meter Expense	1-5065-5000-500-100	58,708.30	
5070	Operations and Maintenance	Customer Premises-Labour	Cust Premises - Outside Labour	1-5070-5000-500-100	57,134.91	
5075	Operations and Maintenance	Customer Premises-Expense	Customer Premises - Expense	1-5075-5000-500-300	13,737.13	
5085	Operations and Maintenance	Misc. Distribution Expense	Misc. Distribution Expense	1-5085-5000-500-100	83,325.28	
5105	Operations and Maintenance	Maintenance Supervision & Engineering	R&M - Suprvsn & Engineer - Outside Labour	1-5105-5100-500-100	73,502.79	
5110	Operations and Maintenance	Maintenance of Buildings & Fixtures	R&M - Buildings & Fixtures	1-5110-5100-500-534	0.00	
5114	Operations and Maintenance	Distribution Station Equipment	Distribution Station Equipment	1-5114-5100-500-500	18,049.51	
5120	Operations and Maintenance	Maintenance of Poles, Towers & Fixtures	Maintenance of Poles, Towers & Fixtures	1-5120-5100-500-100	18,113.07	
5125	Operations and Maintenance	Maintenance of O/H Conductors & Devices	Maintenance of O/H Conductors and Devices	1-5125-5100-500-100	5,665.63	
5130	Operations and Maintenance	Maintenance of O/H Services	Maintenance of O/H services	1-5130-5100-500-100	11,951.27	
5135	Operations and Maintenance	O/H Distribution Lines & Feeders	O/H Distribution Lines & Feeders	1-5135-5100-500-100	50,933.82	
5145	Operations and Maintenance	Maintenance of U/G Conduit	Maintenance of U/G Conduit	1-5145-5100-500-100	558.40	
5150	Operations and Maintenance	Maintenance of U/G Conductors & Devices	Maintenance of U/G Conductors & Devices	1-5150-5100-500-100	0.00	
5155	Operations and Maintenance	Maintenance of U/G services	Maintenance of U/G services	1-5155-5100-500-100	1,567.50	
5160	Operations and Maintenance	Maintenance of Line Transformers	Maintenance of Line Transformers	1-5160-5100-500-100	353.26	
5175	Operations and Maintenance	Maintenance of Meters	Maintenance of Meters	1-5175-5100-500-100	33,513.38	
Total Operations and Maintenance						**621,325.46**

Income Statement

Account		I/S Section	I/S Line Grouping	G/L Account Description		Current Year	Income Statement
Billing & Collection							
	5310	Billing & Collection	Supervision	B&C Supervision	1-5305-5300-510-100	55,422.45	
	5310	Billing & Collection	Meter Reading	B&C Mtr Read - Outside Labour	1-5310-5300-510-100	68,150.43	
	5315	Billing & Collection	Customer Billing	B&C - Cust Billing	1-5315-5300-510-150	110,052.28	
	5320	Billing & Collection	Collecting	B&C - Collecting expenses	1-5320-5300-510-100	98,361.58	
	5325	Billing & Collection	Collecting-Cash Over & Short	B&C - Cash Over & Short	1-5325-5300-510-543	0.00	
	5335	Billing & Collection	Bad Debt	B&C - Bad Debt Expense	1-5335-5300-510-544	13,749.11	
	5340	Billing & Collection	Misc. Customer Accounts	B&C - Misc Customer Acvct	1-5340-5300-510-150	56,524.56	
	5410	Billing & Collection	Community Relations	Misc Community Relations	1-5410-5400-510-556	6,449.64	
	5415	Billing & Collection	Energy Conservation Exp	Energy Conservation Exp	1-5415-5400-510-557	0.00	
	5420	Billing & Collection	Community Safety Program	Community Safety Program	1-5420-5400-510-558	920.00	
	5420	Billing & Collection	Community Safety Program	Community Safety Program	1-5420-5400-510-558	0.00	
Total Billing & Collection							**409,630.05**
Administrative & General							
	5605	Administrative & General	Executive Salaries & Expenses	Executive Salary	1-5605-5600-520-150	113,724.52	
	5610	Administrative & General	Management Salaries & Expenses	Management Salary	1-5610-5600-520-150	106,181.84	
	5615	Administrative & General	General Administrative Salaries & Expenses	Administrative Salary Expense	1-5615-5600-520-150	78,328.22	
	5620	Administrative & General	Office Supplies & Expenses	Office Supplies - Expenses	1-5620-5600-520-500	39,583.87	
	5630	Administrative & General	Outside Service Employed	Outside Service Employed	1-5630-5600-520-549	156,454.10	
	5635	Administrative & General	Property Insurance	Insurance	1-5635-5600-520-553	45,344.28	
	5640	Administrative & General	Injuries & Damages	Credit Risk Insurance	1-5640-5600-520-565	0.00	
	5645	Administrative & General	OMERS Pensions & Benefits	Employee Pension & Benefits	1-5645-5600-520-566	12,976.24	
	5655	Administrative & General	Regulatory Expense	Regulatory Expense	1-5655-5600-520-150	160,787.34	
	5665	Administrative & General	General Expense	General Expense	1-5665-5600-520-511	62,060.60	
	5675	Administrative & General	Maintenance Gen Plant	Maintenance Gen Plant	1-5675-5600-520-100	4,362.46	
	5680	Administrative & General	Electrical Safety Authority Fees	Admin Electrical Safety Auth Fee	1-5680-5600-520-563	5,052.58	
Total Administrative & General							**784,856.05**
Amortization							
	5705	Amortization	Depreciation Expense	Amortization - Property, Plant and Equipment	1-5705-5700-530-010	378,282.77	
	1508	Amortization	Depreciation Expense	Amortization - ACM Assets	1-1508-1500-508-107	38,958.37	
	5715	Amortization	Depreciation Expense	Amortization - Intangible Assets	1-5715-5700-530-001	63,102.79	
	4235	Amortization	Misc.	Amortization - Pre 2014 Deferred Rev	1-4235-4340-730-800	(10,194.00)	
Total Amortization							**470,149.93**
Property taxes							
	6105	Property taxes	Taxes Other Than Income Taxes	Taxes - Other Than Income	1-6105-6100-550-001	12,560.35	
	6205	Property taxes	Donation	Donation	1-6200-6200-550-002	3,270.21	
							15,830.56
Total Operating Expenses							**14,720,258.04**
Income from Operating Activities							**430,993.38**
Interest Expense							
	6005	Interest Expense	Interest on LT debt	Ltd Interest - SM Infrastructure	1-6005-6000-540-001	187,389.50	
	1508	Interest Expense	Interest on ACM LT debt	Ltd Interest - SM Infrastructure	1-1508-1500-508-111	63,896.08	
	6035	Interest Expense	Other Interest Expense	Int Exp - Short Term	1-6035-6000-540-001	21,151.63	
Total Interest Expense							**272,437.21**

Income Statement

Account		I/S Section	I/S Line Grouping	G/L Account Description		Current Year	Income Statement
Earnings before income taxes							**158,556.17**
Income Taxes							
	6110	Income Tax	Income Taxes	Net Change in Future Income Tax		44,946.21	
	6110	Income Tax	Income Taxes	Income Taxes - Fed&Prov	1-6110-6100-550-001	(896.25)	
							44,049.96
Net Income for the Year							**114,506.21**
Net Movement in Regulatory Balances							**200,108.41**
Net Income for the Year							**314,614.62**
Other Comprehesive Income - Actuarial Pension gain					1-7010-7000-010-001		**0.00**
Total Comprehensive Income							**314,614.62**