EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

2022 Cost of Service

Ottawa River Power Corp.
EB-2021-0052

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1.2 EXECUTIVE SUMMARY

1.2.1 INTRODUCTION

Ottawa River Power Corp. ("ORPC") is pleased to present its Cost of Service application for rates effective May 1, 2022. 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
- ✓ 2022 Benchmarking Forecast Model
- ✓ 2022 Cost Allocation Model EB-2021-0052
- ✓ 2022 OEB LRAMVA Workform EB-2021-0052
- ✓ 2022 Test Year Income Tax PILs Workform EB-2021-0052
- ✓ 2022 Rev Req Workform EB-2021-0052
- ✓ 2022 RTSR Workform EB-2021-0052
- ✓ 2022 Load Forecast Model EB-2021-0052
- ✓ 2022 DVA Continuity Schedule EB-2021-0052
- ✓ 2022 COS Checklist EB-2021-0052
- ✓ 2022 Filing Requirements Chapter 5 Appendix EB-2021-0052
- ✓ 2022 Filing Requirements Chapter 2 Appendices EB-2021-0052
- ✓ 2022 1595 Analysis Workform EB-2021-0052
- ✓ 2022 GA Analysis Workform EB-2021-0052
- ✓ 2022 Tariff Schedule & Bill Impact Model EB-2021-0052

All documents have been submitted to the OEB via their website.

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).

1.2.2 SUMMARY OF APPLICATION INTENDED FOR ORPC CUSTOMERS

On the following pages is a brief summary of Ottawa River Power Corp.'s 2022 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 ORPC's social media pages.

Application Summary

ORPC has applied to the Ontario Energy Board to increase its electricity distribution rates effective May 1, 2022. If the application is approved, a typical residential customer of ORPC will see an increase of $2.21 per month and a typical General Service < 50kW customer will see an increase of approximately $1.22 per month. (ref: Exhibit 8) A summary of the bill impact for all classes is presented in the table below:

Table 1 – Bill Impacts by Rate Class

Customer Classification and Billing Type	Energy kWh	Demand kW	Monthly Distribution Charge (Sub-Total A)			
			2021	2022	Change	
					$	%
Residential (RPP)	750	-	$25.30	$25.53	$0.23	0.89%
GS <50 kW (RPP)	2,000	-	$52.08	$60.74	$8.66	16.63%
GS 50 - 999 kW (non-RPP)	21,588	100	$474.13	$399.31	-$74.82	-15.78%
Unmetered Scattered Load (RPP)	2,690	-	$21.22	$28.62	$7.40	34.86%
Sentinel Lighting (RPP)	100	1	$12.85	$12.79	-$0.06	-0.45%
Street Lighting (Non-RPP)	15,243	175	$3,665.54	$3,412.99	-$252.55	-6.89%

Customer Classification and Billing Type	Energy kWh	Demand kW	Total Bill			
			2021	2022	Change	
					$	%
Residential (RPP)	750	-	$113.44	$114.35	$0.91	0.81%
GS <50 kW (RPP)	2,000	-	$284.44	$291.35	$6.91	2.43%
GS 50 - 999 kW (non-RPP)	21,588	100	$3,981.39	$3,908.06	-$73.32	-1.84%
Unmetered Scattered Load (RPP)	2,690	-	$337.22	$343.35	$6.13	1.82%
Sentinel Lighting (RPP)	100	1	$26.59	$26.02	-$0.57	-2.15%
Street Lighting (Non-RPP)	15,243	175	$6,950.99	$6,478.13	-$472.86	-6.80%

The application, which was filed with the Ontario Energy Board is called a “Cost of Service” and involves the setting and approval of new rate based on the value of the utility’s assets and the cost incurred in providing service to its customers. For ORPC, this involves the maintenance and service of poles, lines, transformers, and meters. (ref: Exhibit 2) All wages and material related to the distribution of power form the basis for the costs included in the application (ref: Exhibit 4).

ORPC is requesting a Base Revenue Requirement of $4,955,456. (ref: Exhibit 6).

Cost of Service Application

There are several reasons why ORPC is seeking a rate increase starting in May of 2022. The main reason is that ORPC's current base rates were set in 2016. Since 2016, ORPC has experienced significant changes, including significant staffing changes to management and changing capital needs from the previously filed Cost of Service application including but not limited to additional pole replacements and a new substation transformer. The preparation of the DSP has aided management in identifying and re-prioritizing the needs of the utility.

Customer and Load Forecast

Load and Customer forecasting minimizes utility risk by predicting future consumption of commodities transmitted or delivered by the utility. ORPC predicts an increase in the residential class of 232 customers from 2020 to 2022 and 3,389,820kWh from the currently approved load and customer count and a decrease of 12 customers and 4,652,544kWh in the General Service <50 Class. ORPC does not predict any significant changes in the GS 50-4999kW and marginal changes in the number of connections in the Unmetered Scattered Load and Street Lights. The details of the customer and load forecast is presented in (ref: Exhibit 3) of the application.

Aging Infrastucture and Capital Planning

Like most utilities in Ontario, ORPC faces the need to renew aging electrical infrastructure. Much of the province's electrical system was built over 50 years ago and has reached the end of its productive life.

ORPC is working on balancing its need for assets and the money needed to pay for assets keeping in mind its customers' need for value.

ORPC is planning to invest heavily in pole and transformer renewals, supply permitting, to continue to deliver safe and reliable power.

ORPC has incurred other costs (wages and materials) in order to be able to make use of new systems. Much like other utilities, ORPC also faces external cost pressures, such as inflation. (Exhibit 4)

Capital priorities in 2022 includes the replacement of poles and transformers as they show sign of deterioration and the replacement of a failed substation transformer to ensure the utility continues to meet demand as it experiences customer growth. (Exhibit 2 – Distribution System Plan)

Rebuild and Respond

ORPC is focusing its efforts going forward on enhancing performance levels in all aspects of its operation and planning activities to comply with its regulatory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA).

At the core of ORPC's mandate is the responsibility to deliver a trusted source of safe, efficient, and reliable power to its customers. A critical element in that equation is the ongoing pole replacement programs that will ensure the long-term integrity and sustainability of the distribution system.

A newly updated Capital Plan/Distribution System Plan (DSP) forms the basis for the utility's capital and maintenance programs. The DSP reflects the latest performance priorities of the distribution system and serves as a basis for the longer term projects recommended from the condition (age risk ratings) assessments.

Under a 5-year capital investment plan, the company has embarked on a prudent course to maintain and renew the utility's equipment assets. (ref: Exhibit 2)

Return on Investments

ORPC is permitted to earn a return on its Rate Base. In this application, ORPC seeks to recover weighted average cost of capital of 4.93% through rates in the 2022 Test Year.

In calculating the applicable cost of capital, ORPC has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity for the allowed return on equity ("ROE"). ORPC is not seeking any changes in its Capital Structure from its 2016 Board Approved Structure.

Table 2 – Capital Structure 2016 to 2021

Particular	**2016**	**2021**	**Diff**

Long Term Debt	4.54%	2.73%	-1.81%
Short Term Debt	1.65%	1.75%	0.10%
Return on Equity	9.19%	8.34%	-0.85%
Weighted Debt Rate	4.35%	2.66%	-1.69%
Regulated Rate of Return	**6.28%**	**4.93%**	**-1.35%**

Focus on Customers

By focusing on customer engagement and communications, ORPC is helping customers make better choices and create healthy, sustainable results for the communities it serves.

Results from a Customer Satisfaction Survey, undertaken by ORPC in the winter of 2021, demonstrate that the company is moving in a positive direction. It has helped to identify customer attitudes about the utility's conservation programs, smart meters, electricity prices and ORPC's standing and reputation in the community. The results will assist ORPC in fine tuning its programs, services and communications use direct and reliable customer feedback.

Overall ORPC customer satisfaction came in at 81%. (ref: Exhibit 1)

Pass-through charges

ORPC is responsible for billing the customer for pass-through charges which are generally set by the province and the OEB. The billing and collecting of these charges most often create variance accounts which need to be disposed of. The total amount to be collected from customers is $333,774. The proposed dispositon period is 12 months. (ref: Exhibit 9)

Conclusion

With this filing, ORPC now looks to the future with the intent to provide essential electricity services to benefit our community and our customers.

1.2.3 BUSINESS PLAN

In compliance with the Rates Handbook issued on October 13, 2016, the Ottawa River Power Corp. is delighted to present its' 2022 Business Plan on the next page.

Utility Description

Ottawa River Power Corporation (ORPC) was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999.

ORPC, as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry (Electricity Distribution License ED-2003-0033). The OEB exercises statutory authority through setting or approving all rates charged by the Corporation and establishing standards of service for the Corporation's customers.

ORPC receives power from the Hydro One Networks Inc. ("HONI") transmission system and delivers electricity to its customers within the Almonte, Beachburg, Killaloe and Pembroke service areas. ORPC is responsible for maintaining distribution and infrastructure assets deployed over 35 square kilometers (including 10 municipal substations, 510 kilometers of overhead and underground lines) within its service areas.

ORPC is authorized to specifically distribute and sell electricity in the following areas:

1. The former Village of Beachburg as of December 31, 2000 except for 27 Davidson Road located on Lot 10, Concession 4 in the Township of Whitewater Region.

2. The former Village of Killaloe as of June 30, 2000.

3. The City of Pembroke as at January 1, 1984.

4. The former Town of Almonte as of December 31, 1997 except for 5703 Martin Street North located on Lot 17 Concession 10.

5. West Half Lot 14, Concession 10 Geographic Township of Ramsay, Now Town of Mississippi Mills.

6. Phase 1 of the Sadler Estates Development located on part of Lot 16, Concession 10, in the Geographic Township of Ramsay, now in the Town of Mississippi Mills.

7. Property of Orchard View on 219 Patterson Street, East Part of Lot 14, Concession 10, Almonte Ward, now in the town of Mississippi Mills.

8. 15126, 15168 and 15340 Highway 60 located on Lot 7, 8 and 9 on Concession 5 in the Township of Killaloe, Hagarty and Richards.

9. 25 Smith Street located on Lot 9, Concession 5 in the Township of Whitewater Region.

Utility History

ORPC has its roots in the former four utilities of Almonte Hydro, Beachburg Hydro, Killaloe Hydro and Pembroke Hydro.

Almonte Hydro history goes back to 1886 with a stock company formed to provide electric lighting in the village. The 20 streetlights came on in 1889. In 1890 Dr. A.A. Metcalfe and his brothers built the first generating station operated as the Almonte Electric Light Company which sold power. In 1901, the Metcalfe plant was purchased by the town which led to the formation of the Almonte Electric Light Commission in 1908. Generation increased over the years; but, in 1945 a connection was made to Ontario Hydro to assure an adequate supply. The existing power house, now owned by Mississippi River Power Generation, was upgraded in 1991 to 2500 kW.

Beachburg Hydro history dates back to 1935 when Beachburg was part of the Township of Westmeath. In 1959, Beachburg formed its own municipal government and Beachburg Hydro was controlled by a separate commission, made up of Council. On January 1, 2000, Beachburg Hydro amalgamated with Pembroke Hydro to become Ottawa River Power Corporation.

Electrical power came to Killaloe in 1947 as part of the rural electrification program of Ontario Hydro. The public utility was created in 1952 to take over the operation of the distribution of electricity within the town. A Commission consisting of two elected commissioners and the mayor ran the utility. A major rebuild/upgrading of the system was completed in 1975.

Pembroke's electric history dates back to October 1884 when it was reported in the local paper that the first electric light was being turned on. Pembroke Electric Light Company came into existence in 1889 with a focus of providing light to Pembroke. Early generation was on the

Muskrat River as part of the plants. Later generation came from a station built on the Black River. Pembroke Electric Light provided power from the Five Mile Crossing through to Camp Petawawa.

In 1967, Pembroke Hydro was formed when the municipality purchased the distribution assets from Pembroke Electric Light Company.

In 1997, the Government of Ontario engaged the MacDonald Committee to review the electrical system in Ontario. In various countries throughout the world, the industry was being revised, separating the components into competitive companies, where possible.

The MacDonald Committee requested input from utilities. Pembroke Hydro, in co-operation with all the other utilities in Renfrew County, completed a study which found that if amalgamation took place to create one utility of approximately 20,000 customers, excellent efficiency and superior service could be provided. In 2000, Pembroke Hydro and Beachburg Hydro amalgamated to form the Ottawa River Power Corporation. Killaloe Hydro and Mississippi Mills Hydro (formerly Almonte Hydro) joined ORPC on the opening of the market.

Mission and Vision

Mission

Ottawa River Power Corporation is an electricity distributor committed to the pursuit of excellence in safety and reliability for the customers and communities we serve. We continue to seek innovation through energy conservation and technology while striving to be the trusted energy advisor for our customers and continuing to create value for our shareholders.

Vision

- To be a responsible corporate leader in the community

- To be part of a productive and effective work force where fulfillment, self-esteem and team spirit fuel the desire of employees to be their best

- To have a strong customer focus, seeking new and better ways to help customers with their energy needs

- To be innovative and creative

- To uphold the highest standards of safety and integrity in all our actions

Corporate Structure

The shareholders of the Corporation are the City of Pembroke (78.4%), the Town of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

Table 3 – Corporate Structure

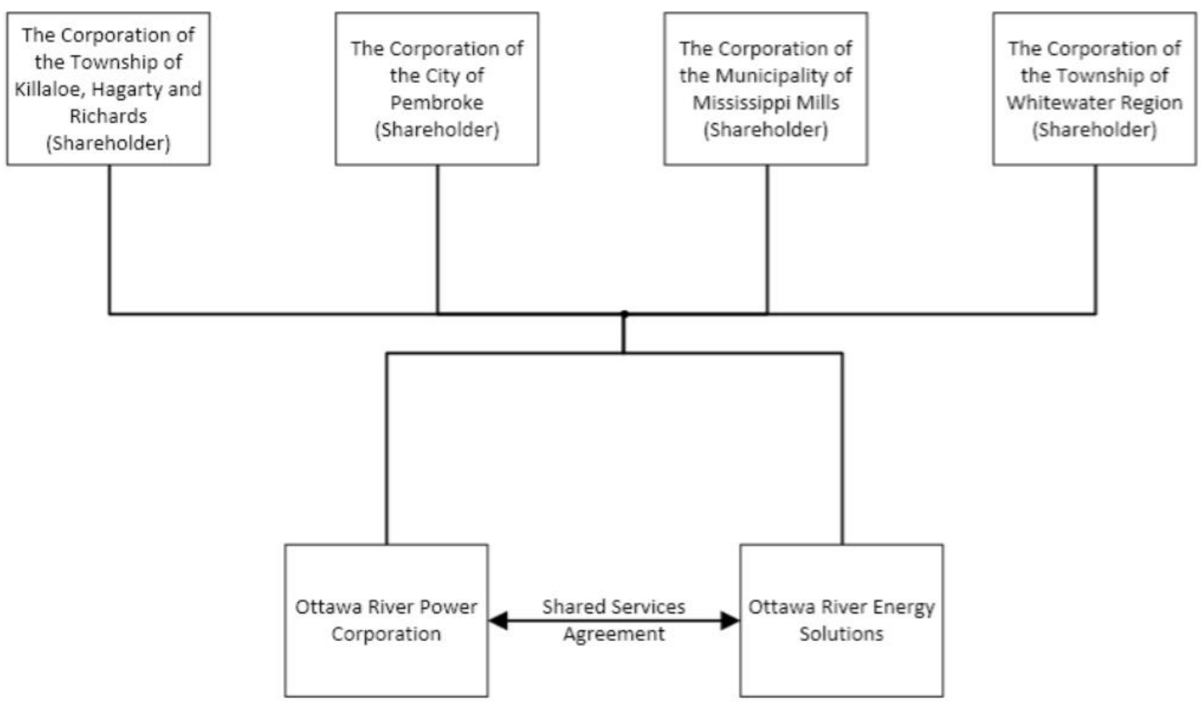
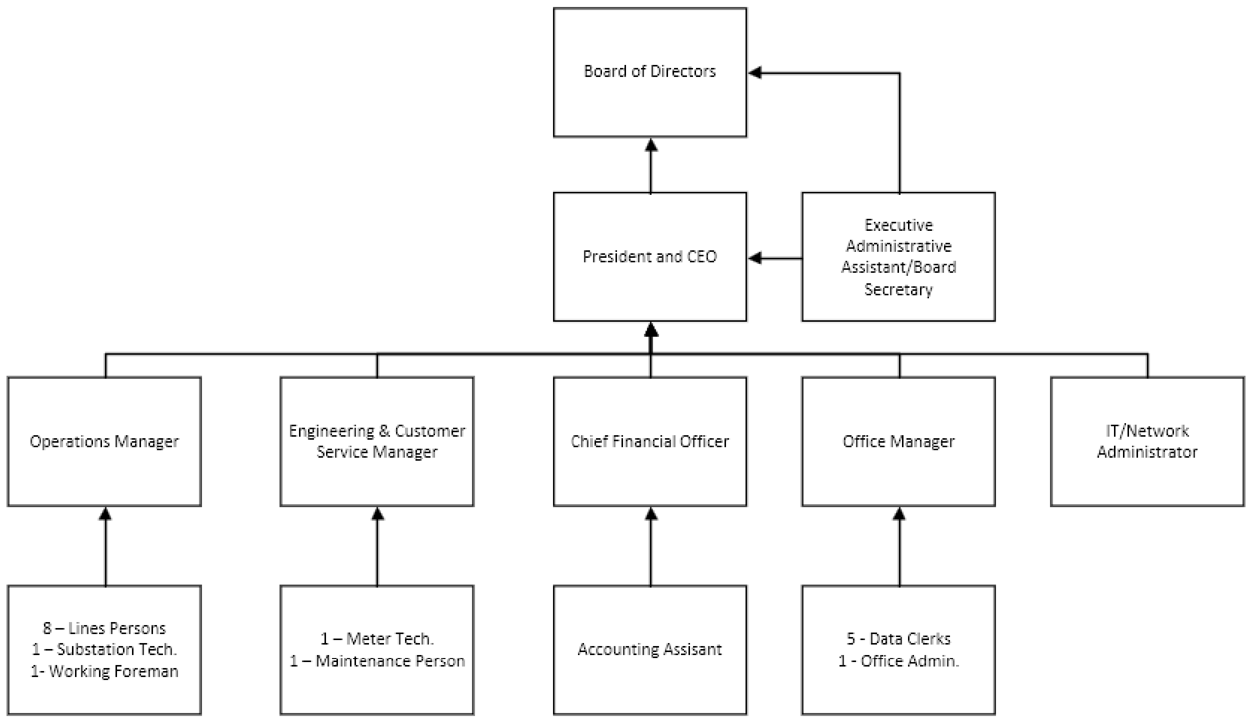


Table 4 - Organizational Chart



Customer Description

In 2020, ORPC served approximately 11,442 residential and commercial electricity distribution customers across its service area. The four communities ORPC serves have diverse characteristics. OPRC has two offices, one located in Pembroke, and one located in Almonte, which represents most of the service area and customer base within ORPC's system. The Killaloe and Beachburg service area mostly contain residential customers located in a rural area with minimal population growth in recent years.

Table 1 below illustrates the changes in ORPC's customer base over the historical period, which includes residential, general service less than 50 kW, general service greater or equal to 50 kW, and large users. Distribution system investments to date have focused on sustaining the existing distribution system infrastructure with a minimal cost impact to customers and expanding the distribution system to meet customer needs.

Table 5 - 2015-2020 actual customer base

Annual Year	Residential	General Service <50 kW	General Service ≥50kW	Large Use > 5MW	Total
2015 Actual	9,441	1,301	150	-	10,892
2016 Actual	9,550	1,294	150	-	10,994
2017 Actual	9,676	1,283	150	-	11,109
2018 Actual	9,809	1,289	149	-	11,247
2019 Actual	9,888	1,283	149	-	11,344
2020 Actual	10,019	1,273	150	-	11,442

Capital Expenditure Plan Overview

ORPC plans to undertake investments over the forecast period from 2022 to 2026 to modernize its grid and improve its reliability, safety, and security of supply.

Development of this plan was conducted using a combination of information from various sources, including:

- Consultation with customers, townships, municipalities, HONI, IESO
- ORPC’s own internal knowledge about the distribution network
- Expert resources from external consultants

This plan is intended to serve the systems short- and long-term needs, as well as ensuring that the distribution system continues to achieve safe and reliable distribution in the long term, with effective asset management planning.

In general, the planned investments and pacing of the investments have been driven based upon the needs of the system, available resources to execute the work, as well as the feedback as captured by customers through the engagements and surveys conducted from 2015 to 2021.

To achieve the goals, the plan will focus investments on specific OEB defined categories. The categories include:

System Access

These non-discretionary investments represent modifications (including asset relocations) made to the distribution system that ORPC is obligated to perform in order to provide a customer (including a generator customer) or group of customers with access to electricity services via ORPC's distribution system.

System Renewal

These investments involve the replacement of ORPC's distribution system assets that are found to be either at, exceeding or approaching their Typical Useful Life ("TUL") within the DSP planning period or have been found to be in Poor or Very Poor condition, such that ORPC can mitigate the failure risks and reliability impacts within the system.

System Service

These investments involve modifications to the system in order to address system-wide critical issues such that ORPC's operational objectives continue to be achieved while addressing anticipated future customer electricity service requirements.

General Plant

These investments represent modifications, replacements or installation of new assets that are not part of the distribution system but ultimately serve to provide the backbone of ORPC's 24/7 operations. This includes land and buildings, tools, and equipment, fleet as well as Information Technology ("IT") hardware and software – all of which contribute towards the day-to-day operations and management of the distribution system.

Table 6 - 2022-2026 Investment Categories

OEB Category	Program	Definition
System Access	**Customer Connections**	The connection of minor (residential) and major (condos, commercial properties, and other large developments) customers to the distribution system.
	Metering	Investments related to the ORPC's metering technologies to ensure reliable measurement of electricity acquired by the utility.

	Externally Initiated Plant Relocation	Replacement and/or relocation of asset infrastructure due to third-party (customer) needs (e.g., city-related or transportation-related initiatives)
System Renewal	**Underground Renewal**	Replacement of underground distribution infrastructure, including underground transformers and cables that are past their TUL and/or in Poor or Very Poor condition, along with transformers containing PCB's.
	Overhead Renewal	Replacement of overhead distribution infrastructure, including overhead pole-mount transformers, poles and conductor that are past TUL and/or in Poor or Very Poor condition, as well as conversion of 4.16kV overhead infrastructure and replacement of transformers containing PCB's.
	Stations Renewal	Replacement of substation infrastructure, including power transformers, circuit breakers, protection relays, station switches and battery banks that are past TUL and/or in Poor or Very Poor condition.
System Service	**System Enhancement**	Modifications to the system to address system-wide critical issues, including the mitigation of operational constraints as well as security of supply issues within the system.
	Station Expansion	Modifications to the substation assets to address critical station-level issues, including communication & controls.
General Plant	**Information Technology**	Upgrades to critical IT infrastructure providing support to the 24/7 operations of the utility.
	Operational Technology	Upgrades to critical tools and testing technologies leveraged by field personnel.
	Facilities	Management of the utilities' facilities infrastructure, including ORPC's office buildings and substation properties.
	Fleet	Replacement of Vehicles to support the 24/7 operations of the utility: Maintenance, support capital projects, respond to emergency outages.

While a strong focus on these spending categories will take place in the coming years, ORPC remains committed to also maintaining consistent performance across service quality, safety, and other performance metrics.

The intent of the proposed plan is to produce an investment strategy of programs and projects that will be executed during the 2022-2026 period, and balances the need to manage aging and degrading assets that allow ORPC to maintain its performance targets, meeting system needs, addressing customer satisfaction, and ensuring electricity rates are as digestible as possible for its customers.

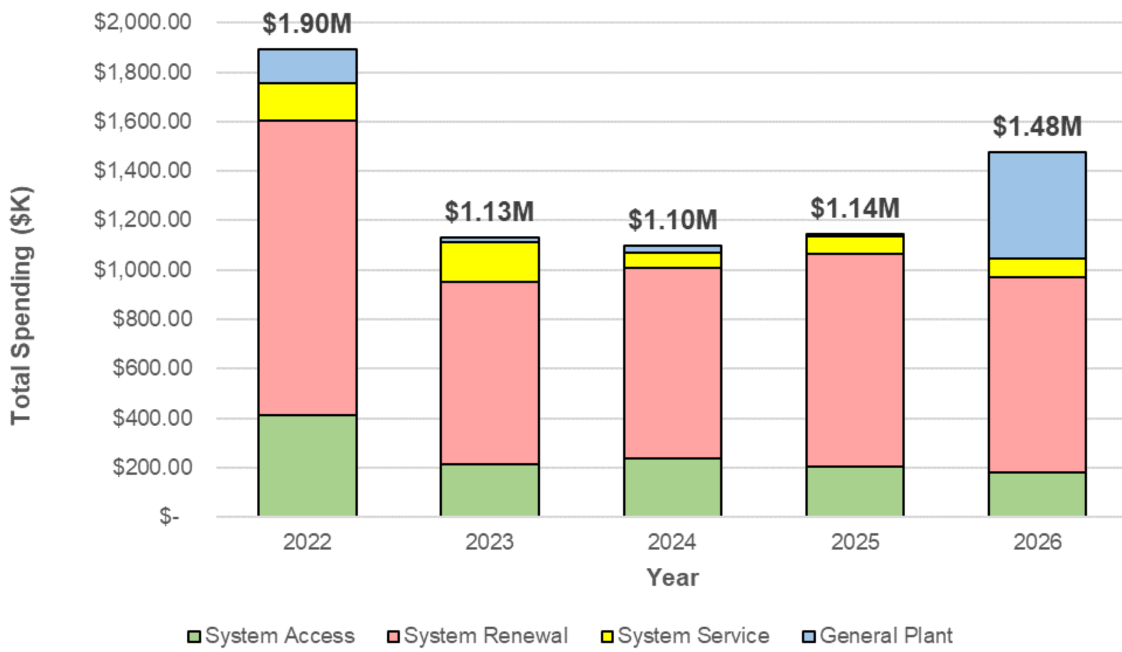
ORPC plans to invest a total of $6.75 million across all four investment categories during the forecast period from 2022 to 2026. The largest form of spending can be seen in the System Renewal category, which will continue to manage aging, deteriorating and functionally obsolete infrastructure, along with assets introducing possible environmental and safety risks within the system. It's also includes significant increase in spend in 2022 due to the unexpected failure of a power transformer in late June 2021.

The table below further details the net capital expenditures for ORPC occurring within planning period from 2022 onwards to 2026. A strong focus on customer value across all categories was considered when developing the CAPEX plan.

Table 7 - Planned Net Capital Investment by Category

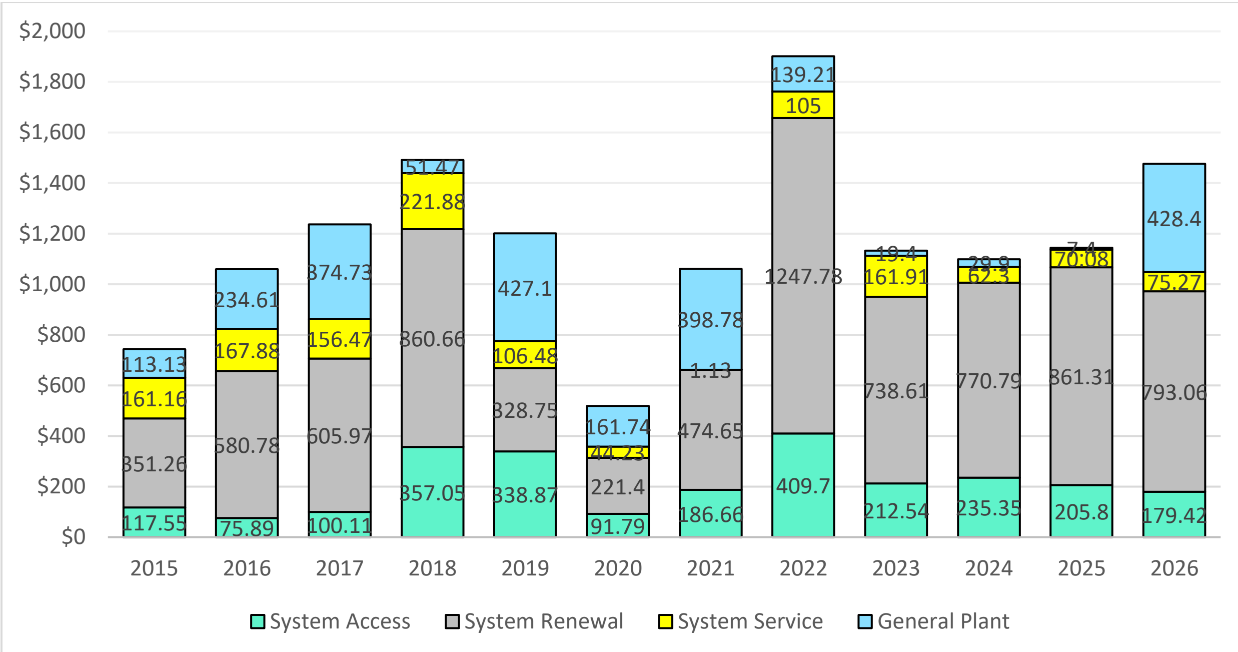
Category	Forecast Period ($K)				
	2022	2023	2024	2025	2026
System Access (Gross)	$833.35	$546.77	$661.50	$542.30	$526.43
System Renewal (Gross)	$1,247.78	$738.61	$770.79	$861.31	$793.06
System Service (Gross)	$105.00	$161.91	$62.30	$70.08	$75.27
General Plant (Gross)	$139.21	$19.40	$29.90	$7.40	$428.40
Gross Capital Expenses	**$2,319.11**	**$1,466.70**	**$1,524.49**	**$1,481.09**	**$1,823.16**
Contributed Capital	$(423.65)	$(334.23)	$(426.15)	$(336.50)	$(347.01)
Net Capital Expenses after Contributions	**$1,901.69**	**$1,132.47**	**$1,098.34**	**$1,144.59**	**$1,476.16**
System O&M	$1,477.84	$1,507.40	$1,537.54	$1,568.30	$1,599.66

Table 8 - Planned Net Capital Investment Graphic



For comparison the figures above illustrate all historical and forecasted capital expenditures from 2015 onwards to 2026, including the 2020 and 2021 bridge years and 2022 test year. The lowest capital expenditures have been incurred in 2020 mostly due to COVID-19 pandemic. It is not expected that the COVID-19 pandemic will have any major impact on what ORPC is able to deliver in the 2022-2026 period.

Table 9 – Historical and Forecasted Capital Expenditures (2015 – 2026)



Additional information and analysis related to ORPC's capital expenditures for 2022-2026 can be found in the Distribution System Plan 2022-2026.

Strategic Goals and Initiatives

ORPC's short- and medium-term strategy which encompasses the period 2022-2026 contains five key elements to enable continuous improvement. Development of this strategy was closely aligned with customer feedback. The strategic goals and initiatives align to ORPC's vision recognize the requirements of the communities we serve.

ORPC will focus on the following areas:

1. Manage investments in infrastructure in an efficient and prudent manner to provide a safe, reliable, and scalable distribution system for today's needs and tomorrow's future.

2. Provide and facilitate timely and open two-way communication to maintain confidence and trust in the operation of both the business and distribution system.

3. Make investments in staff for the purpose of enabling an innovative, engaged, adaptable and agile workforce capable of providing highly skilled workforce to meet the customer and business needs.

4. Encourage the adoption of new technologies and business processes to facilitate ongoing improvements related to all departments and meeting evolving customer needs.

5. Build and leverage industry and community relationships by contributing in meaningful ways for the purpose of enhancing our position as a corporate leader.

Objectives

ORPC will carry out accomplishing the strategic goals and initiatives through specific steps. The five key elements and a summary of the approach to produce results are as follows:

Manage investments in infrastructure in an efficient and prudent manner to provide a safe, reliable, and scalable distribution system for today's needs and tomorrow's future.

By adopting an asset management process that identifies, manages, and mitigates risks within the electricity distribution system, ORPC will be able to achieve a desired level of service at the best appropriate cost as accepted by our customers. Integrating asset management objectives that are largely driven by relevant legislative and regulatory obligations ensures that the OEB's Distribution System Code is adhered to.

The table below illustrates the linkages between the various asset management objectives, measures and targets, along with their relationship to the Renewed Regulatory Framework for Electricity.

Table 10 – Asset Management Objectives, Measures and Targets

RRFE Outcomes	Strategic Corporate Goals	Asset Management Objectives	AM Objective Measure	AM Objective Target
Operational Effectiveness	Health & Safety	To manage and operate the system in a safe manner and in accordance with good utility practices.	• Lost / Non-Lost Time Injury • ESA Non-Compliance • ESA Serious Electrical Incident Index (SEII)	1. WSIB Rate Class 10-year Benchmarks 2. Zero (Max 1 N) 3. SEII = 0
	Asset Management	To manage and optimize the life-cycle of the asset base via capital and maintenance investments.	• DSP Implementation	DSP Progress Variance +/- 10% to Plan
Customer Focus	Customer Satisfaction	To ensure a continued and reliable supply of electricity such that ORPC can continue being a trusted energy advisor for our customers.	• SAIFI • SAIDI	1. SAIDI within range of past 5-year performance 2. SAIFI within range of past 5-year performance
Financial Performance	Financial Management	Prudent and optimal invesmtnet planning to manage rate impacts while upholding corporate financial stability and long-term performance.	• Investment Spending • DSP implementation	1.Material Capital Expenditure +/- 20% to Estimate 2.DSP Annual Investment Category Spending +/- 10% of Plan
Public Policy Responsiveness	Environmental Awareness	Ensure that environmental risks are appropiately managed and that the environmental considerations are considered with respect to capital and maintenance planning of the system	Reportable Spills to the Ministry of Environment	Zero Reportable Spills to Ministry of Environment from Code 5 Events

Provide and facilitate timely and open two-way communication to maintain confidence and trust in the operation of both the business and distribution system.

Two-way communication is vital to the operation and trust in any business. Therefore, ORPC will strive to provide and facilitate frequent, open and effective communication to between customers, staff, board of directors and shareholders.

Customers will be kept up to date on all aspects of ORPC’s operations related to outages (planned/unplanned), rate applications, rate changes, incentives and rate relief measures and other relevant information. Communication will be delivered through all available and feasible avenues, such as social media, websites, mailers, radio broadcasts, community partnerships, and direct outreach by staff.

Customers will be given multiple options to communicate with ORPC, including the use of social media, phone, email, mail and in person at our offices.

ORPC understands that different customers have different preferences with respect to what method they use to contact our staff. ORPC will make every effort to aid our customers to ensure they can communicate any and all comments, questions or concerns they may have.

Providing reliable, responsive, and effective communication for our customers will ensure confidence and trust in ORPC. Furthermore, ORPC will be better positioned to assist its customers and understand their needs with frequent communication and feedback.

Communication within the organization is also of great importance. An informed staff is better positioned to work together to make the business more efficient and well organized, enabling customers to feel more confident in the information that they are receiving and the service that they are provided with.

ORPC will endeavor to keep communication open and frequent across staff, management, and the executive team. This includes, but is not limited to, all aspects of the business related to operations, regulatory, and customer service initiatives. A strong internal communication effort is key to ensure that staff understand relevant topics and emerging information within the industry and community.

Having an informed staff increases engagement and understanding, which in turn will benefit customers, interdepartmental communication, and aid in producing a team effort to meet the organizations goals.

Soliciting feedback and input from staff is also important to the ongoing operation of the business. All staff should be encouraged to share ideas and participate in working groups or committees to accomplish goals or respond to emerging challenges.

The Board of Directors will be kept up to date through regular meetings and will be provided with complete and accurate information to enable strategic decision making to continue the ongoing operation of a respectable, safe, and viable utility.

Make investments in staff for the purpose of enabling an innovative, engaged, adaptable and collaborative workforce capable of providing highly skilled work to meet the customer and business needs.

Educated and well-trained employees are essential to the success of ORPC. Customer needs, technology, communication, codes, standards, and various other aspects related to the operation of the business are constantly evolving. Employees must be able to grow to adapt to changing trends and expectations from customers.

Continuing education and development are a necessary expense and can be managed prudently while still providing an optimized return for both the employee and the company. An employee, when given an opportunity to enhance their knowledge or skill, can not only improve their own self, but can also teach others new information and share knowledge for the benefit of the entire organization.

Supplying resources and arranging training or education opportunities for staff will have a multitude of benefits for ORPC. Employee engagement, confidence, retention, and productivity increase when provided with opportunities to increase knowledge and apply new skills. Building skills and knowledge will have a direct benefit to customers, as well as the development and operation of the distribution system.

ORPC will provide various opportunities to all employees to enable success within their role, including:

- Group training
- Cross-training with internal staff, and across departments where necessary
- E-learning and webinars
- Participation in working groups both internally and externally
- Third party training related to various software, skill building and other relevant high priority subjects

Encourage the adoption of new technologies and business processes to facilitate ongoing improvements related to all departments and meeting evolving customer needs.

Technology continues to advance at a rapid pace within the energy sector, and in the general sense as it relates to communication, productivity, and other purpose-based platforms.

Rapid changes in how business is conducted due to COVID-19 have necessitated newer approaches to internal and external processes related to communication, data storage/transfers and various other day to day operations. Not only are these new approaches more efficient, but they are now the preferred method by which the business operates. This demonstrated the ability for ORPC staff to adapt, adopt and use technology for the purpose of increasing productivity and efficiency.

ORPC staff will be expected and encouraged to try new approaches through the utilization of new technologies to accomplish objectives and better serve customers. Innovation using existing or emerging technologies that improve operations will be met with recognition and praise.

Feasibility and practicality must be considered when adopting new technology to respect the customer value.

Business processes will be continuously reviewed for the purpose of improving operational effectiveness. Feedback from customers and staff will be collected and considered on a constant basis and discussed openly to achieve the best possible outcome with respect to innovation and efficiency to meet the customer needs.

Build and leverage industry and community relationships by contributing in meaningful ways for the purpose of enhancing our position as a corporate leader.

Participating with associations, industry forums and maintaining memberships with various parties in the electrical distribution sector will be a continued focus for ORPC. There is considerable value in these relationships for not only ORPC and its employees, but for the industry in general. Collaboration and joint efforts amongst participating local distribution companies is of great benefit to everyone involved, including customers. It keeps the industry moving forward and allows for greater consistency in the province with respect to best practices, standards, and consultation with regulatory bodies.

ORPC staff will participate in working groups, ask questions/contribute answers within various forums, and attend important meetings as they relate to industry initiatives and directives.

ORPC will also seek to utilize these collaborative relationships to reduce costs for our customers by reducing duplication of efforts related to RFP's, training, educational courses, and looking for opportunities to combine purchasing power.

Community relations and a focus on relationships with various stakeholders in our communities will be prioritized to ensure that we are a responsible and respected corporate leader. A strong emphasis will be placed on enhancing our participation in community events. We will seek opportunities to build meaningful relationships with our customers.

Outcomes of the Renewed Regulatory Framework

On October 18, 2012, the Ontario Energy Board (OEB) 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 would:

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

On March 5, 2014, the OEB issued its report on "Performance Measurement for Electricity Distributors: A Scorecard Approach" The report set out the OEB's policies on the measures that are to be used to assess a distributor's effectiveness and improvement in achieving customer focus, operational effectiveness, 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 ORPC continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

Customer Focus

ORPC encourages customer feedback and collects information through engagement methods across a variety of mediums. Telephone surveys have been the default method to obtain input and feedback from customers. Customer satisfaction is one element of the Distributor Scorecard and is a key performance indicator of how well the business is serving its customers.

ORPC remains committed to improving communication between customers and the utility to increase satisfaction.

Seeking Customer Input

Ottawa River Power Corporation is owned 100% by municipal shareholders. These municipalities are also the same regions in which ORPC operates. ORPC is therefore effectively owned by its customers. This is an important factor, as customers not only have input into the operation of the business, but also a stake in the company.

Telephone

The default method customers use to contact ORPC is by telephone. Typically, they will reach out with questions, comments, or concerns related to billing or service matters. Some customers also reach out to discuss regulatory or industry specific topics, but this is infrequent.

Email and Social Media

In recent years email and social media has become a frequent avenue of communication. ORPC will engage with customers using these mediums as well.

Online Customer Survey

As part of ORPC developing the 2022-2026 DSP, an online customer survey was performed to gather feedback from ORPC customers on their proposed plan. In total, 106 residential and business customers responded to the survey, across its four service areas. Key questions and responses from that survey can be best categorized under the following categories, including (a) customer representation, (b) customer priorities, (c) ORPC performance, (d) capital plan preferences, and (e) overall assessment of ORPC's proposed plan.

Customer Representation

The representation of customers who responded to the survey cover all customer types - residential and business - across all four services areas. The response rate covers approximately 1% of ORPC's customer base, which is within the range of a typical online utility survey. The majority of customers have indicated they have not been extensively impacted by COVID-19.

Customer Priorities

Reasonable distribution rates are the top priority for customers. Customers have indicated that they would like ORPC to focus on day-to-day reliability and provide support to help customers better manage and reduce their electricity consumption. With reliability being one of the top priorities, customers want ORPC to reduce the number of outages experienced whilst looking at improving power quality.

ORPC Performance

The majority of ORPC customers were found to be either very satisfied or somewhat satisfied with respect to customer service, inquiry response time and outage response time. Those who indicated they are not satisfied with these services, have indicated that ORPC should be better at communicating when an outage occurs, and reduce the number of outages they experience whilst ensuring that rates remain affordable.

Capital Plan Preferences

The majority of ORPC's customers were found to be either satisfied with the pace of investments embedded within the four DSP investment categories (System Renewal, Service, Access & General Plant), or alternatively would like to see the utility increase the pace of investments. Similarly, with respect to system performance, the majority of ORPC's customers were found to be either satisfied with the utility continuing to deliver the same level of system performance as seen over the past 5-year period or would like to see an improvement in system performance which would require an increase in investment levels from what has been described within the DSP. However, any increase with the pacing of investments would have to be balanced against the top customer priority of maintaining electricity rates at a reasonable level.

Overall Assessment of ORPC's Proposed Plan

Overall, there is strong support for ORPC's proposed plan, with customers either agreeing that this is the right approach or indicating that they trust that ORPC being the expert will make the right decisions. Customers have indicated that they would like to see ORPC build on its communication and look to reduce the number of outages whilst maintaining reasonable distribution rates. Customers who have been impacted by COVID-19 are also generally supportive of ORPC proposed plans.

This customer engagement not only helped ORPC with the DSP, but also gave insight to how customers felt about balancing rates with necessary capital investments to improve system performance.

1.3 ADMINISTRATIVE

1.3.1 APPLICANT

Application contact information is as follows:

Applicants Name:	Ottawa River Power Corp.

1.3.2 CONTACT INFORMATION

Application contact information is as follows:

Applicants Name:	Ottawa River Power Corporation
Applicants Address:	283 Pembroke Street West, P.O. Box 1087
	Pembroke ON K8A 6Y6
ORPC's Main Contact Info.	Justin Allen
	President and CEO
	jallen@orpowercorp.com
	Tel: 613.732.3687 x230
	Jeffrey Roy
	Chief Financial Officer
	jroy@orpowercorp.com
	Tel: 613.732.3687 x227
ORPC's Counsel:	Michael Buonaguro
	Email: mrb@mrb-law.com
	Phone: 416.767.1666

1.3.3 CONFIRMATION OF INTERNET ADDRESS

Ottawa River Power Corp.'s website and social media addresses are below:

https://www.orpowercorp.com

https://www.facebook.com/OttawaRiverPower/

https://twitter.com/ORPowerCorp

1.3.4 STATEMENT OF PUBLICATION

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, ORPC 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; Pembroke Observer

Pembroke Observer
100 Crandall Street
Pembroke, Ontario
K8A 7X2

Once the Notice of Application and Hearing has been published in the above listed newspaper, Ottawa River Power Corp. will file an Affidavit of Publication.

All of Ottawa River Power Corp.'s customers may be affected by this application.

1.3.5 LEGAL APPLICATION

Application

Ontario Energy Board

EB-2021-0052

In the matter of; the Ontario Energy Board Act, 1998, and in the matter of an Application by Ottawa River Power Corp. for an Order or Orders approving or fixing just and reasonable rates for the distribution of electricity to be implemented as of May 1, 2022.

The Applicant is Ottawa River Power Corp. *(referred in this application as "Applicant", the "Distributor", the "Company", the "utility", "LDC", "Ottawa River Power Corp" or "ORPC")* is a fully licensed distributor of electricity under distribution license ED-2003-0033 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

Ottawa River Power Corp. 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, 2022.

The Applicant submits 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 for 2022 Rate Applications - Chapter 2: Cost of Service*" (dated June 24, 2021).
ii. Ottawa River Power Corp. has filed its Distribution System Plan in conjunction with its' 2022 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 – 2021 Edition for 2022 Rate Applications - Chapter 5: Consolidated Distribution System Plan" dated June 24, 2020.

iii. In order for Ottawa River Power Corp. 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. Ottawa River Power Corp. 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.

Ottawa River Power Corp. applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application to be effective May 1, 2022 or as soon as possible thereafter. The Applicant submits 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,

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

1) Approval to charge distribution rates effective May 1, 2022 to recover a base revenue requirement of $4,955,456 which includes a revenue deficiency of $101,962 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 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 $4.55 as approved in the Applicant's 2021 Cost of Service (EB-2020-0049) and detailed in Exhibit 3.
9) Approval to include assets relating to a new substation (built and energized in 2019) into the Applicant’s 2022 Rate Base as detailed in Exhibit 2.

10) Approval of the Rate Riders for a one-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
11) Forgo the Disposal / recovery of 1588 & 1589 commodity account balances at as December 31st, 2019, until the OEB audit has been completed.
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) 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.
14) 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.
15) Such other approvals that ORPC may request and that the OEB accepts.

1.3.6 CERTIFICATION OF ACCURACY AND COMPLETENESS OF APPLICATION

ORPC hereby certifies that the application has been reviewed and approved by the Chief Executive Office / President, Chief Financial Officer, 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.

ORPC confirms that the information and evidence presented herein is accurate to the best of the corporation's knowledge.

1.3.7 CONFIDENTIAL INFORMATION

ORPC confirms that the application does not include any confidential information.

1.3.8 ALIGN RATE YEAR WITH FISCAL YEAR

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

1.3.9 BILL IMPACTS

The 2022 distribution rates proposed by ORPC will result in total bill impacts as follows:

- Residential customers using 750 kWh per month - $0.91 (Time-of-Use - TOU) or 0.8%.
- General Service<50 kW using 2,000 kWh per month - $6.91 (TOU) or 2.4%.
- General Service 50-4999 kW – (1.8)%.
- Sentinel Lighting - $(0.57) or (2.2)%
- Street Lighting – (6.8)%
- Unmetered Scattered Load – 1.8%

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

Table 11- Total Bill Impacts

	Sub-Total						Total	
	A		B		C		Total Bill	
	$	%	$	%	$	%	$	%
RESIDENTIAL - RPP	$0.23	0.9%	$1.05	3.3%	$1.01	2.5%	$0.91	0.8%
GENERAL SERVICE LESS THAN 50 KW - RPP	$8.66	16.6%	$7.65	11.4%	$7.56	8.7%	$6.91	2.4%
GENERAL SERVICE 50 to 4,999 kW - Non-RPP (Other)	-$74.82	-15.8%	-$51.81	-9.4%	-$53.32	-5.6%	-$73.32	-1.8%
SENTINEL LIGHTING - Non-RPP (Other)	-$0.06	-0.5%	-$0.61	-4.3%	-$0.62	-3.6%	-$0.57	-2.2%
STREET LIGHTING - Non-RPP (Other)	-$252.55	-6.9%	-$408.35	-10.7%	-$410.30	-9.5%	-$472.86	-6.8%
UNMETERED SCATTERED LOAD - RPP	$7.40	34.9%	$6.85	16.8%	$6.73	9.9%	$6.13	1.8%
RESIDENTIAL - Non-RPP (Retailer)	$0.23	0.9%	$1.04	3.3%	$1.00	2.5%	$0.90	0.8%
RESIDENTIAL - RPP	$0.08	0.3%	$0.40	1.4%	$0.38	1.2%	$0.34	0.6%
GENERAL SERVICE 50 to 4,999 kW - Non-RPP (Other)	-$74.82	-15.8%	-$51.81	-9.4%	-$51.81	-9.4%	-$136.02	-0.8%

A full list of the bill impacts applicable to all customer classes is found in Exhibit 8, Section 8.1.15 of this application. All of ORPC's customers will be affected by this application.

1.3.10 STATEMENT AS TO THE FORM OF HEARING REQUESTED

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.

ORPC 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.

1.3.11 PROPOSED ISSUES LIST

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

General – Exhibit 1: the reasonableness/suitability of:

- The overall economic and business planning assumptions for the Test Year (2022).
- The reasonableness of the proposed Service Revenue Requirement of $5,321,137, Base Revenue Requirement of $4,955,456 and revenue deficiency of $101,962.

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 (2022).
- Inclusion of 1508 asset data at NBV into the Rate Base for the Test Year (2022).
- The objectives of the Applicant and its' customers.

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?

Operating Costs - Exhibit 4: The reasonableness/suitability of:

- The Applicant's projected OM&A expenses for the Test Year (2022).
- The methodologies used to allocate costs.
- The proposed level of depreciation/amortization expense for the Test Year (2022).
- 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.

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.

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

- The Applicant's calculation of Revenue Deficiency.

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.

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.

Deferral and Variance Accounts - Exhibit 9: The reasonableness/suitability of the application in the context of the following questions:

- 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?

1.3.12 STATEMENT OF DEVIATION OF FILING REQUIREMENTS

With the exception of the omission of a program-based variance analysis in favor of a USofA account variance analysis, ORPC followed the Ontario Energy Board's Filing Requirements for Electricity Distribution Rate Applications - 2021 Edition for 2022 Rate Applications - Chapter 2 Cost of Service June 24, 2021.

ORPC has filed a completed 2022 Cost of Service checklist, as an Excel file, in conjunction with this application.

In an effort to facilitate the flow of the evidence and ease the review of the application by various stakeholders, ORPC has moved certain sections within the application. ORPC has moved the following sections:

- The section pertaining to "Income Tax or PILs" was moved from Exhibit 4 to Exhibit 6.
- The section pertaining to "Depreciation Expenses" was moved from Exhibit 4 to Exhibit 2.
- The section pertaining to "Other Revenues" was moved from Exhibit 3 to Exhibit 6.

1.3.13 CHANGES IN METHODOLOGIES

The projections for the 2022 Test Year were prepared in accordance with ORPC's budget process as described in Section 1.5 of this Exhibit. All processes are in compliance with policies, directives and rules and guidelines from the Ontario Energy Board and other regulating bodies.

1.3.14 BOARD DIRECTIVE FROM PREVIOUS DECISIONS

At the date of this submission, ORPC is not aware of any Board Directives from any previous Board Decisions and/or Orders that require addressing in this Application.

1.3.15 CONDITIONS OF SERVICE

ORPC'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.orpowercorp.com/wp-content/uploads/2020/03/ORPC-Conditions-of-Service-Version-8-R3-2019_Final-Copy.pdf

ORPC confirms that 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.

1.3.16 ACCOUNTING STANDARDS FOR REGULATORY AND FINANCIAL REPORTING

Changes in Tax Status

ORPC 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

This 2022 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).

ORPC confirms there have been no accounting changes adopted since the Applicant's 2016 Cost of Service rate application (EB-2014-0105).

Accounting Orders

At the date of this submission, ORPC is not aware of any Board Directives from any previous Board Decisions and/or Orders that require addressing in this Application.

Compliance with the Uniform System of Accounts

ORPC 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.

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

ORPC 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, ORPC no longer includes PST in its OM&A cost estimates. Regulatory costs for Test Year 2022 have been normalized by allocating one fifth of those costs to the Test Year 2022.

Monthly Billing

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

1.3.17 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESS

Until March 2019, ORPC 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 ORPC's rate regulated activities in accordance with the Board's Accounting Procedures Handbook for Electricity Distributors.

1.3.18 OPERATING ENVIRONMENT

OPRC is a local distribution company serving approximately 11,442 residential and commercial customers in the City of Pembroke, Beachburg, Killaloe, and Almonte Ward, comprising a 35-square-kilometer urban service area in Eastern Ontario. OPRC maintains 12 municipal substations ("MS") and almost 500 kilometers of distribution lines throughout its service area. The company is wholly owned by the Corporation of the City of Pembroke, the Corporation of the Township of Whitewater Region, and the Corporation of the Township of Killaloe, Hagarty and Richards, and the Corporation of the Municipality of Mississippi Mills.

The economic growth has been slow within ORPC's service area. The population in Almonte and Beachburg increased between 2011 and 2016, whereas the population in Killaloe and Pembroke decreased over the same period. The total change in population within the service area is -1.2% based on the 2016 Census.

Pembroke, known as "the heart of the Ottawa Valley", experiences a warm humid continental climate with a significant amount of rain throughout the year. The average annual temperature is 5°C with 821 millimeters of rainfall per year. The summer-like condition usually spans from June to mid-September with July being the warmest month. Temperature generally drops below 0°C between November to March. Located 20 kilometers and 40 kilometers away from Pembroke, respectively, Beachburg and Killaloe share similar climate characteristics with Pembroke.

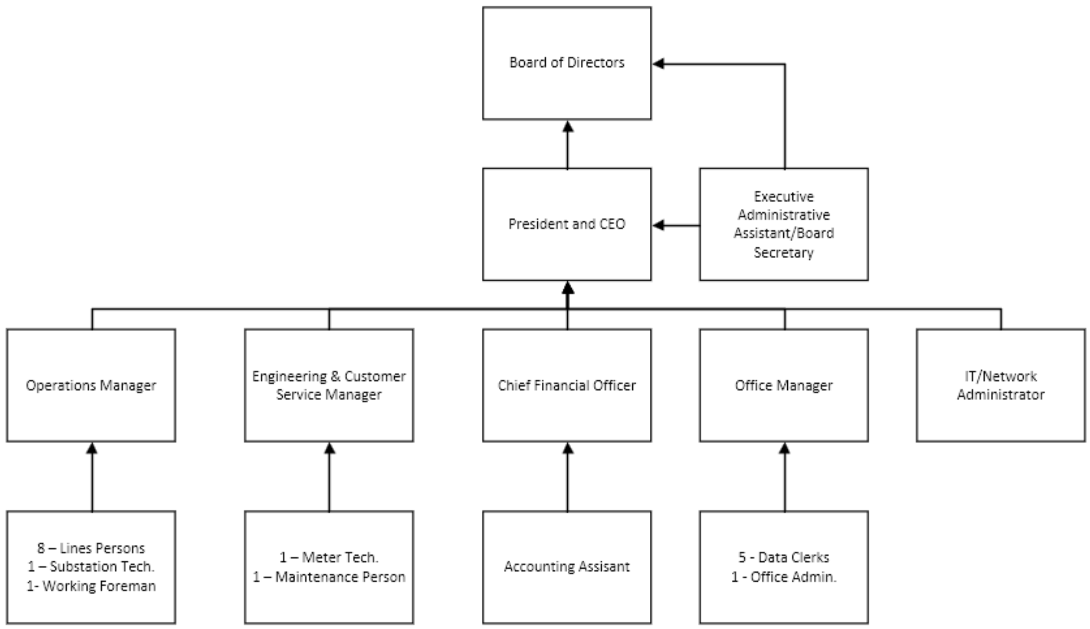
Almonte, located about 45 kilometers from Ottawa, has the same type of climate. The annual amount of rainfall exceeds 800 millimeters. Most of the rain falls in July, which is also the warmest month of the year with a high of 26°C. Winter-like conditions take place from mid-September to May, when the temperature typically drops below 0°C.

ORPC receives power from five HONI transformation substations ("TS"). HONI Almonte TS supplies power to ORPC's Almonte service area at the 44kV system voltage via one feeder. The Almonte system is also connected with two power generators, Mississippi River Power Corporation and Enerdu Power Systems Ltd. The systems in Beachburg and Killaloe source the supply from HONI's Beachburg DS and Killaloe DS, respectively, which both are downstream from HONI's Cobden TS. The system in Pembroke is supplied by HONI's Pembroke TS at 44kV via two feeders and interconnected with Hydro Quebec. ORPC is managed by a Board of Directors appointed by the City of Pembroke, Town of Mississippi Mills, Township of Whitewater Region and Township of Killaloe, Hagarty and Richards.

1.3.19 CORPORATE ORGANIZATION

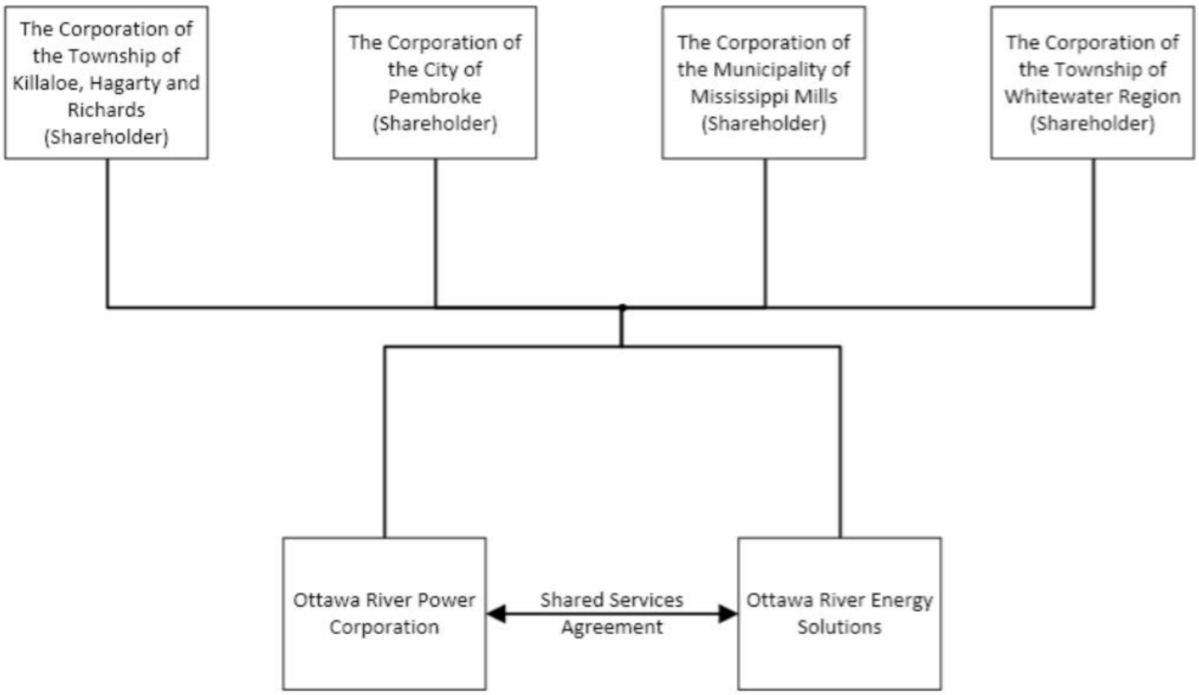
ORPC currently employs a workforce of 26 full-time employees as illustrated below:

Table 12 - Organizational Structure Chart



ORPC's corporate structure is illustrated below:

Table 13 - Corporate Structure Chart



The Directors are appointed by each respective shareholder. The CEO/President of ORPC 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.

1.4 DISTRIBUTION SYSTEM OVERVIEW

1.4.1 APPLICANT OVERVIEW

(Excerpt from ORPC's DSP (3.2))

OPRC is a local distribution company serving approximately 11,442 residential and commercial customers in the City of Pembroke, Beachburg, Killaloe, and Almonte Ward, comprising a 35-square-kilometer urban service area in Eastern Ontario. OPRC maintains 12 municipal substations ("MS") and almost 500 kilometers of distribution lines throughout its service area. The company is wholly owned by the Corporation of the City of Pembroke, the Corporation of the Township of Whitewater Region, and the Corporation of the Township of Killaloe, Hagarty and Richards, and the Corporation of the Municipality of Mississippi Mills.

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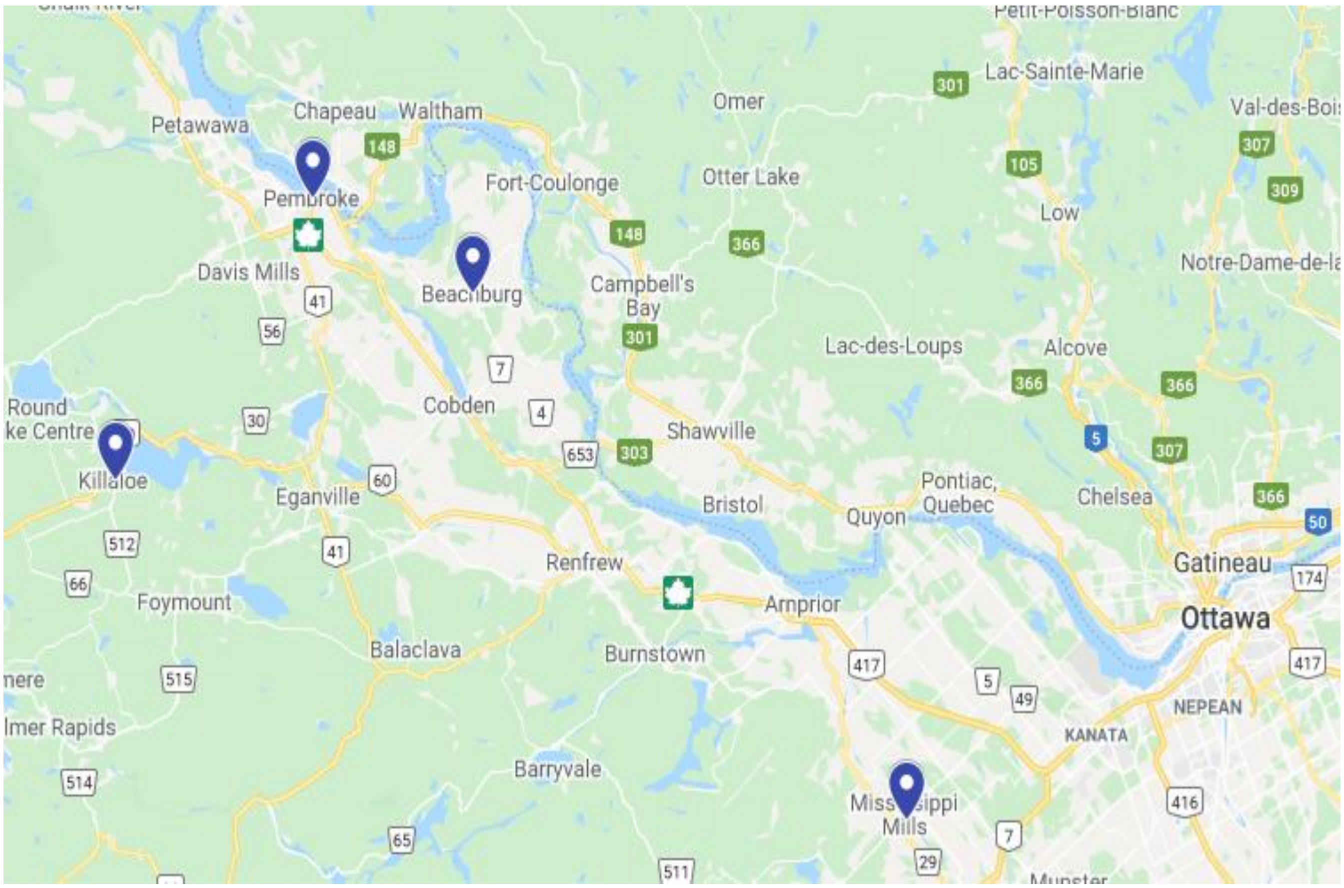
ORPC receives power from five HONI transformation substations ("TS"). HONI Almonte TS supplies power to ORPC's Almonte service area at the 44kV system voltage via one feeder. The Almonte system is also connected with two power generators, Mississippi River Power Corporation and

Enerdu Power Systems Ltd. The systems in Beachburg and Killaloe source the supply from HONI's Beachburg DS and Killaloe DS, respectively, which both are downstream from HONI's Cobden TS. The system in Pembroke is supplied by HONI's Pembroke TS at 44kV via two feeders and interconnected with Hydro Quebec.

Table 14 - Ottawa River Power Corp.'s Service Territory



1.4.2 SYSTEM CONFIGURATION - HOST /EMBEDDED DISTRIBUTOR

ORPC is an embedded distributor within Hydro One's service territory and is connected to the grid through Hydro Ones Transmissions Station feeders. ORPC does not own any TS and instead receives power at the 44kV system voltage from four HONI TS/DS as listed in the table below.

Table 15 - Transmission Station Feeders

<table>
<tr><th>ORPC Service Territory</th><th>HONI Station</th><th>HONI Upstream TS</th></tr>
<tr><td>Almonte</td><td>Almonte TS</td><td></td></tr>
<tr><td>Beachburg</td><td>Beachburg DS</td><td rowspan="2">Cobden TS</td></tr>
<tr><td>Killaloe</td><td>Killaloe DS</td></tr>
<tr><td>Pembroke</td><td>Pembroke TS</td><td></td></tr>
</table>

ORPC's system consists of approximately 364 km of overhead conductor and 126 km of underground cables. ORPC owns 12 MS which contains, in aggregate, 14 power transformers. Out of the 14 power transformers, 10 are rated for the 4.16 kV voltage on the secondary side supplying 30 feeders, and 4 are rated for the 12.47 kV voltage on the secondary side supplying 12 feeders. Table 6 illustrates the number of feeders and length at each voltage class. Table 7 shows the list of power transformers owned by ORPC and their rated capacity.

Table 16 - Number and Length of lines based on the voltage class

Voltage (kV)	Feeder Count	Feeder Length (km)
4.16	30	92.4
12.47	12	92.0

Table 17 - Station Transformers and Capacity (MVA)

Service Area	MS #	Transformer Bank	Capacity (MVA)	Secondary Voltage (kV)
Pembroke	MS1	T1 (single phase)	2.5	4.16
		T2 (single phase)	2.5	4.16
		T3 (single phase)	2.5	4.16
	MS2	T1	6	4.16
	MS3	T1	5	4.16
	MS4	T1	5	4.16
	MS5	T1	3	4.16
	MS6	T1	10	12.47
		T2	10	12.47
	MS7	T1	10	12.47
	MS8	T1	10	12.47
Almonte	MS1	T2	5	4.16
	MS2	T1	5	4.16
	MS3	T1	3	4.16
	MS4	T1	5	4.16

ORPC does not have any embedded distributors within its territory.

1.4.3 TRANSMISSION OR HIGH VOLTAGE ASSETS

ORPC does not have any Transmission or high Voltage assets.

1.5 APPLICATION SUMMARY

This section is dedicated to defining each element of ORPC's 2022 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.

Consideration for COVID-19:

In preparing this application, ORPC has not included any assumptions or provisions for the effect and / or impact of the COVID-19 pandemic. For example, ORPC 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 its customer or connection forecast to account for small businesses 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.
- 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 disconnecting residential or small business customers due to non-payment of account.

Instead, ORPC has treated the 2021 Bridge Year and 2022 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.

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

Table 18 – 2022 Parameters vs 2016 Parameters

Particular	**2016**	**2022**	**Diff**
Long Term Debt	4.54%	2.73%	-1.81%
Short Term Debt	1.65%	1.75%	0.10%
Return on Equity	9.19%	8.34%	-0.85%
Weighted Debt Rate	4.35%	2.66%	-1.68%
Regulated Rate of Return	**6.28%**	**4.93%**	**-1.35%**
Controllable Expenses	$3,064,965	$3,708,394	$643,429
Power Supply Expense	$24,625,882	$19,698,362	-$4,927,520
Total Eligible Distribution Expenses	$27,690,847	$23,406,757	-$4,284,091
Working Capital Allowance Rate	7.50%	7.50%	0.00%
Total Working Capital Allowance ("WCA")	**$2,076,814**	**$1,755,507**	**-$321,307**
Fixed Asset Opening Bal Bridge Year	$30,265,128	$19,205,663	-$11,059,465
Fixed Asset Opening Bal Test Year	-$20,539,657	-$7,678,773	$12,860,884
Average Fixed Asset	$9,725,471	$11,526,890	$1,801,419
Working Capital Allowance	$2,076,814	$1,755,507	-$321,307
Rate Base	**$11,802,285**	**$13,282,397**	**$1,480,112**
Regulated Rate of Return	6.28%	4.93%	-1.35%
Regulated Return on Capital	**$741,703**	**$655,460**	**-$86,243**
Deemed Interest Expense	$307,851	$212,359	-$95,492
Deemed Return on Equity	$433,852	$443,101	$9,249
OM&A	$3,064,964	$3,708,394	$643,431
Depreciation Expense	$739,929	$957,283	$217,353
PILs	$84,883	$0	-$84,883
Revenue Offset	-$284,010	-$365,681	-$81,671
Revenue Requirement	**$4,347,469**	**$4,955,456**	**$607,987**

1.5.1 BUDGETING AND ECONOMIC ASSUMPTIONS

ORPC 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 2021 Bridge Year and ORPC's proposed rates for the 2022 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 ORPC'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 ORPCs 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 2022 Test Year are the result of planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are implemented.

Capital Costs

In managing its' distribution system assets, ORPC'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. ORPC is committed to providing our customers with an economical, safe, reliable supply of electricity and enabling our community to be energy efficient.

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

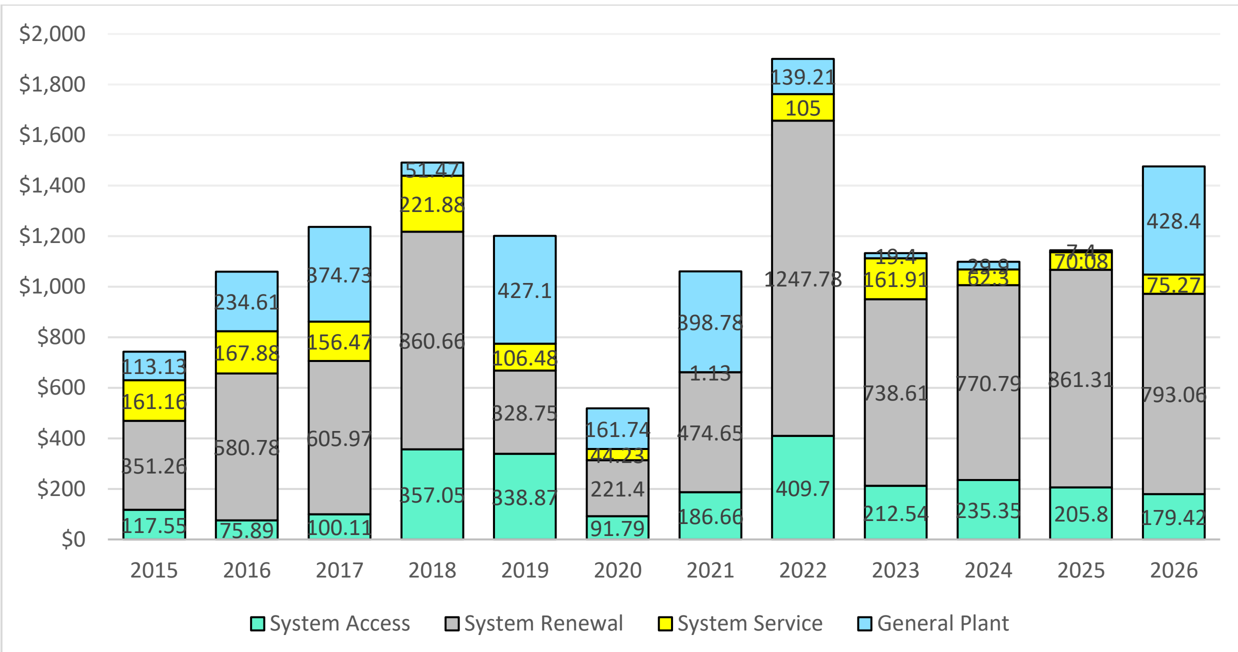
1) To replace assets before they fail; and
2) To replace assets at the end of their useful life

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.

1.5.2 RATE BASE AND CAPITAL PLANNING

The table and chart below illustrate ORPC's total capital expenditure for the forward looking 5 years of 2022-2026 and is generally lower when compared to the actual capital expenditure spent for the historical period of 2016 to 2020:

Table 19 - Total CapEx for Historic Period with Actuals to Future 5-Year Plan



The above chart demonstrates that ORPC, in preparing its' future 5-year year capital investment program for 2022 to 2026, the LDC is "levelizing" spending so that it is paced and prioritized.

ORPC's approach to managing its' distribution assets is described in detail in ORPC's 2022 Distribution System Plan.

Table 20 - Rate Base

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Particulars	**Last Board Approved**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Net Capital Assets in Service:								
Average Gross Assets	30,265,128	12,684,917	13,833,139	15,197,310	16,364,217	16,989,599	17,724,210	19,205,663
Average Accumulated Depreciation	-20,539,657	-2,746,384	-3,600,161	-4,448,158	-5,190,285	-5,882,601	-6,686,437	-7,678,773
Average Balance	9,725,471	9,938,532	10,232,978	10,749,152	11,173,932	11,106,997	11,037,773	11,526,890
Working Capital Allowance	2,076,814	2,073,726	1,932,615	1,828,968	1,825,450	2,183,328	1,779,541	1,755,507
Total Rate Base	**11,802,285**	**12,012,259**	**12,165,593**	**12,578,120**	**12,999,383**	**13,290,325**	**12,817,314**	**13,282,397**

The proposed Rate Base for the 2022 Test Year of $13,282,397 reflects an increase of $1,480,112 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.

The utility is not proposing to recover any costs from any rate class for renewable energy connections/expansions, smart grid, and regional planning initiatives. Table 12 below shows the change in Rate Base from the last Cost of Service in 2016 to the proposed 2022 Cost of Service.

ORPC 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 and minimum inspection requirements for distribution equipment. Also, ORPC 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 ORPC has replaced or upgraded equipment when economically viable, such as the replacement of a substation in 2019. The net result has been ORPC 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.

Summarized below are the main capital investments projects completed by ORPC since 2016:

Major capital cost drivers: 2016

- System Access: Orchard View by the Mississippi Almonte at $79,812
- System Renewal: Martin Street and Paul Street at $124,628

- System Renewal: Minor Capital Betterments at $293,696
- System Renewal: Paul Martin Drive Pole Conflicts Road Rebuild at $107,282
- System Service: Sub 6 Ground Grid at $72,244
- System Service: Station 2 Rebuild $61,445
- General Plant: Transportation Equipment - Truck Purchase at $113,525
- General Plant: Leasehold Improvement at $54,222

Major capital cost drivers: 2017

- System Access: New Services and Service Upgrades at $176,518
- System Access: Riverfront Phase 4 $86,544
- System Renewal: Boundary Road - Pole Replacements at $86,692
- System Renewal: Minor Capital Betterments at $320,675
- System Renewal: Boundary Road Pole Replacement at $66,342
- System Service: Almonte MS#1 Scada Upgrade at $58,745
- System Service: Almonte MS#2 Upgrades at $58,599
- General Plant Transportation Equipment - Truck Purchase $319,920

Major capital cost drivers: 2018

- System Access: New Services and Service Upgrades at $239,569
- System Renewal: Minor Capital Betterments at $216,312
- System Renewal: Pembroke Voltage Conversion MS#1 and MS#3 at $371,389
- System Service: Almonte MS#3 Station Upgrades $64,813
- System Service: Almonte MS#2 Upgrade at $56,943
- System Service: Almonte MS#4 Construction at $147,575

Major capital cost drivers: 2019

- System Access: New Services and Service Upgrades $414,367.
- System Access: Riverfront Phase 5 $172,940
- System Renewal: Victoria Street Underground Conversion $55,663
- System Renewal: Minor Capital Betterments $88,885
- System Renewal: Beachburg Road Pole Replacement $55,480
- System Renewal: Almonte MS#4 Construction $1,305,025
- System Renewal: Almonte Feeder Relocation $64,350
- General Plant: Transport Equipment $364,485

Major capital cost drivers: 2020

- System Access: New Services and Service Upgrades at $70,362
- System Renewal: Minor Capital Betterments $111,442
- System Service: Almonte MS#4 Construction $695,875
- General Plant: Transport Equipment $53,554

Major capital cost drivers: 2021

- System Access: New Services and Service Upgrades at $93.686
- System Renewal: Minor Capital Betterments $134.031
- System Renewal: 44kV OHL Relocation $106,391
- General Plant: Server $106,585
- General Plant: Elster Connexo (AMI) Upgrade $76,153
- General Plant: Customer Information System Version Upgrade $100,000

The 2022 Test Year Working Capital Allowance has decreased by $321,307 when compared to the 2016 Board Approved. The reason for the decrease from the 2016 Board Approved to the Test Year 2022 is due to the decrease in Power Supply Expenses. ORPC has forecasted a decrease in the 2022 Power Supply Expenses of $4,284,091 over its' 2016 Cost of Service; this is due to the Ontario Electricity Rebate credit of 18.92% being applied to Regulated Price Plan billing components in the Test Year 2022 as well as lower RPP supply costs.

The table below summarizes the change in the Working Capital allowance from the 2016 Board-approved amount to the forecasted amount for the 2022 Test Year:

Table 21 - Working Capital Allowance

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Expenses for Working Capital	**Last Board Approved**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Eligible Distribution Expenses:								
3500-Distribution Expenses - Operation	572,467	630,729	565,513	484,252	513,327	785,741	815,322	901,091
3550-Distribution Expenses - Maintenance	728,123	613,081	692,292	500,384	645,567	501,236	562,975	576,747
3650-Billing and Collecting	733,000	747,071	804,067	668,041	748,224	837,380	951,322	962,860
3700-Community Relations	67,000	55,936	79,674	71,838	64,147	30,338	41,362	42,318
3800-Administrative and General Expenses	964,375	886,993	1,121,542	1,076,915	1,235,810	1,203,797	1,158,155	1,225,378
Total Eligible Distribution Expenses	3,064,965	2,933,810	3,263,088	2,801,430	3,207,076	3,358,492	3,529,137	3,708,394
3350-Power Supply Expenses	24,625,882	24,715,874	22,505,110	21,584,813	21,132,260	25,752,551	20,198,073	19,698,362
Total Expenses for Working Capital	27,690,847	27,649,684	25,768,198	24,386,243	24,339,335	29,111,042	23,727,210	23,406,757
Working Capital factor	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total Working Capital	**2,076,814**	**2,073,726**	**1,932,615**	**1,828,968**	**1,825,450**	**2,183,328**	**1,779,541**	**1,755,507**

1.5.3 REVENUE REQUIREMENT

The table below shows ORPC's revenue requirement from the last Cost of Service in 2016 up to the proposed 2022 revenue requirement.

Table 22 - 2022 Proposed Revenue Requirements

Particular	**Last Board Approved**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
OM&A Expenses	$3,064,964	$2,933,810	$3,263,088	$2,801,430	$3,207,076	$3,358,492	$3,529,137	$3,708,394
Depreciation Expense	$739,929	$1,472,278	$691,855	$876,530	$735,042	$878,121	$872,625	$957,283
Property Taxes								
Total Distribution Expenses	$3,804,893	$4,406,088	$3,954,943	$3,677,960	$3,942,118	$4,236,612	$4,401,762	$4,665,677
Regulated Return On Capital	$741,703	$741,703	$764,535	$790,459	$816,933	$835,217	$805,491	$655,460
Grossed up PILs	$84,883	$185,875	$111,454	$338,795	$199,672	$28,438	$18,391	$0
Service Revenue Requirement	**$4,631,479**	**$5,333,666**	**$4,830,932**	**$4,807,214**	**$4,958,723**	**$5,100,267**	**$5,225,645**	**$5,321,137**
Less: Revenue Offsets	-$284,010	-$329,118	-$383,983	-$496,586	-$373,986	-$373,986	-$296,247	-$365,681
Base Revenue Requirement	**$4,347,469**	**$5,004,548**	**$4,446,949**	**$4,310,629**	**$4,584,737**	**$4,726,282**	**$4,929,398**	**$4,955,456**

The proposed Base Revenue Requirement for the 2022 Test Year of $4,955,456 reflects an increase of $607,987 or 13.98% relative to the 2016 Board Approved. In general:

The proposed revenue requirement for the Test Year (2022) is 13.98% higher than the 2016 Cost of Service Approved Revenue Requirement. With the exception of 2016, the revenue requirement has seen a steady and moderate increase since the last Cost of Service in 2016.

The decrease in 2017 and 2018 can be attributed to a shift from O&M to capital activities including the transformer voltage conversion. Additionally, bad debts decreased significantly in 2018 with 2017 introducing the first moratorium on disconnects which saw a large increase in bad debts. The bad debts then decreased significantly in the second year of the moratorium.

Increases are especially large in 2022 when the 1508 ICM asset is added to the rate base. However, the effects on the overall revenue requirement is offset by the steep reduction in the cost of capital parameters in comparison to the board approved 2016 parameters. In addition, the related ICM rate rider will expire as the related asset is included in the base revenue requirement. Year over year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets details are outlined in Exhibit 3.

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.

The main reason for the rise in revenue requirement is the increase in amortization expense due to the capital investments necessary. Capital investments were added in 2019 for the construction of a substation in 2019. Increases are especially large in 2022 when the 1508 ACM assets are added to the rate base.

The regulated return on capital increases significantly, especially in 2022

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

1.5.4 OVERVIEW OF OPERATIONS, MAINTENANCE, AND ADMINISTRATIVE COSTS

ORPC's 2022 Test Year Operations, Maintenance and Administrative (OM&A) operating costs are projected to be $3,708,394, which represents an increase of $643,429 from its' 2016 Cost of Service. The table below illustrates the 2016 Board Approved, historical actuals and projections for 2021 Bridge Year and 2022 Test Year for the OM&A major functions:

Table 23 - Total OM&A

	Board Approved	2016	2017	2018	2019	2020	2021	2022
Operations	$529,246	$630,729	$565,513	$484,252	$513,327	$785,741	$815,322	$901,091
Maintenance	$673,343	$613,081	$692,292	$500,384	$645,567	$501,236	$562,975	$576,747
Subtotal	**$1,202,589**	**$1,243,810**	**$1,257,805**	**$984,636**	**$1,158,895**	**$1,286,976**	**$1,378,298**	**$1,477,837**
%Change (year over year)		3.4%	1.1%	-21.7%	17.7%	11.1%	7.1%	7.2%
%Change (Test Year vs Last Rebasing Year - Actual)							14.6%	22.9%
Billing and Collecting	$733,000	$747,071	$804,067	$668,041	$748,224	$837,380	$951,322	$962,860
Community Relations	$67,000	$55,936	$79,674	$71,838	$64,147	$30,338	$41,362	$42,318
Administrative and General+LEAP	$1,062,375	$886,993	$1,121,542	$1,076,915	$1,235,810	$1,203,797	$1,158,155	$1,225,378
Subtotal	**$1,862,375**	**$1,690,000**	**$2,005,283**	**$1,816,794**	**$2,048,181**	**$2,071,515**	**$2,150,839**	**$2,230,557**
%Change (year over year)		-44.9%	18.7%	-9.4%	12.7%	1.1%	3.8%	3.7%
%Change (Test Year vs Last Rebasing Year - Actual)							15.5%	19.8%
Total	**$3,064,964**	**$2,933,810**	**$3,263,088**	**$2,801,430**	**$3,207,076**	**$3,358,492**	**$3,529,137**	**$3,708,394**
%Change (year over year)			11.2%	-14.1%	14.5%	4.7%	5.1%	5.1%

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

Although COVID has had effects on the utility, ORPC has treated the 2021 Bridge Year and 2022 Test Year as "business as normal."

1.5.5 LOAD FORECAST SUMMARY

The load forecast for Test Year 2022 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 ORPC'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;
- Spring and Fall Flag

The Wholesale kWh purchases are the quantities that ORPC 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, ORPC did not adjust its wholesale purchases prior to running its regression analysis.

ORPC used the 7-year historic adjusted Wholesale kWh Purchases (i.e. IESO purchases plus generation) for the period 2014 to 2020 and used the six variables to run a regression analysis to produce a load forecast to project the kWh quantities for 2021 Bridget Year and 2022 Test Year:

Weather normalized values are determined by using the regression equation with a "7-year average monthly degree days (2014-2020)". The 7-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 2014 to 2020 period.

ORPC is not planning for or aware of any new CDM programs that will be initiated in the Test Year (2022). Consequently, no manual CDM adjustment is required to the Load Forecast for the Test Year (2022).

As noted previously, in preparing this application, ORPC has not included any assumptions or provisions for the effect and / or impact of the COVID-19 pandemic. For example, ORPC in its' Load Forecast, ORPC 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) and 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 ORPC's 2022 Test Year Load Forecast to the 2016 Board-Approved load Forecast:

Table 24 - Load Forecast 2016BA vs 2022 Forecast

	Year	2016 BA	2022 Forecast	Variance
Residential	Cust/Conn	9,463	10,191	728
	kWh	76,966,389	80,356,209	3,389,820
	kW			
General Service < 50 kW	Cust/Conn	1,281	1,264	-17
	kWh	34,297,661	29,645,117	-4,652,544
	kW			
General Service > 50 to 4999 kW	Cust/Conn	148	151	3
	kWh	74,077,571	70,993,966	-3,083,605
	kW	210,853	219,807	8,954
Sentinel	Cust/Conn	195	166	-29
	kWh	250,870	194,767	-56,103
	kW	715	495	-220
Street Lighting	Cust/Conn	2,849	2,949	100
	kWh	1,379,313	1,080,789	-298,524
	kW	3,840	3,027	-813
USL	Cust/Conn	20	19	-1
	kWh	464,212	606,879	142,667
	kW			
Total	**Cust/Conn**	**13,956**	**14,741**	**785**
	kWh	**187,436,016**	**182,877,727**	**-4,558,289**
	kW	**215,408**	**223,329**	**7,921**

1.5.6 STATEMENT OF COST OF CAPITAL PARAMETERS

In this application, ORPC seeks to recover a weighted average cost of capital of 4.93% through rates in the 2022 Test Year. ORPC 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, ORPC 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 November 9, 2020, for the allowed return on equity ("ROE"). ORPC is not seeking any changes in its Capital Structure from its 2016 Board Approved Structure. ORPC notes that consistent with Board policy, it used the deemed long-term debt rate of 2.73%.

Table 25 - Overview of Capital Structure

Particulars	**Cost Rate**		**Return**	
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$7,438,142	2.73%	$203,061
Short-term Debt	4.00%	$531,296	1.75%	$9,298
Total Debt	60.00%	$7,969,438	2.66%	$212,359
Equity				
Common Equity	40.00%	$5,312,959	8.34%	$443,101
Preferred Shares	0.00%	$ -	0.00%	$ -
Total Equity	40.00%	$5,312,959	8.34%	$443,101
	100.00%	$13,282,397*	4.93%	$655,460

**2022 Rate Base*

All rates above, with the exception of the long-term debt, which is utility specific, are consistent with the letter issued by the OEB on November 9, 2020. ORPC commits to updating its' Cost of Capital forecast in accordance with applicable OEB updates to the Board's cost of capital parameters.

1.5.7 OVERVIEW OF COST ALLOCATION AND RATE DESIGN

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.

ORPC 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.

ORPC has prepared a Cost Allocation Study for 2022 based on an allocation of the 2022 Test Year costs (i.e. the 2022 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 2022 Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2022 data into this model.

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.

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 26 - Proposed Allocation

				Target Range	
Customer Class Name	**Calculated R/C Ratio**	**Proposed R/C Ratio**	**Variance**	**Floor**	**Ceiling**
Residential	0.8915	0.9336	-0.04	0.85	1.15
GS<50 kW	0.9370	0.9370	0.00	0.80	1.20
GS 50 to 4999 kW	1.7563	1.5000	0.26	0.80	1.20
Sentinel Lighting	0.7890	0.8000	-0.01	0.80	1.20
Street Lighting	1.3032	1.2000	0.10	0.80	1.20
Unmetered Scattered Load	0.6088	0.8000	-0.19	0.80	1.20

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 ORPC 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 ORPC's proposed rates for the 2022 Test Year:

Table 27 - Proposed Rates

			Test Year Consumption		Proposed Rates		
	Units	**Average Customers / Connections**	**kWh**	**kW**	**Monthly Service Charge**	**Volumetric**	
						kWh	kW
Residential	kWh	10,191	80,356,209		$26.32	$0.0000	
GS<50 kW	kWh	1,264	29,645,117		$23.74	$0.0139	
GS 50 to 4999 kW	kW	151		219,807	$89.34		$3.0997
Sentinel Lighting	kW	166		495	$3.20		$9.8896
Street Lighting	kW	2,949		3,027	$2.34		$12.8171
Unmetered Scattered Load	kWh	19	606,879		$18.25	$0.0060	
Total							

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

1.5.8 OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNT DISPOSITION

ORPC proposes to dispose of a debit of $223,600 related to Group 1 (not including RSVA Power account 1588 and Global Adjustment account 1589) and a credit of $223,886 for Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 balances are as of December 1, 2020 and are consistent with the utility's audited financial statements. ORPC last disposed of Group 1 1588 and 1589 accounts and Group 2 accounts on a final basis in its 2016 Cost of Service application with balances as at December 31, 2014. The utility was last approved for disposal for the remaining Group 1 accounts in its 2021 IRM application.

ORPC also proposes to dispose of the following:

- A net debit balance of $177,787 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account,
- ORPC is not seeking disposal of accounts 1588 and 1589 as it is currently undergoing an OEB audit.

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

ORPC 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.

ORPC 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 ORPC's Audited Financial Statements, is provided Section 9.2.5

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

1 **Table 28 - Account and Balances sought for disposition/recovery**

		Amounts from Sheet 2	Allocator
LV Variance Account	1550	357,213	kWh
Smart Metering Entity Charge Variance Account	1551	5,663	# of Customers
RSVA - Wholesale Market Service Charge	1580	(110,173)	kWh
RSVA - Retail Transmission Network Charge	1584	(5,635)	kWh
RSVA - Retail Transmission Connection Charge	1586	19,440	kWh
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	(42,907)	%
Total Group 1 accounts above (excluding 1589)		**223,600**	
Pole Attachment Revenue Variance	1508	(125,053)	Distribution Rev.
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	(11,181)	kWh
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(87,652)	kWh
LRAM Variance Account	**1568**	**177,926**	
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**333,774**	
Total of Account 1580 and 1588 (not allocated to WMPs)		**(110,173)**	
Account 1589 (allocated to Non-WMPs)		**0**	
Group 2 Accounts (including 1592, 1532, 1555)		**(223,886)**	

2

3

1.5.9 OVERVIEW OF BILL IMPACTS

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

ORPC 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, therefore no rate mitigation action, in the utility's opinion, is required; however as a form of rate mitigation, ORPC 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.

ORPC 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).

For its' initial application, ORPC proposes a 12 month (1 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 29 - Bill Impacts associated with Revenue Requirement

	Sub-Total						Total	
	A		B		C		Total Bill	
	$	%	$	%	$	%	$	%
RESIDENTIAL - RPP	$0.23	0.9%	$1.05	3.3%	$1.01	2.5%	$0.91	0.8%
GENERAL SERVICE LESS THAN 50 KW - RPP	$8.66	16.6%	$7.65	11.4%	$7.56	8.7%	$6.91	2.4%
GENERAL SERVICE 50 to 4,999 kW - Non-RPP (Other)	-$74.82	-15.8%	-$51.81	-9.4%	-$53.32	-5.6%	-$73.32	-1.8%
SENTINEL LIGHTING - Non-RPP (Other)	-$0.06	-0.5%	-$0.61	-4.3%	-$0.62	-3.6%	-$0.57	-2.2%
STREET LIGHTING - Non-RPP (Other)	-$252.55	-6.9%	-$408.35	-10.7%	-$410.30	-9.5%	-$472.86	-6.8%
UNMETERED SCATTERED LOAD - RPP	$7.40	34.9%	$6.85	16.8%	$6.73	9.9%	$6.13	1.8%
RESIDENTIAL - Non-RPP (Retailer)	$0.23	0.9%	$1.04	3.3%	$1.00	2.5%	$0.90	0.8%
RESIDENTIAL - RPP	$0.08	0.3%	$0.40	1.4%	$0.38	1.2%	$0.34	0.6%
GENERAL SERVICE 50 to 4,999 kW - Non-RPP (Other)	-$74.82	-15.8%	-$51.81	-9.4%	-$51.81	-9.4%	-$136.02	-0.8%

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.

1.6 MATERIALITY THRESHOLD

The Filing Requirements[1] 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 $4,955,456, ORPC has used this amount as a materiality threshold throughout this application.

[1] 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

1.7 CUSTOMER ENGAGEMENT

1.7.1 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.

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 ORPC continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

1.7.2 CUSTOMER FOCUS

ORPC 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, ORPC is helping customers make better choices and create healthy, sustainable results for the community it serves.

Seeking Customer Input and Performance

In advance of the filing of the herein Cost of Service Application, OPRC engaged the services of Metsco to conduct a DSP Survey.

The survey contained questions related to the day to day interaction with customers. The areas of focus were;

1) Overall Performance (68% very satisfied, 22% somewhat satisfied)
2) Customer Service (61% very satisfied, 25% somewhat satisfied)
3) Billing (68% satisfied, 14% somewhat satisfied)

(Excerpt from ORPC Distribution System Plan Customer Survey 2020 Report)

Overall, from the results presented in this chapter, the majority of ORPC's customers were found to be either very satisfied or somewhat satisfied with respect to customer service, inquiry response time and outage response time.

Whilst most customers have not felt an extensive impact due to COVID-19, there are still some customers (6%) who have felt these extensive impacts. Out of the customers who have felt impacts, 67% were either satisfied or somewhat satisfied with ORPC's overall performance, with the remaining 33% neither satisfied nor dissatisfied. These customers did indicate that they had concerns over bills, ranging from concerns over receiving an accurate bill to a suggestion that there should be a summer rate all year and a COVID-19 relief offered by ORPC for those impacted by the pandemic. While most customers are currently not impacted extensively by COVID-19, there are a proportion of customers who are and may require assistance or help.

The survey also contained questions related to the capital investment plan. Specifically

1) Customer Priorities
2) System Renewal
3) System Access
4) System Service
5) General Plan

(Excerpt from ORPC Distribution System Plan Customer Survey 2020 Report)

Overall, it can be seen from the results for specific capital investment categories that customers generally are in favour of the investments and the relative pacing that ORPC are proposing. In all cases, customers have indicated that they would like to see an increase in pacing. However, based upon the customer priorities, it is clear that any consideration of investment pacing must be balanced against the needs of maintaining reasonable distribution rates. For these reasons, ORPC's proposed capital investment plan ultimately balances the need for reasonable rates with the need to continue to invest within the system. As a final wrap-up question for the capital investment plan, customers were asked for their views on whether the approach ORPC was taking within their DSP was the right approach based upon the information presented within the survey. Figure 4.14 illustrates that 52% of customers believe that ORPC has taken the right approach.

An additional 42% of customers have indicated that while they were unsure if ORPC was taking the right approach, they trusted the utility as the expert to make the right decision. This result would be consistent with customers who, despite the information made available from the preambles, do not possess the technical insights into ORPC's system in order to judge whether the right decisions are being made. Rather, they are deferring that decision to the utility, who remain the experts, and most importantly, they trust the utility in making those decisions.

Only 6% of customers were found not to agree with ORPC's approach in managing the system. Table 4.1 further examines this 6% of customers. All of these represent residential customers split across Pembroke and Almonte service areas. Only one of the customers indicated that they have been directly impacted by COVID-19 and only one customer indicated that they were dissatisfied with ORPC's overall performance. However, 50% of these customers have indicated that they have been impacted by reliability issues and power outages. These customers have indicated that they want better outage information, more reasonable electricity rates, as well as a COVID-19 relief offered for those impacted by the pandemic. They also believe that ORPC is well run, but think further investment is needed to improve the reliability of the system. Ultimately, these results indicate that ORPC needs to offer enhance customer service and response to these small groups of customers. However, it is clear from the results that the vast majority of customers either fully agree with the capital investment plan, or trust ORPC to make the right decisions in executing this plan.

The full survey report is filed at Appendix E.

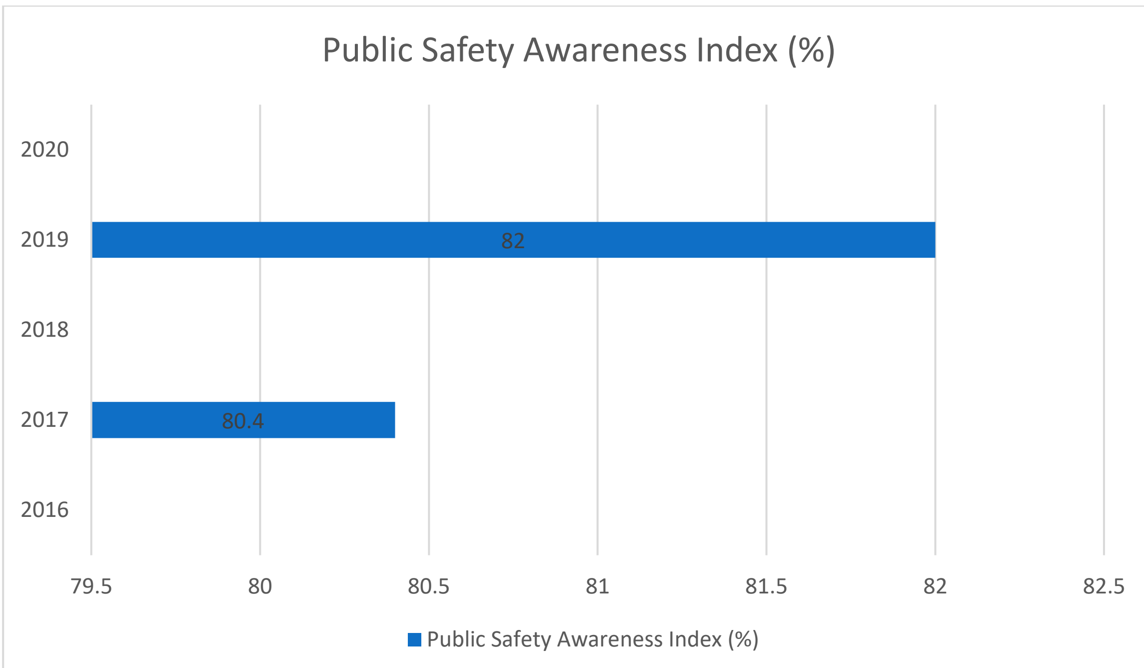
1.7.3 OPERATIONAL EFFECTIVENESS

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

Component A - Public Awareness of Electrical Safety:

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

Table 30 - Public Awareness (2016-2020)



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 Ottawa River Power Corp. 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 five audits are included in the table below:

Table 31 - ESA Ontario Regulation 22/04 Compliance Audits

Year	Non-Compliance	Opportunity for Improvement
2016	0	0
2017	0	1
2018	0	0
2019	0	1
2020	0	0

Both opportunities for improvement addressed record-keeping and not safety of the assets. Record-keeping has since been reviewed and improved to comply with the ESA requirements. ORPC 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. Recent results demonstrate ORPC's ability 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 2016 to 2020, ORPC has had zero fatalities and zero serious incidents within its operating service areas.

Planning Quality Indicators

The table below summarizes the variances between ORPC's actual expenditure from the utility's approved budget expenditure.

Table 32 - Planning Quality Indicators

		2016	2017	2018	2019	2020	Average
Capital Expenditure	Board Approved	1,545,950	1,301,999	1,275,750	1,013,300	1,013,300	1,230,060
	Actual	1,059,161	1,237,284	1,491,061	1,271,558	551,090	1,122,031
	Variance (%)	-31.49%	-4.97%	16.88%	25.49%	-45.61%	-8.78%
		2016	**2017**	**2018**	**2019**	**2020**	**Average**
OM&A Expenditure	Board Approved	3,064,965					3,064,965
	Actual	2,933,810	3,263,088	2,801,430	3,207,076	3,358,492	3,112,779
	Variance (%)	-4.28%	6.46%	-8.60%	4.64%	9.58%	1.56%

The above table demonstrates that ORPC's yearly actual Operating Expenditures have tracked closely to its' Approved budget, with a mean average variance of less than 5% over the 5-year period. Capital Expenditures have seen significant variances year over year with the most notable being 2020 due to effects from the ongoing pandemic. The average capital expenditures were 8.78% less than anticipated over the five year span. Excluding 2020, the Capital Expenditure variance on the average from 2016 to 2019 would be 1.52% less than planned or $(19,484).

1.7.4 PUBLIC POLICY RESPONSIVENESS

Resulting from the Long Term Energy Plan, the Ontario Energy Board received a directive on March 31, 2014 from the Minister of Energy pursuant to sections 27.1 and 27.2 of the Act (altogether, the "Conservation Directive") requiring the Board to take steps to promote Conservation and Demand Management (CDM) including an amendment to the licenses of electricity distributors and establishment of CDM Requirement Guidelines.

The Conservation First Framework 2015 – 2020 for electricity CDM in Ontario was developed by the Independent Electricity Systems Operator with a provincial target of 7 terawatt-hours. The Independent Electricity Systems Operator supported this initiative through a number of OEB approved CDM programs designed to conserve electricity across all classes of electricity customers.

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 was be centralized and administered by the IESO.

Net Cumulative Energy Savings

Ottawa River Power successfully exceeded its target of 8.72 gigawatt-hours with total Net Cumulative Energy Savings of 110%. Ottawa River Power attained this target while only spending 58% of its allocated budget of $2,282,373. This was achieved by identifying and pursuing opportunities with large and small commercial, institutional, industrial and residential customers.

1.7.5 FINANCIAL PERFORMANCE

ORPC 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. ORPC's 2022 Business Plan and 2022 Distribution System Plan will serve a major role in providing the future direction of financial investment and performance.

1.7.6 ALIGNMENT OF GOALS TO NEEDS AND PREFERENCE OF CUSTOMERS

ORPC'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, ORPC 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, ORPC continues to focus on reducing its costs to demonstrate to customers that they are delivering as much value per dollar as possible. ORPC 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.

ORPC 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 ORPC in further refining its programs, services and communications.

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

1.7.7 CUSTOMER SATISFACTION SURVEY

Bi-annually, ORPC engages a third-party organization to conduct a customer satisfaction survey. This statistical survey reviews a 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 a 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. The table below illustrates the survey results:

Table 33 – Customer Satisfaction Results

	2016	2018	2020
Satisfaction Score	78.8%	80.3%	81%
Survey Sample Size	400	400	402

1.8 LETTERS OF COMMENT

1.8.1 LETTER OF COMMENT

ORPC has not received any letters of comment as of September 30, 2021. ORPC will reply promptly to any letters of comments received and will submit responses to the Ontario Energy Board.

1.9 SCORECARD ANALYSIS

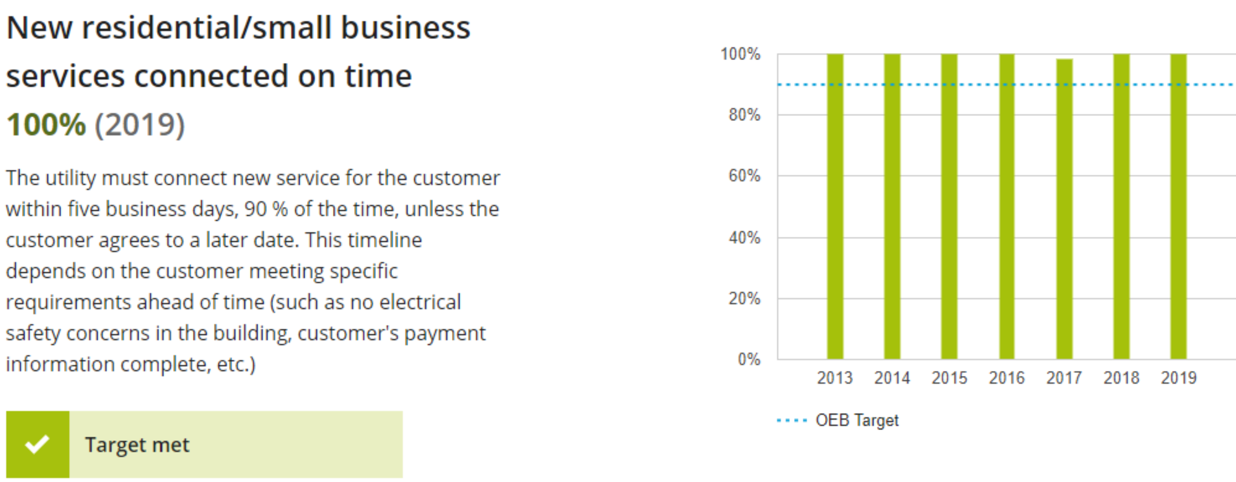
1.9.1 SCORECARD RESULTS AND ANALYSIS

Discussion of performance of each of ORPC's scorecard measures over the last five years is presented below. ORPC has used the most recent (2020 performance) as published on the both utility's and OEB website.

Customer Focus - Service Quality

The table below summarizes ORPC's performance for the period from 2013 to 2019 for Service Quality provided to our customers. For each metric, ORPC has exceeded the OEB's minimum targets.

Table 34 – Customer Service Quality Indicators



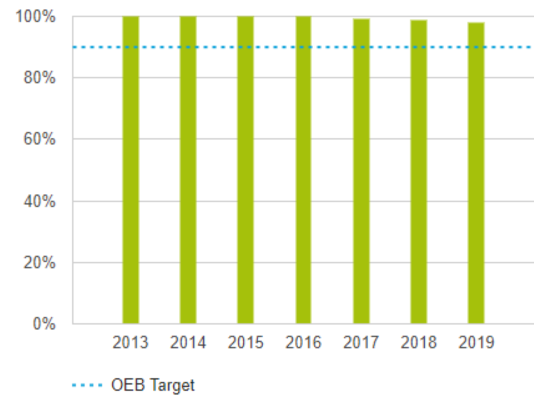
Ottawa River Power Corporation connected almost all of its low-voltage requests within five working days of all applicable service conditions being met. This result exceeds the Ontario Energy Board's mandated target of 90% for this measure. Ottawa River Power considers "New Services Connected on Time" as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer's expectations, which in turn affects the level of customer satisfaction within a utility's territory. Ottawa River Power prides itself on being a small pliable utility able to respond to its customers' needs quickly and it expects to continue to exceed the mandated target.

Scheduled appointments met on time

98.15% (2019)

For appointments during the utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 % of the time.

✔ Target met



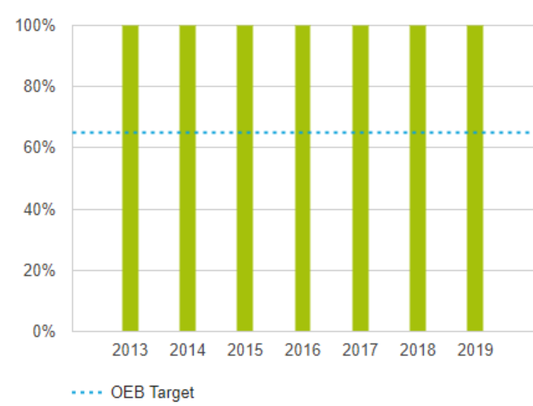
Ottawa River Power Corporation schedules appointments that require the presence of the customer. This includes appointments to connect services, disconnect services, complete customer underground locates, attend customer premises for delivery of conservation and demand management programs or complete other work requested by its customers. In 2019, Ottawa River Power Corporation kept the appointment date and time for 98.15% of appointments, which exceeds the mandated target of 90% for this measure and is consistent with prior year results. Ottawa River Power considers "Scheduled Appointments Met on Time" as an important form of customer engagement and expects to maintain this quality of service in the future.

Telephone calls answered on time

99.95% (2019)

During regular call centre hours, the utility's call centre staff must answer within 30 seconds of receiving the call directly or having the call transferred to them, 65 % of the time

✔ Target met



In 2019, Ottawa River Power Corporation received 17,041 telephone calls from its customers which represents an average of 68 calls received per business day. The call volumes is attributed to customer demographics and preference to contact Ottawa River Power by telephone and as ORPC considers "Telephone Calls" to be an important communication tool for identifying and responding to its customers' needs and preferences. Consistent with prior years, a customer service representative answered 99.95% of these calls in 30 seconds or less which far exceeds the Ontario Energy Board's mandated target of 65% for this measure. Ottawa River Power expects this trend to continue into the foreseeable future.

Customer Focus - Customer Satisfaction

The table below summarizes ORPC's performance for the period 2013 to 2019 for Customer Satisfaction:

Table 35 – Customer Satisfaction

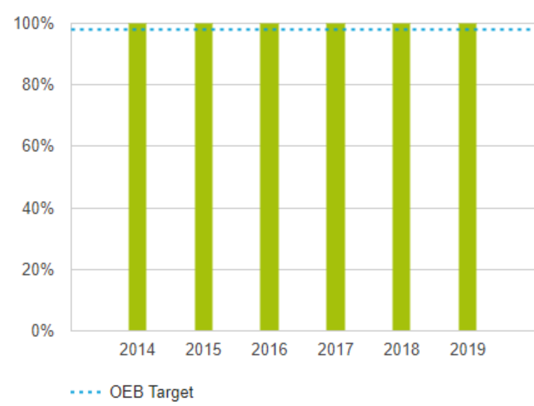
Billing accuracy

100% (2019)

An important part of business is ensuring that customer's bills are accurate. The utility must report on its success at issuing accurate bills to its customers.

More information about billing accuracy

Target met



Billing is the main form of communication with customers and Ottawa River Power Corporation strives to communicate clearly and accurately with its customers. In 2019, Ottawa River Power Corporation achieved a billing accuracy of 99.96%, which represents a percentage expressed as the total number of accurate bills issued compared to the total number issued. This percentage remains consistent with prior years and meets the mandated target of 98%.

CUSTOMER SATISFACTION

Complaints

0.09 (2019)

This metric measures the number of complaints the Ontario Energy Board received from customers about matters within our authority. Complaints made directly to the utility are not reported here. We measure this per 1000 customers so utilities that serve much larger or smaller populations can be compared against each other.

Year	Complaints per 1000 customers	Total number of complaints
2013	0.00	0
2014	0.09	1
2015	0.18	2
2016	0.00	0
2017	0.09	1
2018	0.27	3
2019	0.09	1

Customer complaints made to the Ontario Energy Board are an important avenue of communication and reporting for the customer. In 2019, Ottawa River Power Corporation received 1 customer complaint which was on-par with the average from previous years. Although it was only 1 complaint, ORPC takes complaints very seriously and ensures to review and implement new processes as necessary to ensure the company maintains compliant procedures and the customer is priority.

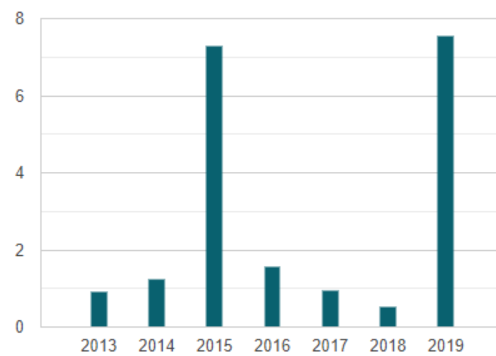
Operational Effectiveness - System Reliability

Table 36 –SAIDI Performance for ORPC

SYSTEM RELIABILITY

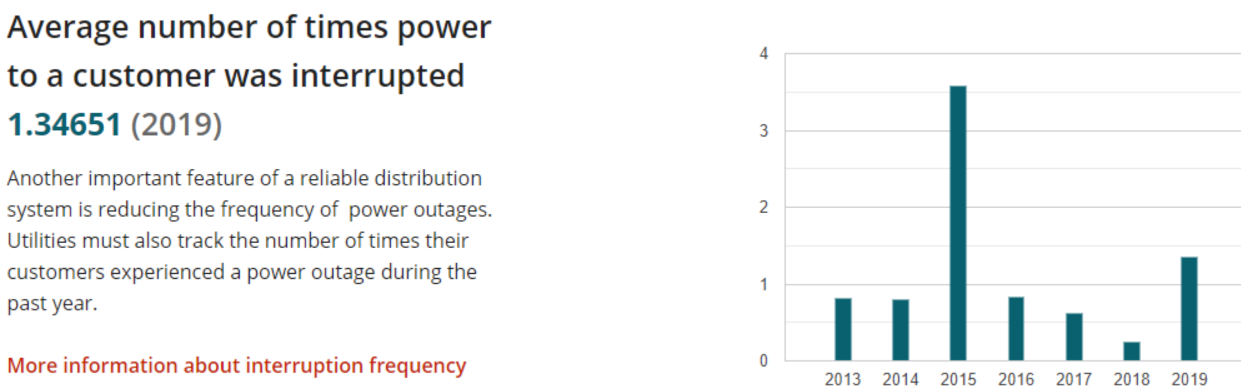
Average number of hours power to a customer was interrupted
7.53065h (2019)

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility must track the average length of time, in hours, that its customers have experienced a power outage over the past year.



In 2019, Ottawa River Power Corporation saw an increase in the average number of hours that power is interrupted to 7.53 and a five-year average of 2.90. Ottawa River Power Corporation's outages in 2019 included 159,735 hours interrupted as a result of a loss of supply and 75,932 as a result of a fire. This is outside the target of 1.92 prescribed by the Ontario Energy Board. However, the utility hopes to re-align its reliability with the implementation of its new Distribution System Plan in the years to come and with increased reporting of major event days.

Table 37 –SAIFI Performance for ORPC



Ottawa River Power's target for 2019 was 1.22 as set by the Ontario Energy Board whereas 1.35 was achieved which is slightly outside the target. The increase in outages was caused by faults from one of the generators resulting in multiple short interruptions. This has since been resolved with equipment adjustments. Overall, the 5 year average of 1.12 remains within the target prescribed. This measure has seen a downward trend over the past five years.

Operational effectiveness - cost control: cost per customer

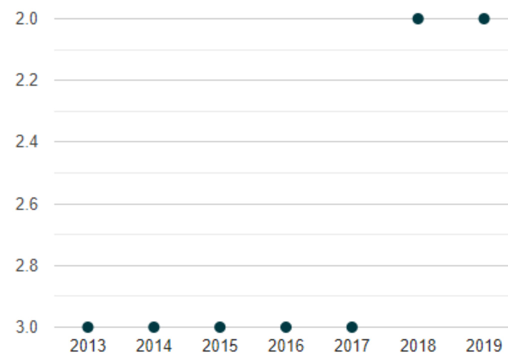
The chart below illustrates ORPC's Efficiency Rating and "Cost per Customer" over the 7-year period 2013 to 2019:

Table 38 – Efficiency Rating

Efficiency rating

2 (2019)

The utility must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive. Utilities' total costs are evaluated to produce a single efficiency ranking. This is divided into five groups based on how big the difference is between each utility's actual and predicted costs. Distributors whose actual costs are lower than their predicted costs are considered more efficient.



1 = Actual costs are 25% or more below predicted costs

2 = Actual costs are 10% to 25% below predicted costs

3 = Actual costs are within +/- 10% of predicted costs

4 = Actual costs are 10% to 25% above predicted costs

5 = Actual costs are 25% or more above predicted costs

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2019, Ottawa River Power was placed in Group 2 in terms of efficiency. Group 2 is considered above average and is defined as having actual cost savings of more than 10% as compared to predicted costs. This result is consistent with 2018 although the company saw additional cost savings of 3%. Group 2 utilities rank within the 24 most cost-efficient distributors of the 59 distributors across the province. Ottawa River Power Corporation's future goal is to attain the highest efficiency assessment.

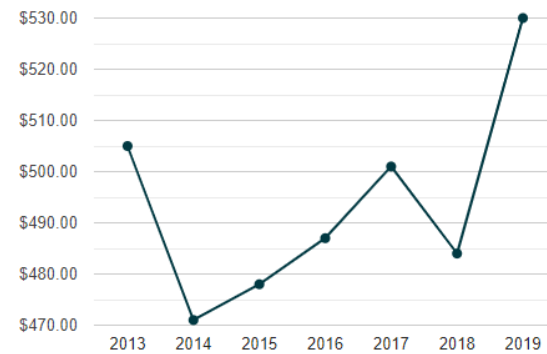
Table 39 – Total Cost per Customer per Year

Cost per customer

$530 (2019)

A simple measure that can be used as a comparison with other utilities is the utility's total cost per customer.

Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. This amount does not represent how much customers pay for their utility services.



Operational effectiveness – cost control: cost per customer

In 2019, Ottawa River Power Corporation’s total cost per customer was $530 compared to $484 in 2018 which represents an increase of 9.5%. This increase occurred along with the filling of vacant staffing positions. Ottawa River Power will continue to strive to implement efficiencies and other improvements to help offset costs associated with the distribution system enhancements while ensuring to maintain reliability and quality of its distribution system.

Public Responsiveness

- **Conservation & Demand Management**

On March 21, 2019, the Independent Electricity Systems Operator received a Ministerial Directive terminating the Conservation First Framework 2015 – 2020. As of February 1, 2019, Ottawa River Power had successfully exceeded its target of 8.72 gigawatt-hours with total Net Cumulative Energy Savings of 110%. Ottawa River Power attained this target while only spending 58% of its allocated budget of $2,282,373. This was achieved by identifying and pursuing opportunities with large and small commercial, institutional, industrial and residential customers.

Financial Performance - Financial Ratios

- **Financial Ratios and Return on Equity**

The chart below summarizes ORPC’s Financial Ratios over the past 5 years:

Table 40 – 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)*
2016	1.53	0.72	9.19	6.32
2017	1.49	0.70	9.19	11.82
2018	1.46	0.64	9.19	18.01
2019	1.44	0.80	9.19	14.48
2020	1.90	0.78	9.19	9.61

Ottawa River Power Corporation's current ratio is 1.44 for 2019 which is within a healthy range. This increased further to 1.90 in 2020. These ratios indicate that resources are reinvested into its distribution system. Ottawa River Power Corporation's current ratio is expected to remain stable in the years to come.

Ottawa River Power Corporation attained a debt to equity ratio of 0.78 in 2020 which represents an increase from the 5-year average but still remains consistent. The increased is a direct result of borrowing to construct the new substation. Although this is a lower debt-to-equity than expected by the Ontario Energy Board, Ottawa River Power Corporation is satisfied with its level of profit as it has been able to continue to keep its rates to customers lower than many distributors. Ottawa River Power Corporation expects this ratio to decrease slightly in the years to come as advances are repaid.

Ottawa River Power Corporation achieved a return on equity of 9.61% in 2020. This percentage falls within the +/-3% range allowed of 9.19% by the Ontario Energy Board. Revenues in 2018 and 2019 included a rate rider for Disposition of Residual Historical Smart Meter Costs with an expiry date of June 30, 2020. Had these revenues been excluded, the achieved return on equity would be very near or within to the target of 9.19% and within the +/-3% range allowed for those years. The utility's average return on equity from 2015 to 2019 is 12.05, which is within the deemed regulatory return specified in Ottawa River Power Corporation's approved rates.

Overall

ORPC has continued to perform as a customer focused, financially sound, safe and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence ORPC's operations, which are reflected in the continued low number of dissatisfied customers.

The table below shows the current Scorecard on the OEB website.

Table 41 – ORPC's Scorecard

Scorecard - Ottawa River Power Corporation

9/16/2021

Performance Outcomes	Performance Categories	Measures		2016	2017	2018	2019	2020	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%	98.57%	100.00%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time		100.00%	99.14%	98.64%	98.15%	98.29%	↓	90.00%	
		Telephone Calls Answered On Time		99.90%	99.87%	99.92%	99.95%	97.63%	↓	65.00%	
	Customer Satisfaction	First Contact Resolution		98.2%	98.8%	98.5%	98.6%	99.0%			
		Billing Accuracy		99.99%	99.98%	99.90%	99.96%	99.97%	↓	98.00%	
		Customer Satisfaction Survey Results		78.8%	78.8%	80.3%	80.3%	81.0%			
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		82.20%	80.40%	80.40%	82.00%	82.00%			
		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]		1.55	0.95	0.53	7.53	0.56	↑		1.92
		Average Number of Times that Power to a Customer is Interrupted [2]		0.84	0.62	0.24	1.35	0.53	↑		1.22
	Asset Management	Distribution System Plan Implementation Progress		Implemented	Implemented	Implemented	Implemented	Implemented			
	Cost Control	Efficiency Assessment		3	3	2	2	2			
		Total Cost per Customer [3]		$487	$501	$484	$530	$520			
		Total Cost per Km of Line [3]		$30,052	$11,368	$11,104	$11,771	$11,673			
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).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time									
		New Micro-embedded Generation Facilities Connected On Time								90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		1.53	1.49	1.46	1.44	1.90			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.72	0.70	0.64	0.80	0.78			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	9.19%	9.19%	9.19%	9.19%			
			Achieved	6.32%	11.82%	18.01%	14.48%	9.61%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. 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

1.10 FINANCIAL INFORMATION

1.10.1 FINANCIAL RESULTS

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

Table 42 - Profit and Loss Table (2016-2020)

	Board Approved	Actual						
WCA	**2016**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Cost of Power	24,625,876	-24,811,183	22,606,687	21,652,805	21,206,228	25,834,828	20,198,073	19,698,362
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

	Board Approved	Actual						
Derivation of Utility Income		**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Operating Revenues								
Distribution Revenues	4,347,469	4,982,999	4,663,169	4,943,799	4,951,802	4,824,538	4,929,398	4,955,456
Other Revenue	284,010	289,572	343,987	457,793	329,399	296,247	296,304	365,681
Total Operating Revenues	**4,631,479**	**5,272,571**	**5,007,156**	**5,401,591**	**5,281,201**	**5,120,785**	**5,225,702**	**5,321,137**
OM&A Expenses	3,064,964	2,933,810	3,263,088	2,801,430	3,360,135	3,360,135	3,529,137	3,708,394
Depreciation & Amortization	739,929	1,503,773	717,910	900,205	756,784	690,911	872,625	957,283
Property and Taxes	0	0	0	0	0		0	0
Other Expenses (i.e. MIFRS)		0	0	0	0		0	0
Total Costs & Expenses	**3,804,893**	**4,437,583**	**3,980,998**	**3,701,635**	**4,116,918**	**4,051,046**	**4,401,762**	**4,665,677**
Interest Expenses (Actual and Deemed)	307,851	561,404	347,056	344,510	249,341	353,399	334,327	212,359
Total Expenses	**4,112,745**	**4,998,986**	**4,328,054**	**4,046,145**	**4,366,260**	**4,404,445**	**4,736,089**	**4,878,036**
Utility Income before Income Taxes / PILs	**518,734**	**273,585**	**679,102**	**1,355,446**	**914,941**	**716,339**	**489,613**	**443,101**
PILs / Income Taxes	84,883	185,875	111,454	338,795	199,672	28,438	18,391	0
Utility Income	**433,851**	**87,710**	**567,648**	**1,016,651**	**715,269**	**687,901**	**471,222**	**443,101**
Integrity Check from 1.1 Trail Balance Summary (and FS)		**-87,662**	**-567,646**	**-1,016,603**	**-715,269**	**-552,324**		

1.10.2 RATE BASE AND REVENUE DEFICIENCY

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

Table 43 - Table of Rate Base and Revenue Deficiency

	Board Appr.	Actual					Projected	
	2016	2016	2017	2018	2019	2020	2021	2022
Utility Income	433,851	87,710	567,648	1,016,651	715,269	687,901	384,017	381,717
Gross Net Assets (beginning)	30,265,128	13,639,802	15,140,618	16,768,129	17,923,185	18,432,484	17,724,210	19,205,663
Capital Expenditures (additions)								
(adjustements)								
Accum Depreciation (year end)	(20,539,657)	(3,010,326)	(3,870,016)	(4,704,743)	(5,356,283)	(6,206,911)	(6,686,437)	(7,678,773)
Net Fixed Assets	9,725,471	10,629,476	11,270,602	12,063,386	12,566,902	12,225,573	11,037,773	11,526,890
Average Net Fixed Assets	9,725,471	12,134,639	13,205,610	14,415,758	15,245,044	15,329,028	14,380,991	15,366,277
							12,817,314	13,282,397
Utility Rate Base	11,803,187	10,493,836	15,145,843	16,249,825	17,087,521	17,518,651	16,160,532	17,121,783
Deemed Equity Portion of Rate Base	4,721,275	4,197,534	6,058,337	6,499,930	6,835,008	7,007,460	6,464,213	6,848,713
Income/(Equity Portion of Rate Base)	9.19%	0.84%	3.75%	6.26%	4.19%	3.93%	2.38%	5.57%
Indicated Rate of Return	6.28%	6.19%	6.04%	8.38%	5.65%	5.94%	4.98%	3.83%
Approved Rate of Return	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	6.28%	4.93%
Sufficiency / (Deficiency) in Return	(0.00%)	(0.10%)	(0.25%)	2.09%	(0.64%)	(0.34%)	(1.30%)	(1.11%)
Equity	40.00%	40%	40%	40%	40%	40%	40%	40%
Short Term Debt	4.00%	4%	4%	4%	4%	4%	4%	4%
Long Term Debt	56.00%	56%	56%	56%	56%	56%	56%	56%
Equity Return	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	8.34%
Short Debt Return	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%	1.75%
Long Debt Return	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	4.54%	2.73%
Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Net Revenue Sufficiency / (Deficiency)	**-57**	**-10,361**	**-37,122**	**339,957**	**-109,238**	**-59,642**	**-210,044**	**-189,466**

The revenue deficiency which 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 ORPC's operating budgets. This is an indication that the utility's costs have exceeded its revenues and as such better aligned rates are needed.

ORPC expects its deficit and its deficiency in 2020 to be eliminated in 2022 with the approval of new rates. ORPC 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.

1.10.3 HISTORICAL FINANCIAL STATEMENTS

The following attachments are presented in this next section.

- ✓ Appendix 1A Year ended 31 December 2020 with 2019 Comparatives
- ✓ Appendix 1B Year ended 31 December 2019 with 2018 Comparatives
- ✓ Appendix 1C Year ended 31 December 2018 with 2017 Comparatives

1.10.4 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RESULTS FILED

A detailed reconciliation between the financial results shown in ORPC's RRR filings, Audited Financial Statements and with the regulatory financial results filed in the application is presented in Appendix D of this Exhibit.

1.10.5 ANNUAL REPORT

ORPC does not publish an annual report to its shareholders.

1.10.6 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

ORPC does not issue debt or share nor do they publish any prospectus.

1.10.7 OTHER RELEVANT INFORMATION

Distributor Consolidation

ORPC 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.

ICM

ORPC applied for and received approval for an Incremental Capital Module (ICM) in its' 2019 IRM application (EB-2018-0063) to build a new 5 MVA substation (MS-4) in the Almonte Ward in the Town of Mississippi Mills. In the Board's Decision and Rate Order for this proceeding, it included the following under section 3.1.1 Advanced Capital Module:

> ***"Findings***
>
> *The OEB approves the ICM request as Ottawa River Power has established the need, materiality and prudence of this capital expenditure. The OEB finds that there is evidence of a capacity shortfall based on peak data and that the shortfall will be met by the proposed MS-4 substation. The OEB accepts the evidence that the construction of the Almonte substation will allay concerns relating to capacity and load growth that might not be accommodated in the event of a prolonged loss of one station. The OEB also finds the proposed costs of the Almonte station to be reasonable and approves the ICM funding up to the allowable maximum of $1,603,409.*

ORPC confirms that the substation was replaced, energized and in-service in 2020. Furthermore, the Applicant confirms that it did establish ICM rate riders effective May 1, 2019 and through this 2022 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 2022.

Other Information

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

APPENDICES

Appendix 1A	Financial Statements 2019 / 2020
Appendix 1B	Financial Statements 2018 / 2019
Appendix 1C	Financial Statements 2017 / 2018
Appendix 1D	Reconciliation for RRR to FS
Appendix 1E	Survey Results (Metsco)

Appendix 1A Financial Statements 2019 / 2020

Financial Statements of

OTTAWA RIVER POWER CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2020

Management's Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with International Financial Reporting Standards.

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

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The attached Independent Auditors' Report outlines the scope of their examination and their opinion.

On behalf of management,

Jeffrey Roy, CPA, CA	Justin Allen
Chief Financial Officer	President and Chief Executive Officer

April 22, 2021

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Ottawa ON K2P 2P8
Canada
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at the year ended December 31, 2020
- the statement of income and 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, 2020, 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

Ottawa, Canada

April 22, 2021

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 1,657,169	$ 1,077,942
Accounts receivable (note 4)	2,757,963	3,115,044
Unbilled energy revenue	4,092,427	4,002,626
Inventory (note 6)	430,126	491,988
Prepaid expenses	219,525	230,703
Payments in lieu of corporate income taxes receivable (note 9)	147,646	83,296
Due from Ottawa River Energy Solutions Inc. (note 5)	–	339,312
	9,304,856	9,340,911
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	20,301,007	18,998,300
Less accumulated depreciation	6,232,705	5,356,283
	14,068,302	13,642,017
Intangible assets (note 8)	15,206	26,005
Deferred income tax assets (note 9)	693,995	845,115
Other non-current assets	250,943	88,772
Total assets	24,333,302	23,942,820
Regulatory assets (note 10)	67,238	287,349
Total assets and regulatory assets	$ 24,400,540	$ 24,230,169

OTTAWA RIVER POWER CORPORATION

Balance Sheet (continued)

December 31, 2020, with comparative information for 2019

		2020		2019
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 11)	$	4,908,927	$	4,904,819
Line of credit (note 22)		–		400,000
Current portion of long-term debt (note 14)		41,664		1,219,507
Current portion of lease obligation		5,916		–
		4,956,507		6,524,326
Contributions in aid of construction (note 12)		1,106,063		1,033,626
Employee future benefits (note 13)		424,842		377,700
Lease obligations		38,986		–
Long-term debt (note 14)		7,310,104		5,585,838
Total liabilities		13,836,502		13,521,490
Equity:				
Capital stock (note 15)		5,591,406		5,591,406
Retained earnings		3,866,325		3,396,735
Total equity		9,457,731		8,988,141
Total liabilities and equity		23,294,233		22,509,631
Regulatory liabilities (note 10)		1,106,307		1,720,538
Commitments (note 16)				
Contingencies (note 17)				
	$	24,400,540	$	24,230,169

See accompanying notes to financial statements.

On behalf of the Board:

________________________ Director ________________________ Director

OTTAWA RIVER POWER CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Service revenue (note 18):		
Electricity revenue	$ 26,611,504	$ 23,310,296
Distribution revenue	4,824,538	4,951,802
	31,436,042	28,262,098
Cost of power	26,867,428	21,833,638
	4,568,614	6,428,460
Other operating revenue (note 18)	613,750	880,722
	5,182,364	7,309,182
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	1,099,767	1,071,911
Community relations (note 19)	36,663	64,257
Billing and collecting (note 19)	844,681	759,009
General and administrative (note 19)	1,289,253	1,305,235
Depreciation and amortization	903,915	927,291
Merchandising jobbing	371,798	580,585
Interest and bank charges	1,196	9,980
Interest on long-term debt	323,121	300,060
	4,870,394	5,018,328
Income before income taxes and regulatory items	311,970	2,290,854
Net movement in regulatory balances (note 10)	394,120	(1,322,376)
Income before amount in lieu of income taxes	706,090	968,478
Amount in lieu of income taxes (note 9)	179,558	253,208
Net income	526,532	715,270
Other comprehensive income:		
Items that will not be subsequently reclassified to net income:		
Actuarial loss on post-employment benefits, net tax (note 13)	56,942	198,786
Total income and other comprehensive income	$ 469,590	$ 516,484

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Capital stock:				
Balance, beginning and end of year	$	5,591,406	$	5,591,406
Retained earnings:				
Balance, beginning of year		3,396,735		3,158,251
Total income and other comprehensive income		469,590		516,484
Dividends paid		–		(278,000)
Balance, end of year		3,866,325		3,396,735
Total equity	$	9,457,731	$	8,988,141

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Total income and other comprehensive income	$ 469,590	$ 516,484
Items not affecting cash:		
Depreciation of property, plant and equipment	916,499	929,235
Amortization of intangible assets	16,272	21,742
Contributions in aid of construction amortized to revenue	(28,856)	(23,686)
Amortization of other non-current assets	(162,171)	37,075
Gain on disposal of property, plant and equipment	–	(43,872)
Employee future benefits	47,142	185,028
Interest income	(5,455)	(12,967)
Interest expense	324,317	249,341
Income tax expense	151,120	53,536
Net movements in regulatory accounts	(394,120)	1,322,376
Change in due to/from Ottawa River Energy Solutions Inc.	339,312	(550,262)
Income taxes paid	(64,350)	(221,674)
Interest paid	(324,317)	(249,341)
Interest received	5,455	12,967
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	357,081	(196,614)
Increase in unbilled energy revenue	(89,801)	(1,457,152)
Decrease (increase) in inventory	61,862	(12,461)
Decrease in prepaid expense	11,178	24,587
Increase (decrease) in accounts payable and accrued liabilities	4,108	(572,642)
Cash provided by operating activities	1,634,866	11,700
Cash flows from financing activities:		
Dividends paid	–	(278,000)
Proceeds (payments) on line of credit	(400,000)	400,000
Proceeds from loan payable	546,423	1,219,507
Payment of lease obligations	(668)	-
Cash provided by financing activities	145,755	1,341,507
Cash flows from investing activities:		
Proceeds on disposal of property, plant and equipment	–	253,833
Additions to property, plant and equipment	(1,297,214)	(2,989,931)
Additions to intangible assets	(5,473)	(16,661)
Receipt of contributions in aid of construction	101,293	312,300
Cash used in investing activities	(1,201,394)	(2,440,459)
Net increase (decrease) in cash	579,227	(1,087,252)
Cash, beginning of year	1,077,942	2,165,194
Cash, end of year	$ 1,657,169	$ 1,077,942

See accompanying notes to financial statements.

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Town of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Hagarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Town of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Town of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were authorized for issue by the Board of Directors on April 22, 2021.

(b) Basis of presentation:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest dollar.

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

1. Basis of presentation (continued):

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Corporation and establishing standards of service for the Corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis for May 1 to April 30.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

2. Significant accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Corporation in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

(b) Revenue recognition:

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time as electricity is delivered to the customer, as measured by meter readings.

Other Revenues

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenues are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

2. Significant accounting policies (continued):

(d) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as amortized cost. These include cash, accounts receivable, unbilled energy revenue, and due from Ottawa River Energy Solutions. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increase, the Corporation performs a quantitative and qualitative analysis based on the Corporation’s historical experience and forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent there is no realistic prospect of recovery.

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation’s financial liabilities are classified as amortized cost. These include accounts payable and accrued liabilities, due to Ottawa River Energy Solutions, customer deposits, loan payable, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

2. Significant accounting policies (continued):

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment (“PP&E”) are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Asset	Useful life
Substation and buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

2. Significant accounting policies (continued):

(f) Property, plant and equipment (continued):

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of income and comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of income and comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

2. Significant accounting policies (continued):

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on an asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to the statement of income and comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

Post-employment defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation’s net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

2. Significant accounting policies (continued):

(j) Employee future benefits (continued):

Post-employment defined benefit plan (continued)

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of income and comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in lieu of taxes payable:

The Corporation is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As a MEU, the Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision in lieu of taxes is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

2. Significant accounting policies (continued):

(k) Payments in lieu of taxes payable (continued):

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in the statement of income and comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

(m) Inventory:

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Leases:

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

2. Significant accounting policies (continued):

(n) Leases (continued):

The corporation recognizes a right-of-use (“ROU”) assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation’s incremental borrowing rate which reflects the Corporation’s ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset’s useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU 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 lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Employee future benefits

The cost of post-employment life insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment life insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Payments in lieu of taxes payable

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation’s current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounts receivable impairment

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Useful lives of depreciable assets

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience.

4. Accounts receivable:

	2020	2019
Residential and commercial energy and rentals	$ 2,053,023	$ 2,167,669
Work at customers premises	175,202	151,022
Employee purchases	826	–
HST recoverable	220,055	144,860
Other miscellaneous receivables	458,329	697,229
Due from related party	30,303	53,646
	2,937,738	3,214,426
Allowance for doubtful accounts	(179,775)	(99,382)
	$ 2,757,963	$ 3,115,044

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their fair values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Town of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

Ottawa River Energy Solutions Inc.

The Corporation has agreed to provide operating capital to Ottawa River Energy Solutions Inc. Advances are due on demand. Interest on the operating loan is charged at the Royal Bank of Canada prime rate, calculated semi-annually and payable on April 30. The loan agreement does not provide for interest on payable amounts. The interest calculation commenced January 1, 2003. At December 31, 2020, no amounts have been drawn on the operating loan (2019 - $Nil).

The Corporation provides services to Ottawa River Energy Solutions Inc., at cost. A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2020	2019
Labour on customer premises	$ 423,426	$ 610,658
Administration services	16,636	62,835
Rent and Service Charges	29,554	29,627
	$ 469,616	$ 703,120

Included in the statement of income and comprehensive income is fibre services of $24,240 (2019 - $24,240) and solar generation of $34,578 (2019 - $17,983) paid to Ottawa River Energy Solutions Inc.

At December 31, 2020, the Corporation has an amount of $Nil due from (2019 - $339,312 due from) Ottawa River Energy Solutions Inc. The Corporation also has accounts payable and accrued liabilities of $17,900 (2019 - $35,183) due to Ottawa River Energy Solutions Inc. and accounts receivable include $30,303 (2019 - $53,646) due from Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City of Pembroke are as follows:

	2020	2019
Electrical energy	$ 875,341	$ 953,013
Merchandising Jobbing	44,420	44,512
	$ 919,761	$ 997,525

At December 31, 2020, accounts payable and accrued liabilities include $80,732 (2019 - $45,799) due to the City of Pembroke and accounts receivable include $81,938 (2019 - $104,484) due from the City of Pembroke.

Dividends in the amount of $Nil (2019 - $193,101) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to $23,172 (2019 - $12,307). The Corporation incurred interest on the financing provided by the City of Pembroke in the amount of $234,426 (2019 - $234,426).

(c) Key management personnel compensation:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members.

	2020	2019
Board of directors' fees	$ 38,483	$ 38,805
Short-term employment benefits and salaries	572,256	578,858
Post-employment benefits	59,308	59,582
	$ 670,047	$ 677,245

6. Inventory:

Inventory consists of maintenance and construction materials amounting to $430,126 (2019 - $491,988).

7. Property, plant and equipment:

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance, December 31, 2019	$ 258,350	$ 462,673	$ 3,945,562	$ 5,139,842	$ 1,236,713	$ 2,683,591	$ 3,907,690	$ 1,363,879	$ 18,998,300
Additions during the year	–	50,192	2,025,406	226,900	49,766	265,109	206,769	101,662	2,925,804
Transfers during the year	–	–	–	–	–	–	–	(1,583,020)	(1,583,020)
Disposals during the year	–	–	–	(4,670)	(8,025)	–	(27,382)	–	(40,077)
Balance, December 31, 2020	258,350	512,865	5,970,968	5,362,072	1,278,454	2,948,700	4,087,077	(117,479)	20,301,007
Accumulated depreciation									
Balance, December 31, 2019	–	106,924	1,215,097	1,038,519	410,532	523,553	2,061,658	–	5,356,283
Depreciation for the year	–	27,956	204,155	185,346	40,185	102,828	356,029	–	916,499
Disposals during the year	–	–	–	(4,670)	(8,025)	–	(27,382)	–	(40,077)
Balance, December 31, 2020	–	134,880	1,419,252	1,219,195	442,692	626,381	2,390,305	–	6,232,705
Net book value									
Balance, December 31, 2019	$ 258,350	$ 355,749	$ 2,730,465	$ 4,101,323	$ 826,181	$ 2,160,038	$ 1,846,032	$ 1,363,879	$ 13,642,017
Balance, December 31, 2020	258,350	377,985	4,551,716	4,142,877	835,762	2,322,319	1,696,772	(117,479)	14,068,302

During the year, no provision for the cost of funds used during construction was capitalized. Included in additions is a right of use asset of $45,570 which is non-cash and is not included in the statement of cash flows.

7. Property, plant and equipment (continued):

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance, December 31, 2018	$ 258,350	$ 458,483	$ 3,857,171	$ 4,772,325	$ 1,081,904	$ 2,390,071	$ 3,677,721	$ –	$ 16,496,025
Additions during the year	–	4,190	147,245	367,517	154,809	444,627	507,664	1,363,879	2,989,931
Disposals during the year	–	–	(58,854)	–	–	(151,107)	(277,695)	–	(487,656)
Balance, December 31, 2019	258,350	462,673	3,945,562	5,139,842	1,236,713	2,683,591	3,907,690	1,363,879	18,998,300
Accumulated depreciation									
Balance, December 31, 2018	–	87,696	1,021,043	857,721	351,519	382,685	2,004,079	–	4,704,743
Depreciation for the year	–	19,228	194,054	180,798	59,013	140,868	335,274	–	929,235
Disposals during the year	–	–	–	–	–	–	(277,695)	–	(277,695)
Balance, December 31, 2019	–	106,924	1,215,097	1,038,519	410,532	523,553	2,061,658	–	5,356,283
Net book value									
Balance, December 31, 2018	$ 258,350	$ 370,787	$ 2,836,128	$ 3,914,604	$ 730,385	$ 2,007,386	$ 1,673,642	$ –	$ 11,791,282
Balance, December 31, 2019	258,350	355,749	2,730,465	4,101,323	826,181	2,160,038	1,846,032	1,363,879	13,642,017

8. Intangible assets:

Intangible assets consist of the following:

	Land rights	Computer software	Total
Cost:			
Balance, December 31, 2019	$ 2,748	$ 286,017	$ 288,765
Additions	–	5,473	5,473
Disposals	–	(103,007)	(103,007)
Balance, December 31, 2020	2,748	188,483	191,231
Accumulated amortization			
Balance, December 31, 2019	2,010	260,750	262,760
Amortization for the year	335	15,937	16,272
Disposals	–	(103,007)	(103,007)
Balance, December 31, 2020	2,345	173,680	176,025
Carrying amount			
Balance, December 31, 2019	$ 738	$ 25,267	$ 26,005
Balance, December 31, 2020	403	14,803	15,206

	Land rights	Computer software	Total
Cost:			
Balance, December 31, 2018	$ 2,748	$ 269,356	$ 272,104
Additions	–	16,661	16,661
Balance, December 31, 2019	2,748	286,017	288,765
Accumulated amortization			
Balance, December 31, 2018	1,675	239,343	241,018
Amortization for the year	335	21,407	21,742
Balance, December 31, 2019	2,010	260,750	262,760
Carrying amount			
Balance, December 31, 2018	$ 1,073	$ 30,013	$ 31,086
Balance, December 31, 2019	738	25,267	26,005

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

		2020		2019
Current tax expense:				
Current year	$	28,438	$	119,672
Deferred tax expense:				
Origination and reversal of temporary differences		151,120		53,536
	$	179,558	$	253,208

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2019 - 15%) for federal corporate tax and 11.5% (2019 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

		2020		2019
Income before provision for PILs	$	706,090	$	968,478
Statutory Canadian federal and provincial tax rate		26.50%		26.50%
Provision for PILs at statutory rate		187,114		256,647
Increase (decrease) in income tax resulting from:				
Permanent differences		92		2,838
Regulatory		(7,648)		(6,277)
	$	179,558	$	253,208
Effective tax rate		25.43%		26.10%

The movement in the deferred tax asset is as follows:

		2020		2019
Opening balance, January 1	$	845,115	$	898,651
Recognized in regulatory deferral credits		(151,120)		(53,536)
Closing balance, December 31	$	693,995	$	845,115

9. Payments in lieu of corporate income taxes (continued):

Deferred tax assets are attributable to the following:

	2020	2019
Property, plant and equipment	$ 540,821	$ 708,938
Employee future benefits	153,174	136,177
	$ 693,995	$ 845,115

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Dec 31, 2019	Balances arising in the period	Recovery/ reversal	Other movements*	Dec 31, 2020
Regulatory assets:					
RARA approved May 1, 2019	$ 287,349	$ (220,111)	$ –	$ –	$ 67,238
Regulatory liabilities:					
Regulatory liability for deferred income taxes	845,115	(151,120)	–	–	693,995
RARA approved May 1, 2016	40,524	2,193	–	–	42,717
Retail settlement variances	706,745	(673,143)	–	–	33,602
Pole Attachment variance	128,154	-	207,839	–	335,993
	1,720,538	(822,070)	207,839	–	1,106,307
Net regulatory liability	$ (1,433,189)	$ 601,959	$ (207,839)	$ 797,163	$ (1,039,069)

*Other movements represent reclassifications of balances.

10. Regulatory deferral accounts (continued):

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

Regulatory asset recovery accounts ("RARA")

The RARA are comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA are subject to carrying charges following the OEB prescribed methodology and rates.

In 2016 the Corporation received approval in its Cost of Service Application to dispose of the RARA balances from December 31, 2010 and May 1, 2012. These liabilities were transferred to the RARA effective May 1, 2016. The RARA amounts from May 1, 2013 were approved for disposal by the OEB.

The RARA approved May 1, 2016 have expired and the Corporation will apply for disposal of the remaining balances in the next Cost of Service Application to the OEB.

For rates effective May 1, 2019, the Corporation applied and was approved for a RARA for rates effective May 1, 2019 by the OEB. The RARA will be recovered from customers (returned to customers) through a variety of rate-riders implemented May 1, 2020 and ending April 30, 2021.

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB's direction.

Deferred income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

10. Regulatory deferral accounts (continued):

Other

Included in other are amounts related to pole attachment variance and to incremental capital module. The OEB approved an increase in the pole attachment charges effective January 1, 2019. The incremental capital module provides electricity distributors with a funding mechanism to address their capital needs. ORPC applied for incremental capital funding of $1,698,850 to build a new substation. The application was approved by the OEB in 2019. As of December 31, 2020, ORPC incurred $2,059,754 (2019 - $1,363,879) in construction costs related to the substation and recovered $211,883 (2019 - $84,776) from customers.

11. Accounts payable and accrued liabilities:

	2020	2019
Hydro One	$ 2,062,489	$ 2,591,636
Embedded generation	562,505	478,729
Trade payables	459,212	624,200
Accrued interest on long-term debt	162	77,735
Customer credit balances	524,637	538,989
Other accounts payable and accruals	1,176,237	416,683
Customer deposits	25,053	95,865
Due to relates parties	98,632	80,982
	$ 4,908,927	$ 4,904,819

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2020	2019
Deferred contributions, net, beginning of year	$ 1,033,626	$ 745,012
Contributions in aid of construction received	101,293	312,300
Contributions in aid of construction recognized as other revenue	(28,856)	(23,686)
Deferred contributions, net, end of year	$ 1,106,063	$ 1,033,626

All contributions in aid of construction are cash contributions. There has not been any contributions of property, plant and equipment.

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was $208,385 (2019 - $192,175). The contributions were made for current service $204,363 (2019 - $192,175) and past service $4,022 (2019 - $Nil) and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of $111.8 billion (2019 - $106.4 billion) in respect of benefits accrued for service with actuarial assets at that date of $108.6 billion (2019 - $103.0 billion), indicating an actuarial deficit of $3.2 billion (2019 - $3.4 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the year ended December 31, 2020 is based on results determined by actuarial valuation as at December 31, 2019.

The plan is exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	2020	2019
Defined benefit obligation, beginning of year	$ 377,700	$ 192,672
Amounts recognized in net income:		
Current service cost	4,497	4,712
Interest on cost obligation	11,994	5,741
	16,941	10,453
Benefit payments	(26,291)	(24,211)
Projected defined benefit obligation before actuarial valuation	367,900	178,914
Actuarial loss recognized in other comprehensive income	56,942	198,786
Defined benefit obligation, end of year	$ 424,842	$ 377,700

Significant actuarial assumptions for the measurement of the defined benefit obligation as at December 31 are as follows:

	2020	2019
Discount rate	2.50%	3.25%
Rate of compensation increase	2.65%	2.65%
Retirement age	Variable	Variable

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by $88,400.
- 1% increase in the discount rate decreases the defined benefit obligation by $66,500.
- Change with 1-year greater life expectancy decrease the defined benefit obligation by $14,200.
- Change with 1-year increase in retirement age assumption decrease the defined benefit obligation by $1,000.
- The expected average remaining service lifetime at December 31, 2020 was 18.2 years (2019 - 18.2 years).

14. Long-term debt:

	2020	2019
5.37182% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2022	$ 4,364,000	$ 4,364,000
5.37182% Promissory note payable to the Corporation of the Township of Whitewater Region, due May 1, 2022	147,000	147,000
5.37182% Promissory note payable to the Corporation of the Township of Killaloe, Hagarty and Richards, due May 1, 2022	172,348	172,348
5.37182% Promissory note payable to the Corporation of the Town of Mississippi Mills, due May 1, 2022	902,490	902,490
2.56% Promissory note payable in blended monthly payments of $ 7,112 to Ontario Infrastructure and Lands Corporation, due June 30, 2050	1,765,930	–
	7,351,768	5,585,838
Less: current portion of long-term debt	41,664	–
	$ 7,310,104	$ 5,585,838

In January 2019 the Corporation obtained a construction loan from Ontario Infrastructure and Lands Corporation in order to fund the construction of a new substation in Almonte. The agreement provided two credit facilities for a total committed amount of $1,785,850. The facilities are a short term loan which is a non-revolving floating rate construction loan and a term loan which is a non-revolving fixed rate term loan. In fiscal 2019 the Corporation received proceeds of $1,219,507 against the non-revolving construction loan. The short term facility matured at the earlier of project completion or June 2020. Upon completion of the project the short term loan was converted to the term loan with a maturity date of June 30, 2050.

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

(b) Issued:

As at December 31, 2020, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Town of Mississippi Mills	888	15.94%
Corporation of the Township of Killaloe, Hagarty and Richards	169	3.04%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100.00%

No movement in common share capital has occurred during 2020 or 2019.

15. Capital stock (continued):

(b) Authorized (continued):

As at December 31, 2020, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Town of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Hagarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D
	5,568	

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2020 or 2019.

(c) Dividends per share:

	2020	2019
Class A special shares	$ –	$ 44.25
Class B special shares	–	73.41
Class C special shares	–	73.29
Class D special shares	–	52.88

16. Commitments:

City of Pembroke

The Corporation rents its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of $12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty-three dollars ($360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation rents office premises from Mississippi River Power Corporation at an annual cost of $10,438. The lease expires on September 30, 2025.

The Corporation rents substation premises from Mississippi River Power Corporation at a monthly cost of $575. The lease expires on December 31, 2026.

Runge Stationers

The Corporation rents a postage machine premises from Runge Stationers at a monthly cost of $548. The lease expires on June 1, 2021.

17. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of $20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2020	2019
Revenue from contracts with customers		
Power recovery	$ 26,611,504	$ 23,310,296
Distribution:		
Residential service	3,024,238	3,086,650
General service	864,436	911,048
Larger users	935,864	954,104
	4,824,538	4,951,802
	$ 31,436,042	$ 28,262,098

	2020	2019
Other operating revenue:		
Late payment charges	$ 29,688	$ 47,921
Property and equipment rent	83,947	44,436
Change of occupancy and connection fees	46,500	48,983
Merchandising jobbing	440,859	671,758
Interest	5,455	12,967
Billing and collection charges	7,301	10,785
Gain on disposal of property, plant and equipment	–	43,872
	$ 613,750	$ 880,722

19. Expenses by nature:

Distribution operation and maintenance

	2020	2019
Materials, supplies, small tools recovery	$ (54,686)	$ (33,658)
Salaries and benefits	1,018,835	986,773
Training and travel	10,908	59,900
Office and general	55,815	2,127
Utilities	45,718	41,317
Insurance	5	3,145
Property taxes	23,172	12,307
	$ 1,099,767	$ 1,071,911

Community relations

	2020	2019
Advertising	$ 35,251	$ 28,478
Safety program	1,412	35,779
	$ 36,663	$ 64,257

Billing and collecting

	2020	2019
Smart meter reading and operations	$ 55,013	$ 52,758
Postage	112,995	116,709
Salaries and benefits	487,242	382,247
Information technology	60,738	60,576
Office and general	72,812	31,620
Bad debts	57,859	105,151
Collection agency costs	(1,978)	9,948
	$ 844,681	$ 759,009

19. Expenses by nature (continued):

General and administrative

		2020		2019
Salaries and benefits	$	759,607	$	715,736
Memberships, fees and dues		87,471		88,063
Legal		12,878		20,330
Audit		49,953		57,222
Professional Services		4,200		–
Building maintenance		96,494		134,332
Advertising		4,720		5,200
Regulatory		120,822		116,010
Information technology		19,145		19,225
Telephone		42,988		40,604
Insurance		35,105		29,852
Bank charges		21,615		25,051
Office supplies and materials		34,255		53,610
	$	1,289,253	$	1,305,235

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash, accounts receivable, and unbilled revenue presented on the balance sheet.

20. Financial risk management (continued):

(a) Credit risk (continued):

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of $100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 11,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12-month period. The Corporation does not have any material accounts receivable balances greater than 90 days outstanding. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue which is not included in the table below is considered all current.

	2020	2019
Under 30 days	$ 2,535,849	$ 2,963,895
30 to 60 days	90,554	75,169
61 to 90 days	66,513	58,595
Over 90 days	244,822	116,767
	2,937,738	3,214,426
Allowance for doubtful accounts	(179,775)	(99,382)
Total accounts receivable	$ 2,757,963	$ 3,115,044

20. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 4,908,927	$ –	$ –	$ –
Long-term debt	10,056	31,608	5,627,502	1,682,602
Total, December 31, 2020	$ 4,918,983	$ 31,608	$ 5,627,502	$ 1,682,602

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 4,904,819	$ –	$ –	$ –
Loan payable	1,222,312	–	–	–
Line of credit	400,000	–	–	–
Long-term debt	74,930	175,035	300,060	5,585,838
Total, December 31, 2019	$ 6,602,061	$ 175,035	$ 300,060	$ 5,585,838

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

(d) Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, enacting emergency measures to combat the spread of the virus. Beyond COVID-19 restrictions at operating locations the COVID-19 pandemic has not had a significant impact on the Corporation to date. The situation is dynamic and continuously evolving, and ultimately financial impact of the pandemic on the Corporation remains unknown as of the date of the approval of these financial statements.

20. Financial risk management (continued):

(e) Changes in risk exposure:

Other than described in note 20(d), there has been no change to the Corporation's risk exposure from 2019

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2020 is $2,062,489 (2019 - $2,591,635). Included in cost of power in the statement of income and comprehensive income is $25,908,846 (2019 - $22,039,605) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for $1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2020, no amounts had been drawn on the line of credit (2019 - $400,000).

23. Capital management:

The Corporation considers its capital to be its long-term debt, capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

Appendix 1B Financial Statements 2018 / 2019

Financial Statements of

OTTAWA RIVER POWER CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2019

Management’s Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with International Financial Reporting Standards.

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

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The attached Independent Auditors' Report outlines the scope of their examination and their opinion.

On behalf of management,

Jeffrey Roy, CPA, CA	Justin Allen
Chief Financial Officer	President and Chief Executive Officer

May 22, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at the year ended 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

Ottawa, Canada

May 22, 2020

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 1,077,942	$ 2,165,194
Accounts receivable (note 4)	3,115,044	2,918,430
Unbilled energy revenue	4,002,626	2,545,474
Inventory (note 6)	491,988	479,527
Prepaid expenses	230,703	255,290
Payments in lieu of corporate income taxes receivable (note 9)	83,296	–
Due from Ottawa River Energy Solutions Inc. (note 5)	339,312	–
	9,340,911	8,363,915
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	18,998,300	16,496,025
Less accumulated depreciation	5,356,283	4,704,743
	13,642,017	11,791,282
Intangible assets (note 8)	26,005	31,086
Deferred income tax assets (note 9)	845,115	898,651
Other non-current assets	88,772	125,847
Total assets	23,942,820	21,210,781
Regulatory assets (note 10)	287,349	902,390
Total assets and regulatory assets	$ 24,230,169	$ 22,113,171

	2019	2018
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 4,904,819	$ 5,477,461
Line of credit (note 22)	400,000	–
Loan payable (note 24)	1,219,507	–
Payments in lieu of corporate income taxes payable (note 9)	–	138,378
Due to Ottawa River Energy Solutions Inc. (note 5)	–	210,950
	6,524,326	5,826,789
Contributions in aid of construction (note 12)	1,033,626	745,012
Employee future benefits (note 13)	377,700	192,672
Long-term debt (note 14)	5,585,838	5,585,838
Total liabilities	13,521,490	12,350,311
Equity:		
Capital stock (note 15)	5,591,406	5,591,406
Retained earnings	3,396,735	3,158,251
Total equity	8,988,141	8,749,657
Total liabilities and equity	22,509,631	21,099,968
Regulatory liabilities (note 10)	1,720,538	1,013,203
Commitments (note 16)		
Contingencies (note 17)		
Subsequent event (note 25)		
	$ 24,230,169	$ 22,113,171

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

OTTAWA RIVER POWER CORPORATION

Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Service revenue:		
Electricity revenue	$ 23,310,296	$ 21,440,980
Distribution revenue	4,951,802	4,943,799
	28,262,098	26,384,779
Cost of power	21,833,638	21,620,073
	6,428,460	4,764,706
Other operating revenue (note 18)	880,722	742,723
	7,309,182	5,507,429
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	1,071,911	984,634
Community relations (note 19)	64,257	71,627
Billing and collecting (note 19)	759,009	668,041
General and administrative (note 19)	1,305,235	1,077,175
Depreciation and amortization	927,291	900,207
Merchandising jobbing	580,585	325,882
Interest and bank charges	9,980	16,719
Interest on long-term debt	300,060	300,060
	5,018,328	4,344,345
Income before income taxes and regulatory items	2,290,854	1,163,084
Net movement in regulatory balances (note 10)	(1,322,376)	(31,968)
Income before amount in lieu of income taxes	968,478	1,131,116
Amount in lieu of income taxes (note 9)	253,208	114,513
Total income	$ 715,270	$ 1,016,603
Net income	$ 715,270	$ 1,016,603
Other comprehensive income:		
Items that will not be subsequently reclassified to net income:		
Actuarial loss on post-employment benefits, net tax	198,786	–
Total income and other comprehensive income	$ 516,484	$ 1,016,603

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION
Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Share capital:		
Balance, beginning and end of year	$ 5,591,406	$ 5,591,406
Retained earnings:		
Balance, beginning of year	3,158,251	2,419,648
Total income and other comprehensive income	516,484	1,016,603
Dividends paid	(278,000)	(278,000)
Balance, end of year	3,396,735	3,158,251
Total equity	$ 8,988,141	$ 8,749,657

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows from operating activities:		
Total income and other comprehensive income	$ 516,484	$ 1,016,603
Items not affecting cash:		
Depreciation of property, plant and equipment	929,235	876,531
Amortization of intangible assets	21,742	23,676
Contributions in aid of construction amortized to revenue	(23,686)	(18,077)
Amortization of other non-current assets	37,075	52,074
Gain on disposal of property, plant and equipment	(43,872)	(3,403)
Employee future benefits	185,028	(11,312)
Interest income	(12,967)	(16,850)
Interest expense	249,341	316,779
Income tax expense	53,536	114,513
Net movements in regulatory accounts	1,322,376	31,970
Change in due to/from Ottawa River Energy Solutions Inc.	(550,262)	98,218
Income taxes paid	(221,674)	(118,756)
Interest paid	(249,341)	(316,779)
Interest received	12,967	16,850
Changes in non-cash operating working capital:		
Increase in accounts receivable	(196,614)	(509,598)
Decrease (increase) in unbilled energy revenue	(1,457,152)	71,936
Decrease in inventory	(12,461)	(12,754)
Decrease (increase) in prepaid expense	24,587	(26,946)
Decrease in accounts payable and accrued liabilities	(572,642)	(24,358)
Cash provided by operating activities	11,700	1,560,317
Cash flows from financing activities:		
Dividends paid	(278,000)	(278,000)
Proceeds from line of credit	400,000	–
Proceeds from loan payable	1,219,507	–
Cash provided by (used in) financing activities	1,341,507	(278,000)
Cash flows from investing activities:		
Proceeds on disposal of property, plant and equipment	253,833	3,403
Additions to property, plant and equipment	(2,989,931)	(1,657,839)
Additions to intangible assets	(16,661)	(11,474)
Receipt of contributions in aid of construction	312,300	136,450
Customer deposits	–	37,593
Cash used in investing activities	(2,440,459)	(1,491,867)
Net decrease in cash	(1,087,252)	(209,550)
Cash, beginning of year	2,165,194	2,374,744
Cash, end of year	$ 1,077,942	$ 2,165,194

See accompanying notes to financial statements.

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Town of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Hagarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Town of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Town of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were authorized for issue by the Board of Directors on May 22, 2020.

(b) Basis of presentation:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest dollar.

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

1. Basis of presentation (continued):

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Corporation and establishing standards of service for the Corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis for May 1 to April 30.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

2. Significant accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Corporation in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

(b) Revenue recognition:

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time as electricity is delivered to the customer, as measured by meter readings.

Other Revenues

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenues are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

2. Significant accounting policies (continued):

(d) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as amortized cost. These include cash, accounts receivable, unbilled energy revenue, and due from Ottawa River Energy Solutions. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increase, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent there is no realistic prospect of recovery.

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation's financial liabilities are classified as amortized cost. These include accounts payable and accrued liabilities, due to Ottawa River Energy Solutions, customer deposits, loan payable, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

2. Significant accounting policies (continued):

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment (“PP&E”) are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Asset	Useful life
Substation and buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

2. Significant accounting policies (continued):

(f) Property, plant and equipment (continued):

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

2. Significant accounting policies (continued):

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on an asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to the statement of comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

Post-employment defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation’s net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

2. Significant accounting policies (continued):

(j) Employee future benefits (continued):

Post-employment defined benefit plan (continued)

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in lieu of taxes payable:

The Corporation is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As a MEU, the Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision in lieu of taxes ("PILs") is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

2. Significant accounting policies (continued):

(k) Payments in lieu of taxes payable (continued):

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

(m) Inventory:

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Leases:

Effective January 1, 2019 the Corporation has adopted IFRS 16 – Leases as describe in note 2(i) of these financial statements.

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

2. Significant accounting policies (continued):

(n) Leases (continued):

The corporation recognizes a right-of-use ("ROU") assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depending on an index or rate are not included in the measurement of the lease liability.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU 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 lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued):

(n) Recently adopted accounting guidance:

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases

Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The adoption of IFRS 16 by the Corporation did not result in the recognition of any new ROU assets or lease liabilities.

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Employee future benefits

The cost of post-employment life insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment life insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Payments in lieu of taxes payable

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation’s current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

3. Use of estimates and judgments (continued):

Accounts receivable impairment

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Useful lives of depreciable assets

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience

4. Accounts receivable:

	2019	2018
Residential and commercial energy and rentals	$ 2,167,669	$ 1,925,516
Work at customers premises	204,668	196,791
Municipal street lights	–	16,520
Employee purchases	–	403
HST recoverable	144,860	132,934
Other miscellaneous receivables	697,229	764,923
	3,214,426	3,037,087
Allowance for doubtful accounts	(99,382)	(118,657)
	$ 3,115,044	$ 2,918,430

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their fair values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Town of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or provision of service.

Ottawa River Energy Solutions Inc.

The Corporation agreed to provide financing to Ottawa River Energy Solutions Inc., a sister corporation, for a capital project up to $1,000,000. Advances are due on demand. Interest is to be calculated semi-annually at 5.75% with the rate to be reviewed annually. There was no activity or balance receivable during the year ended December 31, 2019 or 2018.

The Corporation has agreed to provide operating capital to Ottawa River Energy Solutions Inc. Advances are due on demand. Interest on the operating loan is charged at the Royal Bank of Canada prime rate, calculated semi-annually and payable on April 30. The loan agreement does not provide for interest on payable amounts. The interest calculation commenced January 1, 2003. At December 31, 2019, no amounts have been drawn on the operating loan (2018 - $Nil).

The Corporation provides services to Ottawa River Energy Solutions Inc., at cost. A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2019	2018
Labour on customer premises	$ 610,658	$ 325,882
Administration services	62,835	55,140
Rent and Service Charges	29,627	19,830
	$ 703,120	$ 400,852

5. Related party transactions (continued):

(b) Transactions with related parties (continued

Ottawa River Energy Solutions Inc. (continued)

Included in the statement of comprehensive income is fibre services of $24,240 (2018 - $24,240) and solar generation of $17,983 (2018 - $18,160) paid to Ottawa River Energy Solutions Inc.

At December 31, 2019, the Corporation has an amount of $339,312 due from (2018 - $210,950 due to) Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City of Pembroke are as follows:

	2019	2018
Electrical energy	$ 953,013	$ 884,344
Merchandising Jobbing	44,512	40,523
	$ 997,525	$ 924,867

At December 31, 2019, accounts payable and accrued liabilities include $8,587 (2018 - $512) due to the City of Pembroke and accounts receivable include $104,484 (2018 - $211,905) due from the City of Pembroke.

Dividends in the amount of $193,101 (2018 - $191,022) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to $37,212 (2018 - $44,591).

Cornerstone Hydro Electric Concepts Association Inc.

The Corporation paid $35,500 (2018 - $34,298) in fees to Cornerstone Hydro Electric Concepts Association Inc. see note 16.

5. Related party transactions (continued):

(c) Key management personnel compensation:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members.

		2019		2018
Board of directors' fees	$	38,805	$	38,148
Short-term employment benefits and salaries		578,858		606,334
Post-employment benefits		59,582		63,298
	$	677,245	$	707,780

6. Inventory:

Inventory consists of maintenance and construction materials amounting to $491,988 (2018 - $479,527).

7. Property, plant and equipment:

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance, December 31, 2018	$ 258,350	$ 458,483	$ 3,857,171	$ 4,772,325	$ 1,081,904	$ 2,390,071	$ 3,677,721	$ –	$ 16,496,025
Additions during the year	–	4,190	147,245	367,517	154,809	444,627	507,664	1,363,879	2,989,931
Disposals during the year	–	–	(58,854)	–	–	(151,107)	(277,695)	–	(487,656)
Balance, December 31, 2019	258,350	462,673	3,945,562	5,139,842	1,236,713	2,683,591	3,907,690	1,363,879	18,998,300
Accumulated depreciation									
Balance, December 31, 2018	–	87,696	1,021,043	857,721	351,519	382,685	2,004,079	–	4,704,743
Depreciation for the year	–	19,228	194,054	180,798	59,013	140,868	335,274	–	929,235
Disposals during the year	–	–	–	–	–	–	(277,695)	–	(277,695)
Balance, December 31, 2019	–	106,924	1,215,097	1,038,519	410,532	523,553	2,061,658	–	5,356,283
Net book value									
Balance, December 31, 2018	$ 258,350	$ 370,787	$ 2,836,128	$ 3,914,604	$ 730,385	$ 2,007,386	$ 1,673,642	$ –	$ 11,791,282
Balance, December 31, 2019	258,250	355,749	2,730,465	4,101,323	826,181	2,160,038	1,846,031	1,363,879	13,642,017

During the year, no provision for the cost of funds used during construction was capitalized.

7. Property, plant and equipment (continued):

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Total
Cost:								
Balance, December 31, 2017	$ 169,629	$ 456,911	$ 3,611,421	$ 4,381,065	$ 923,913	$ 1,819,245	$ 3,517,805	$ 14,879,989
Additions during the year	88,721	1,572	245,750	391,260	157,991	612,629	159,916	1,657,839
Disposals during the year	–	–	–	–	–	(41,803)	–	(41,803)
Balance, December 31, 2018	258,350	458,483	3,857,171	4,772,325	1,081,904	2,390,071	3,677,721	16,496,025
Accumulated depreciation								
Balance, December 31, 2017	–	68,583	822,375	679,361	290,321	333,003	1,676,372	3,870,015
Depreciation for the year	–	19,113	198,668	178,360	61,198	91,485	327,707	876,531
Disposals during the year	–	–	–	–	–	(41,803)	–	(41,803)
Balance, December 31, 2018	–	87,696	1,021,043	857,721	351,519	382,685	2,004,079	4,704,743
Net book value								
Balance, December 31, 2017	$ 169,629	$ 388,328	$ 2,789,046	$ 3,701,704	$ 633,592	$ 1,486,242	$ 1,841,433	$ 11,009,974
Balance, December 31, 2018	258,350	370,787	2,836,128	3,914,604	730,385	2,007,386	1,673,642	11,791,282

8. Intangible assets:

Intangible assets consist of the following:

		Land rights		Computer software		Total
Cost:						
Balance, December 31, 2018	$	2,748	$	269,356	$	272,104
Additions		–		16,661		16,661
Balance, December 31, 2019		2,748		286,017		288,765
Accumulated amortization						
Balance, December 31, 2018		1,675		239,343		241,018
Amortization for the year		335		21,407		21,742
Balance, December 31, 2019		2,010		260,750		262,760
Carrying amount						
Balance, December 31, 2018	$	1,073	$	30,013	$	31,086
Balance, December 31, 2019		738		25,267		26,005

		Land rights		Computer software		Total
Cost:						
Balance, December 31, 2017	$	2,748	$	257,882	$	260,630
Additions		–		11,474		11,474
Balance, December 31, 2018		2,748		269,356		272,104
Accumulated amortization						
Balance, December 31, 2017		1,340		216,002		217,342
Amortization for the year		335		23,341		23,676
Balance, December 31, 2018		1,675		239,343		241,018
Carrying amount						
Balance, December 31, 2017	$	1,408	$	41,880	$	43,288
Balance, December 31, 2018		1,073		30,013		31,086

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

		2019		2018
Current tax expense:				
Current year	$	119,672	$	338,795
Deferred tax expense:				
Origination and reversal of temporary differences		53,536		(224,282)
	$	253,208	$	114,513

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2018 - 15%) for federal corporate tax and 11.5% (2018 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

		2019		2018
Income before provision for PILs	$	968,478	$	1,131,116
Statutory Canadian federal and provincial tax rate		26.5%		26.50%
Provision for PILs at statutory rate		256,647		299,746
Increase (decrease) in income tax resulting from:				
Permanent differences		2,838		5,534
Regulatory		(6,277)		(155,453)
Adjustment in respect of prior year		–		(35,314)
	$	253,208	$	114,513
Effective tax rate		26.1%		10.12%

The movement in the deferred tax asset is as follows:

		2019		2018
Opening balance, January 1	$	898,651	$	674,369
Recognized in regulatory deferral credits		(53,536)		224,282
Closing balance, December 31	$	845,115	$	898,651

9. Payments in lieu of corporate income taxes (continued):

Deferred tax assets are attributable to the following:

	2019	2018
Property, plant and equipment	$ 708,938	$ 829,184
Employee future benefits	136,177	69,467
	$ 845,115	$ 898,651

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Dec 31, 2018	Balances arising in the period	Recovery/ reversal	Other movements*	Dec 31, 2019
Regulatory assets:					
RARA approved May 1, 2013	$ 49,073	$ –	$ (49,073)	$ –	$ –
RARA approved May 1, 2019	–	(293,973)	–	581,322	287,349
Retail settlement variances	853,317	–	–	(853,317)	–
	902,390	(293,973)	(49,073)	(271,995)	287,349
Regulatory liabilities:					
Regulatory liability for deferred income taxes	976,275	(53,536)	(77,624)	–	845,115
RARA approved May 1, 2016	36,928	3,596	–	–	40,524
Retail settlement variances	–	434,750	–	271,995	706,745
Pole Attachment variance	–	84,776	43,378	–	128,154
	1,013,203	469,586	(34,246)	–	1,720,538
Net regulatory liability	$ (110,813)	$ (763,559)	$ (14,827)	$ –	$(1,433,189)

*Other movements represent reclassifications of balances.

10. Regulatory deferral accounts (continued):

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

Regulatory asset recovery accounts ("RARA")

The RARA are comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA are subject to carrying charges following the OEB prescribed methodology and rates.

In 2016 the Corporation received approval in its Cost of Service Application to dispose of the RARA balances from December 31, 2010 and May 1, 2012. These liabilities were transferred to the RARA effective May 1, 2016. The RARA amounts from May 1, 2013 were approved for disposal by the OEB.

The RARA approved May 1, 2016 have expired and the Corporation will apply for disposal of the remaining balances in the next Cost of Service Application to the OEB.

For rates effective May 1, 2019, the Corporation applied and was approved for a RARA for rates effective May 1, 2019 by the OEB. The RARA will be recovered from customers (returned to customers) through a variety of rate-riders implemented May 1, 2019 and ending April 30, 2020.

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB's direction.

Deferred income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

10. Regulatory deferral accounts (continued):

Other

Included in other are amounts related to pole attachment variance and to incremental capital module. The OEB approved an increase in the pole attachment charges effective January 1, 2019. The incremental capital module provides electricity distributors with a funding mechanism to address their capital needs. ORPC applied for incremental capital funding of $1,698,850 to build a new substation. The application was approved by the OEB in 2019. As of December 31, 2019, ORPC incurred $1,363,879 in construction costs related to the substation and recovered $84,776 from customers.

11. Accounts payable and accrued liabilities:

	2019	2018
Hydro One	$ 2,591,636	$ 3,443,990
Embedded generation	478,729	376,657
Trade payables	632,785	313,336
Accrued interest on long-term debt	77,735	74,979
Customer credit balances	538,989	645,976
Other accounts payable and accruals	453,897	527,272
Customer deposits	95,865	95,251
Due to relates parties	35,183	–
	$ 4,904,819	$ 5,477,461

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2019	2018
Deferred contributions, net, beginning of year	$ 745,012	$ 626,639
Contributions in aid of construction received	312,300	136,450
Contributions in aid of construction recognized as other revenue	(23,686)	(18,077)
Deferred contributions, net, end of year	$ 1,033,626	$ 745,012

All contributions in aid of construction are cash contributions. There has not been any contributions of property, plant and equipment.

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was $192,175 (2018 - $190,274). The contributions were made for current service $192,175 (2018 - $190,274) and past service $Nil (2018 - $Nil) and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of $106.4 billion (2018 - $100.0 billion) in respect of benefits accrued for service with actuarial assets at that date of $103.0 billion (2018 - $95.9 billion), indicating an actuarial deficit of $3.4 billion (2018 - $4.2 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the year ended December 31, 2019 is based on results determined by actuarial valuation as at December 31, 2016.

The plan is exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

		2019		2018
Defined benefit obligation, beginning of year	$	192,672	$	203,984
Amounts recognized in net income:				
Current service cost		4,712		4,974
Interest on cost obligation		5,741		6,338
		10,453		11,312
Benefit payments		(24,211)		(22,624)
Projected defined benefit obligation before actuarial valuation		178,914		192,672
Actuarial loss recognized in other comprehensive income		198,786		–
Defined benefit obligation, end of year	$	377,700	$	192,672

Significant actuarial assumptions for the measurement of the defined benefit obligation as at December 31 are as follows:

	2019	2018
Discount rate	3.25%	3.25%
Rate of compensation increase	2.65%	2.00%
Retirement age	Variable	64.7 years

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by $78,600.
- 1% increase in the rate of termination prior to retirement decreases the defined benefit obligation by $59,100.
- Change with 1 year greater life expectancy decrease the defined benefit obligation by $12,600.

The expected average remaining service lifetime at December 31, 2019 was 18.2 years (2018 - 15 years).

14. Long-term debt:

	2019	2018
5.37182% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2022	$ 4,364,000	$ 4,364,000
5.37182% Promissory note payable to the Corporation of the Village of Beachburg, due May 1, 2022	147,000	147,000
5.37182% Promissory note payable to the Corporation of the Township of Killaloe, Hagarty and Richards, due May 1, 2022	172,348	172,348
5.37182% Promissory note payable to the Corporation of the Town of Mississippi Mills, due May 1, 2022	902,490	902,490
	$ 5,585,838	$ 5,585,838

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

15. Capital stock (continued):

(b) Issued:

As at December 31, 2019, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Town of Mississippi Mills	888	15.94%
Corporation of the Township of Killaloe, Hagarty and Richards	169	3.04%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100.00%

No movement in common share capital has occurred during 2019 or 2018.

As at December 31, 2019, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Town of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Hagarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2019 or 2018.

(c) Dividends per share:

	2019	2018
Class A special shares	$ 44.25	$ 43.77
Class B special shares	73.41	74.82
Class C special shares	73.29	55.13
Class D special shares	52.88	76.35

16. Commitments:

Cornerstone Hydro Electric Concepts ("CHEC")

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of fifteen LDCs modelled after a co-operative to share resources and proficiencies. See note 5 (b).

The Corporation may terminate its membership at any time upon the following terms:

(a) giving written notice 60 days in advance of termination; and

(b) by making a pre-payment in full of the balance of its contract service costs to CHEC. The amount of the pre-payment cost shall be the total cost which the Corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for the CHEC commitment goes to December 31, 2020. The pre-payment cost of termination is a settlement of the Corporation's obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the Corporation had not terminated the agreement. As at December 31, 2019, the obligation to CHEC includes 2020 - 2021 membership dues of approximately $35,300 (2018 - $34,088).

City of Pembroke

The Corporation leases its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of $12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty three dollars ($360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation leases office premises from Mississippi River Power Corporation under the terms of an operating lease at a monthly cost of $1,250. The lease expired on December 31, 2016. The Corporation is currently in discussions with the Mississippi River Power Corporation regarding the status of this lease.

The Corporation leases substation premises from Mississippi River Power Corporation under the terms of an operating lease at a monthly cost of $550. The lease expired on December 31, 2016. The Corporation is currently in discussions with the Mississippi River Power Corporation regarding the status of this lease.

16. Commitments (continued):

Town of Mississippi Mills

The Corporation leases garage premises from the Corporation of the Town of Mississippi Mills under the terms of an operating lease at an annual rental of $1. The lease expired September 30, 2019.

17. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of $20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2019	2018
Revenue from contracts with customers		
Power recovery	$ 22,805,917	$ 21,440,980
Distribution:		
Residential service	3,086,650	3,048,676
General service	954,104	909,228
Larger users	911,048	985,895
	4,951,802	4,943,799
	$ 27,757,719	$ 26,384,779

18. Revenue (continued):

	2019	2018
Other operating revenue:		
Late payment charges	$ 47,921	$ 86,749
Property and equipment rent	44,436	36,428
Change of occupancy and connection fees	48,983	50,305
Merchandising jobbing	671,758	522,626
Interest	12,967	16,850
Billing and collection charges	10,785	8,285
Amortization of contributions in aid of construction	–	18,077
Gain on disposal of property, plant and equipment	43,872	3,403
	$ 880,722	$ 742,723

19. Expenses by nature:

Distribution operation and maintenance

	2019	2018
Materials, supplies, small tools	$ (33,658)	$ (132,880)
Salaries and benefits	986,773	963,916
Training and travel	59,900	48,459
Office and general	2,127	6,936
Utilities	41,317	47,765
Insurance	3,145	13,978
Property taxes	12,307	36,460
	$ 1,071,911	$ 984,634

Community relations

	2019	2018
Advertising	$ 28,478	$ 32,440
Safety program	35,779	39,187
	$ 64,257	$ 71,627

19. Expenses by nature (continued):

Billing and collecting

		2019		2018
Smart meter reading and operations	$	52,758	$	51,381
Postage		116,709		116,400
Salaries and benefits		382,247		365,524
Information technology		60,576		69,403
Office and general		31,620		26,836
Bad debts		105,151		34,385
Collection agency costs		9,948		4,112
	$	759,009	$	668,041

General and administrative

		2019		2018
Salaries and benefits	$	715,736	$	469,469
Memberships, fees and dues		88,063		86,102
Legal		20,330		67,009
Audit		57,222		30,000
Building maintenance		134,332		119,479
Advertising		5,200		5,461
Regulatory		116,010		100,504
Information technology		19,225		11,006
Telephone		40,604		36,814
Insurance		29,852		30,504
Bank charges		25,051		19,874
Office supplies and materials		53,610		100,953
	$	1,305,235	$	1,077,175

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash and cash equivalents, accounts receivable, and unbilled revenue presented on the balance sheet.

20. Financial risk management (continued):

(a) Credit risk (continued):

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of $100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 11,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12 month period. The Corporation does not have any material accounts receivable balances greater than 90 days outstanding. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue which is not included in the table below is considered all current.

	2019	2018
Under 30 days	$ 2,963,895	$ 2,844,831
30 to 60 days	75,169	55,552
61 to 90 days	58,595	38,331
Over 90 days	116,767	98,373
	3,214,426	3,037,087
Allowance for doubtful accounts	(99,382)	(118,657)
Total accounts receivable	$ 3,115,044	$ 2,918,430

20. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 4,904,819	$ –	$ –	$ –
Loan payable	1,622,312	–	–	–
Long-term debt	74,930	175,035	300,060	5,585,838
Total, December 31, 2019	$ 6,602,061	$ 175,035	$ 300,060	$ 5,585,838

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 5,477,461	$ –	$ –	$ –
Long-term debt	75,015	225,045	300,060	5,985,918
Due to Ottawa River Energy Solutions Inc.	210,950	–	–	–
Total, December 31, 2018	$ 5,763,426	$ 225,045	$ 300,060	$ 5,985,918

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2019 is $2,591,635 (2018 - $3,443,990). Included in cost of power in the statement of comprehensive income is $22,039,605 (2018 - $20,643,412) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for $1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2019, an amount of $400,000 was drawn on the line of credit (2018 - $Nil).

23. Capital management:

The Corporation considers its capital to be its long-term debt, capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

24. Loan payable:

In January 2019 the Corporation obtained a construction loan from Ontario Infrastructure and Lands Corporation in order to fund the construction of a new substation in Almonte. The agreement provides two credit facilities for a total committed amount of $1,785,850. The facilities are a short term loan which is a non-revolving floating rate construction loan and a term loan which is a non-revolving fixed rate term loan. The short term facility matures at the earlier of project completion or June 2020. Upon completion of the project the short term loan can be converted to the term loan with a maturity of up to thirty years.

25. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time. These impacts could include an impact on our ability to obtain debt financing, impairments in the value of assets, or potential future decreases in revenue or the profitability of our ongoing operations.

Appendix 1C Financial Statements 2017 / 2018

Financial Statements of

OTTAWA RIVER POWER CORPORATION

Year ended December 31, 2018

Management's Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with International Financial Reporting Standards.

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

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The attached Independent Auditors' Report outlines the scope of their examination and their opinion.

On behalf of management,

Jeffrey Roy, CPA, CA
Chief Financial Officer

Justin Allen
President and Chief Executive Officer

April 26, 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at the year ended 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 at 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.

Other Matter

The financial statements of Ottawa River Power Corporation as at and for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2018.

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

Ottawa, Canada

April 26, 2019

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 2,165,194	$ 2,374,744
Accounts receivable (note 4)	2,918,430	2,408,832
Payments in lieu of corporate income taxes receivable (note 9)	–	81,661
Unbilled energy revenue	2,545,474	2,617,410
Inventory (note 6)	479,527	466,773
Prepaid expenses	255,290	228,344
	8,363,915	8,177,764
Restricted cash and cash equivalents:		
Cash, held for customer deposits	–	57,658
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	16,496,025	14,879,989
Less accumulated depreciation	4,704,743	3,870,015
	11,791,282	11,009,974
Intangible assets (note 8)	31,086	43,288
Deferred future income tax assets (note 9)	898,651	674,369
Other non-current assets	125,847	177,921
Total assets	21,210,781	20,140,974
Regulatory assets (note 10)	902,390	805,197
Total assets and regulatory assets	$ 22,113,171	$ 20,946,171

	2018	2017
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 5,477,461	$ 5,464,226
Payments in lieu of corporate income taxes payable (note 9)	138,378	–
Due to Ottawa River Energy Solutions Inc. (note 5)	210,950	112,732
	5,826,789	5,576,958
Contributions in aid of construction (note 12)	745,012	626,639
Employee future benefits (note 13)	192,672	203,984
Long-term debt (note 14)	5,585,838	5,643,496
Total liabilities	12,350,311	12,051,077
Equity:		
Capital stock (note 15)	5,591,406	5,591,406
Retained earnings	3,158,251	2,419,648
Total equity	8,749,657	8,011,054
Total liabilities and equity	21,099,968	20,062,131
Regulatory liabilities (note 10)	1,013,203	884,040
Commitments (note 16)		
Contingencies (note 17)		
	$ 22,113,171	$ 20,946,171

See accompanying notes to financial statements.

On behalf of the Board:

_____________________________ Director

_____________________________ Director

OTTAWA RIVER POWER CORPORATION

Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Service revenue:		
Electricity revenue	$ 21,440,980	$ 22,213,949
Distribution revenue	4,943,799	4,663,169
	26,384,779	26,877,118
Cost of power	21,620,073	22,691,210
	4,764,706	4,185,908
Other operating revenue (note 18)	742,723	642,721
	5,507,429	4,828,629
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	984,634	1,257,814
Community relations (note 19)	71,627	79,472
Billing and collecting (note 19)	668,041	804,067
General and administrative (note 19)	1,077,175	1,121,791
Depreciation and amortization	900,207	717,910
Merchandising jobbing	325,882	314,930
Interest and bank charges	16,719	28,797
Interest on long-term debt	300,060	300,060
	4,344,345	4,624,841
Income before income taxes and regulatory items	1,163,084	203,788
Net movement in regulatory balances (note 10)	(31,968)	543,130
Income before amount in lieu of income taxes	1,131,116	746,918
Amount in lieu of income taxes (note 9)	114,513	179,273
Total income and other comprehensive income	$ 1,016,603	$ 567,645

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Share capital:				
Balance, beginning and end of year	$	5,591,406	$	5,591,406
Retained earnings:				
Balance, beginning of year		2,419,648		2,130,004
Total income and other comprehensive income		1,016,603		567,645
Dividends paid		(278,000)		(278,001)
Balance, end of year		3,158,251		2,419,648
Total equity	$	8,749,657	$	8,011,054

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows from operating activities:		
Total income and other comprehensive income	$ 1,016,603	$ 567,645
Items not affecting cash:		
Amortization of property and equipment	876,531	859,689
Amortization of intangible assets	23,676	26,055
Contributions in aid of construction amortized to revenue	(18,077)	(18,743)
Amortization of other non-current assets	52,074	52,075
Gain on disposal of property, plant and equipment	(3,403)	(25,000)
Employee future benefits	(11,312)	(10,720)
Interest income	(16,850)	(9,402)
Interest expense	316,779	328,857
Income tax expense	114,513	179,273
Net movements in regulatory accounts	31,970	(543,130)
Payments to ORES	98,218	(137,173)
Income taxes paid	(118,756)	(286,954)
Interest paid	(316,779)	(328,857)
Interest received	16,850	9,402
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(509,598)	55,519
Decrease in unbilled energy revenue	71,936	943,880
Decrease (increase) in inventory	(12,754)	33,467
Increase in prepaid expense	(26,946)	(3,257)
Decrease in accounts payable and accrued liabilities	(24,358)	(376,828)
Cash provided by operating activities	1,560,317	1,315,798
Cash flows from financing activities:		
Dividends paid	(278,000)	(278,001)
Cash used in financing activities	(278,000)	(278,001)
Cash flows from investing activities:		
Customer deposits	37,593	(22,840)
Proceeds on disposal of equipment	3,403	25,000
Additions to property, plant and equipment	(1,657,839)	(1,466,937)
Additions to intangible assets	(11,474)	(33,881)
Proceeds of contributions in aid of construction	136,450	254,233
Cash used in investing activities	(1,491,867)	(1,244,425)
Net decrease in cash	(209,550)	(206,628)
Cash, beginning of year	2,374,744	2,581,372
Cash, end of year	$ 2,165,194	$ 2,374,744

See accompanying notes to financial statements.

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Town of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Haggarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Town of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Town of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The financial statements were authorized for issue by the Board of Directors on April 25, 2019.

(b) Basis of presentation:

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest dollar.

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

1. Basis of presentation (continued):

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Corporation and establishing standards of service for the Corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis for May 1 to April 30.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

2. Significant accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Corporation in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

(b) Revenue recognition:

Effective January 1, 2018, the Corporation has adopted IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) as described in Note 2(n) of these financial statements.

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time as electricity is delivered to the customer, as measured by meter readings.

Other

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenues are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

2. Significant accounting policies (continued):

(d) Financial instruments:

Effective January 1, 2018, the Corporation has adopted IFRS 9 – Financial Instruments ("IFRS 9") as described in note 2(n).

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as amortized cost. These include cash and cash equivalents, restricted cash and cash equivalents held for customer deposits, accounts receivable, and unbilled energy revenue. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increase, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent there is no realistic prospect of recovery.

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation's financial liabilities are classified as amortized cost. These include accounts payable and accruals, due to Ottawa River Energy Solutions, customer deposits, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

2. Significant accounting policies (continued):

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment ("PP&E") are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Asset	Useful life
Buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

2. Significant accounting policies (continued):

(f) Property, plant and equipment (continued):

Gain and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

2. Significant accounting policies (continued):

(h) Intangible assets (continued):

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on an asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. An impairment loss is charged to the statement of comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

2. Significant accounting policies (continued):

(j) Employee future benefits (continued):

Post-employment defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

2. Significant accounting policies (continued):

(k) Payments in lieu of taxes payable:

The Corporation is a Municipal Electricity Utility (“MEU”) for purposes of the payments in lieu of taxes (“PILs”) regime contained in the Electricity Act, 1998. As a MEU, the Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax

Provision in lieu of taxes ("PILs") is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Significant accounting policies (continued):

(l) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

(m) Inventory:

Cost of inventory is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Recently adopted accounting guidance:

Revenue from contracts with customers

On January 1, 2018, the Corporation adopted IFRS 15 – Revenue from Contracts with Customers ('IFRS 15') by applying the modified retrospective approach where prior periods are not restated. The Corporation elected a practical expedient, as allowed under IFRS 15, which permitted it to apply the new standard solely to contracts which were in progress as of January 1, 2018, and all contracts initiated thereafter.

IFRS 15 supersedes previous revenue recognition guidance including IAS 18 – Revenue, IAS 11 – Construction Contracts and related interpretations. IFRS 15 provides a standardized five step model (identify contract, identify performance obligations, determine transaction price, allocate transaction price and recognize revenue) to recognize revenue. Depending on whether certain criteria are met revenue is recognized over time, in a manner that best reflects the Corporation’s performance or at a point in time, when control of the goods or services is transferred to the customer. IFRS 15 applies to nearly all contracts with customers, unless covered by another standard (i.e. leases, financial instruments, insurance contracts), or those out of scope of IFRS 15.

The adoption of IFRS 15 did not have an impact on the Corporation’s existing revenue recognition practices as reported in the comparative year. As a result, there have been no adjustments recognized upon the adoption of IFRS 15.

2. Significant accounting policies (continued):

(n) Recently adopted accounting guidance (continued):

Financial instruments

On January 1, 2018, the Corporation adopted IFRS 9 – Financial Instruments ('IFRS 9') on a retrospective basis, which replaces IAS 39 – Financial Instruments: Recognition and Measurement ('IAS 39'). The Corporation has chosen not to restate comparative information with respect to classification and measurement requirements. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

IFRS 9 includes revised guidance on the classification and measurement of financial assets, including basing the classification of financial assets on their contractual cash flow characteristics and the entity’s business model for managing financial assets, whereas IAS 39 based the classifications on specific definitions for each category. Moreover, IFRS 9 simplifies the former IAS 39 classifications into three main categories (amortized cost, fair value through other comprehensive income and fair value through profit or loss), and introduces a new expected credit loss model for measuring impairment of financial assets. In addition, IFRS 9 contains consequential amendments to IFRS 7 – Financial Instruments: Disclosures which has also been adopted by the Corporation.

On January 1, 2018, management assessed which business models apply to the financial assets held by the Corporation and has classified its financial instruments into the appropriate IFRS 9 categories. In addition, the Corporation revised its impairment methodology under IFRS 9 for each of its classes of financial assets. The Corporation’s financial instruments will continue to be subsequently measured at amortized cost (previously classified as loans and receivables for financial assets under IAS 39), and furthermore the new impairment methodology results in the same expected credit loss (allowance for doubtful accounts) as under the previous method used. The adoption of IFRS 9 by the Corporation did not result in any quantitative adjustments being recognized as at January 1, 2018.

The adoption of IFRS 9 has not had an effect on the Corporation’s accounting policies related to financial liabilities.

2. Significant accounting policies (continued):

(o) Standards, amendments and interpretations not yet effective:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Corporation.

Management anticipates that all of the relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's financial statements and therefore have not been described here.

IFRS 16 Leases

IFRS 16 replaces accounting requirements introduced more than 30 years ago that are no longer considered suitable and is a major revision of the way in which companies account for leases. The effective date for IFRS 16 is January 1, 2019. The Corporation is in the process of evaluating the impact of the new standard.

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Employee future benefits

The cost of post-employment life insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment life insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. Use of estimates and judgments (continued):

Payments in lieu of taxes payable

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounts receivable impairment

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

Useful lives of depreciable assets

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience

4. Accounts receivable:

	2018	2017
Residential and commercial energy and rentals	$ 1,925,516	$ 1,296,762
Work at customers premises	196,791	201,318
Municipal street lights	16,520	2,682
Employee purchases	403	810
HST recoverable	132,934	399,801
Other miscellaneous receivables	764,923	657,459
	3,037,087	2,558,832
Allowance for doubtful accounts	(118,657)	(150,000)
	$ 2,918,430	$ 2,408,832

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their carrying values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Town of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government- related disclosure requirements.

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or provision of service.

Ottawa River Energy Solutions Inc.

The Corporation agreed to provide financing to Ottawa River Energy Solutions Inc., a sister corporation, for a capital project up to $1,000,000. Advances are due on demand. Interest is to be calculated semi-annually at 5.75% with the rate to be reviewed annually. There was no activity or balance receivable during the year ended December 31, 2018 or 2017.

The Corporation has agreed to provide operating capital to Ottawa River Energy Solutions Inc. Advances are due on demand. Interest on the operating loan is charged at the Royal Bank of Canada prime rate, calculated semi-annually and payable on April 30. The loan agreement does not provide for interest on payable amounts. The interest calculation commenced January 1, 2003.

The Corporation provides services to Ottawa River Energy Solutions Inc., at cost. A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2018	2017
Labour on customer premises	$ 40,138	$ 30,969
Administration services	55,140	50,933
	$ 95,278	$ 81,902

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

Ottawa River Energy Solutions Inc. (continued)

Included in the statement of comprehensive income is fibre services of $24,240 (2017 - $24,240) paid to Ottawa River Energy Solutions Inc.

At December 31, 2018, the Corporation has an amount of $210,950 (2017 - $112,732) due to Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City of Pembroke are as follows:

	2018	2017
Electrical energy	$ 884,344	$ 1,000,558
Merchandising Jobbing	40,523	37,139
	$ 924,867	$ 1,037,697

At December 31, 2018, accounts payable and accrued liabilities include $512 (2017 - $58,616) due to the City of Pembroke and accounts receivable include $211,905 (2017 - $105,228) due from the City of Pembroke.

Dividends in the amount of $191,022 (2017 - $192,110) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to $44,591 (2017 - $46,572).

Cornerstone Hydro Electric Concepts Association Inc.

The Corporation paid $34,298 (2017 - $36,615) in fees to Cornerstone Hydro Electric Concepts Association Inc. See note 16.

5. Related party transactions (continued):

(c) Key management personnel compensation:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members.

		2018		2017
Board of directors' fees	$	38,148	$	37,284
Short-term employment benefits and salaries		606,334		756,319
Post-employment benefits		63,298		50,650
	$	707,780	$	844,253

6. Inventory:

Inventory consists of maintenance and construction materials amounting to $479,527 (2016 - $466,773).

7. Property, plant and equipment:

	Land	Buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Total
Cost:								
Balance, December 31, 2017	$ 169,629	$ 456,911	$ 3,611,421	$ 4,381,065	$ 923,913	$ 1,819,245	$ 3,517,805	$ 14,879,989
Additions during the year	88,721	1,572	245,750	391,260	157,991	612,629	159,916	1,657,839
Disposals during the year	–	–	–	–	–	(41,803)	–	(41,803)
Balance, December 31, 2018	258,350	458,483	3,857,171	4,772,325	1,081,904	2,390,071	3,677,721	16,496,025
Accumulated amortization								
Balance, December 31, 2017	–	68,583	822,375	679,361	290,321	333,003	1,676,372	3,870,015
Depreciation for the year	–	19,113	198,668	178,360	61,198	91,485	327,707	876,531
Disposals during the year	–	–	–	–	–	(41,803)	–	(41,803)
Balance, December 31, 2018	–	87,696	1,021,043	857,721	351,519	382,685	2,004,079	4,704,743
Net book value								
Balance, December 31, 2017	$ 169,629	$ 388,328	$ 2,789,046	$ 3,701,704	$ 633,592	$ 1,486,242	$ 1,841,433	$ 11,009,974
Balance, December 31, 2018	258,350	370,787	2,836,128	3,914,604	730,385	2,007,386	1,673,642	11,791,282

During the year, no provision for the cost of funds used during construction was capitalized.

During the period, total amortization recorded as operating and maintenance expenses amounted to $170,729 (2017 - $141,779).

7. Property, plant and equipment (continued):

	Land	Buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Total
Cost:								
Balance, December 31, 2016	$ 130,499	$ 452,901	$ 3,400,082	$ 3,973,679	$ 751,003	$ 1,599,302	$ 2,992,061	$ 13,299,527
Additions during the year	39,130	4,010	211,339	407,386	172,910	219,943	525,744	1,580,462
Balance, December 31, 2017	169,629	456,911	3,611,421	4,381,065	923,913	1,819,245	3,517,805	14,879,989
Accumulated amortization								
Balance, December 31, 2016	–	49,576	618,996	506,228	226,278	248,159	1,361,089	3,010,326
Depreciation for the year	–	19,007	203,379	173,133	64,043	84,844	315,283	859,689
Balance, December 31, 2017	–	68,583	822,375	679,361	290,321	333,003	1,676,372	3,870,015
Net book value								
Balance, December 31, 2016	$ 130,499	$ 403,325	$ 2,781,086	$ 3,467,451	$ 524,725	$ 1,351,143	$ 1,744,497	$ 10,402,726
Balance, December 31, 2017	169,629	388,328	2,789,046	3,701,704	633,592	1,486,242	1,841,433	11,009,974

8. Intangible assets:

Intangible assets consist of the following:

	Land rights	Computer software	Total
Cost:			
Balance, December 31, 2017	$ 2,748	$ 257,882	$ 260,630
Additions	–	11,474	11,474
Balance, December 31, 2018	2,748	269,356	272,104
Accumulated amortization			
Balance, December 31, 2017	1,340	216,002	217,342
Amortization for the year	335	23,341	23,676
Balance, December 31, 2018	1,675	239,343	241,018
Carrying amount			
Balance, December 31, 2017	$ 1,408	$ 41,880	$ 43,288
Balance, December 31, 2018	1,073	30,014	31,086

	Land rights	Computer software	Total
Cost:			
Balance, December 31, 2016	$ 2,748	$ 224,001	$ 226,749
Additions	–	33,881	33,881
Balance, December 31, 2017	2,748	257,882	260,630
Accumulated amortization			
Balance, December 31, 2016	1,005	190,282	191,287
Amortization for the year	335	25,720	26,055
Balance, December 31, 2017	1,340	216,002	217,342
Carrying amount			
Balance, December 31, 2016	$ 1,743	$ 33,719	$ 35,462
Balance, December 31, 2017	1,408	41,880	43,288

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

		2018		2017
Current tax expense:				
Current year	$	338,795	$	111,454
Deferred tax expense:				
Origination and reversal of temporary differences		(224,282)		67,819
	$	114,513	$	179,273

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2017 - 15%) for federal corporate tax and 11.5% (2017 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

		2018		2017
Income before provision for PILs	$	1,131,116	$	746,918
Statutory Canadian federal and provincial tax rate		26.50%		26.50%
Provision for PILs at statutory rate		299,746		197,933
Increase (decrease) in income tax resulting from:				
Permanent differences		5,534		1,123
Regulatory		(155,453)		(19,783)
Adjustment in respect of prior year		(35,314)		–
	$	114,513	$	179,273
Effective tax rate		10.12%		24.00%

The movement in the deferred tax asset is as follows:

		2018		2017
Opening balance, January 1	$	674,369	$	742,188
Recognized in regulatory deferral credits		224,282		(67,819)
Closing balance, December 31	$	898,651	$	674,369

9. Payments in lieu of corporate income taxes:

Deferred tax assets are attributable to the following:

		2018		2017
Property, plant and equipment	$	829,184	$	674,369
Employee future benefits		69,467		–
	$	898,651	$	674,369

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

		Dec 31, 2017		Balances arising in the period		Recovery/ reversal		Other movements*		Dec 31, 2018
Regulatory assets:										
RARA approved May 1, 2013	$	48,256	$	817	$	–	$	–	$	49,073
Retail settlement variances		756,941		96,376		–		–		853,317
		805,197		97,193		–		–		902,390
Regulatory liabilities:										
Future income taxes regulatory liability		751,991		224,284		–		–		976,275
RARA approved May 1, 2016		132,049		2,969		(98,090)		–		36,928
		884,040		227,253		(98,090)		–		1,013,203
Net regulatory asset (liability)	$	(78,843)	$	(130,060)	$	98,090	$	–	$	(110,813)

*Other movements represent reclassifications of balances.

10. Regulatory deferral accounts (continued):

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

Regulatory asset recovery accounts ("RARA")

The RARA are comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders. The RARA are subject to carrying charges following the OEB prescribed methodology and rates.

In 2016 the Corporation received approval in its Cost of Service Application to dispose of the RARA balances from December 31, 2010 and May 1, 2012. These liabilities were transferred to the RARA effective May 1, 2016. The RARA amounts from May 1, 2013 will be applied for disposition at the time of the next Cost of Service Application to the OEB.

The RARA approved May 1, 2016 will be recovered from customers (returned to customers) through a variety of rate-riders implemented July 1, 2016 and ending June 30, 2018.

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB's direction.

Future income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

11. Accounts payable and accrued liabilities:

	2018	2017
Hydro One	$ 3,443,990	$ 3,294,743
Embedded generation	376,657	350,655
Trade payables	313,336	146,373
Debt retirement charge payable	–	39,096
Accrued interest on long-term debt	74,979	75,027
Customer credit balances	645,976	990,356
Other accounts payable and accruals	527,272	510,318
Customer deposits	95,251	57,658
	$ 5,477,461	$ 5,464,226

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2018	2017
Deferred contributions, net, beginning of year	$ 626,639	$ 391,149
Contributions in aid of construction received	136,450	254,233
Contributions in aid of construction recognized as other revenue	(18,077)	(18,743)
Deferred contributions, net, end of year	$ 745,012	$ 626,639

All contributions in aid of construction are cash contributions. There has not been any contributions of property, plant and equipment.

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

13. Employee future benefits (continued):

(a) Pension plan (continued):

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was $190,274 (2017 - $195,151). The contributions were made for current service ($190,274) and past service ($Nil) and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of $100.0 billion (2017 - $94.4 billion) in respect of benefits accrued for service with actuarial assets at that date of $95.9 billion (2017 - $89.0 billion), indicating an actuarial deficit of $4.2 billion (2017 - $5.4 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the year ended December 31, 2018 is based on results determined by actuarial valuation as at December 31, 2016.

The plan is exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

		2018		2017
Defined benefit obligation, beginning of year	$	203,984	$	214,704
Amounts recognized in net income:				
Current service cost		4,974		4,880
Interest on cost obligation		6,338		6,695
		11,312		11,575
Benefit payments		(22,624)		(22,295)
Projected defined benefit obligation before actuarial valuation		192,672		203,984
Actuarial loss recognized in other comprehensive income		–		–
Defined benefit obligation, end of year	$	192,672	$	203,984

Actuarial assumptions are as follows:

	2018	2017
Discount rate	3.25%	3.25%
Rate of compensation increase	2.00%	2.00%
Retirement age	64.7 years	64.7 years

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by 18.4%.
- 1% increase in the rate of termination prior to retirement decreases the defined benefit obligation by 0.6%.
- 1% increase in the annual rate of retirement increases the defined benefit obligation by 0.4%.

The expected average remaining service lifetime at December 31, 2018 was 15 years (2017 - 15 years).

14. Long-term debt:

	2018	2017
5.37182% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2022	$ 4,364,000	$ 4,364,000
5.37182% Promissory note payable to the Corporation of the Village of Beachburg, due May 1, 2022	147,000	147,000
5.37182% Promissory note payable to the Corporation of the Township of Killaloe, Haggarty and Richards, due May 1, 2022	172,348	172,348
5.37182% Promissory note payable to the Corporation of the Town of Mississippi Mills, due May 1, 2022	902,490	902,490
Customer deposits	–	57,658
	$ 5,585,838	$ 5,643,496

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

15. Capital stock (continued):

(b) Issued:

As at December 31, 2018, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Town of Mississippi Mills	888	15.94%
Corporation of the Township of Killaloe, Haggarty and Richards	169	3.04%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100.00%

No movement in common share capital has occurred during 2018 or 2017.

As at December 31, 2017, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Town of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Haggarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2018 or 2017.

(c) Dividends per share:

	2018	2017
Common shares	$ –	$ –
Class A special shares	43.77	44.02
Class B special shares	74.82	73.05
Class C special shares	55.13	55.72
Class D special shares	76.35	78.96

16. Commitments:

Cornerstone Hydro Electric Concepts ("CHEC")

Cornerstone Hydro Electric Concepts Association Inc. ("CHEC") is an association of fifteen LDCs modelled after a co-operative to share resources and proficiencies. See note 5 (b).

The Corporation may terminate its membership at any time upon the following terms:

(a) giving written notice 60 days in advance of termination; and

(b) by making a pre-payment in full of the balance of its contract service costs to CHEC. The amount of the pre-payment cost shall be the total cost which the Corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for the CHEC commitment goes to December 31, 2020. The pre-payment cost of termination is a settlement of the Corporation's obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the Corporation had not terminated the agreement. As at December 31, 2018 the obligation to CHEC includes 2019 - 2020 membership dues of approximately $34,088.

City of Pembroke

The Corporation leases its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of $12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty three dollars ($360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation leases office premises from Mississippi River Power Corporation under the terms of an operating lease at a monthly cost of $1,100. The lease expired on December 31, 2016. The Corporation is currently in discussions with the Mississippi River Power Corporation regarding the status of this lease.

The Corporation leases substation premises from Mississippi River Power Corporation under the terms of an operating lease at a monthly cost of $500. The lease expired on December 31, 2016. The Corporation is currently in discussions with the Mississippi River Power Corporation regarding the status of this lease.

16. Commitments (continued):

Town of Mississippi Mills

The Corporation leases garage premises from the Corporation of the Town of Mississippi Mills under the terms of an operating lease at an annual rental of $1. The lease expires September 30, 2018 with an option to renew for a further 5 years.

17. Contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of $20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2018	2017
Revenue from contracts with customers		
Power recovery	$ 21,440,980	$ 22,213,949
Distribution:		
Residential service	3,048,676	2,909,068
General service	909,228	888,125
Larger users	985,895	865,976
	4,943,799	4,663,169
	$ 26,384,779	$ 26,877,118

18. Revenue (continued):

		2018		2017
Other operating revenue:				
Late payment charges	$	86,749	$	55,611
Property and equipment rent		36,428		57,775
Change of occupancy and connection fees		50,305		47,820
Merchandising jobbing		522,626		415,070
Interest		16,850		9,402
Billing and collection charges		8,285		13,300
Amortization of contributions in aid of construction		18,077		18,743
Gain on disposal of equipment		3,403		25,000
	$	742,723	$	642,721

19. Expenses by nature:

Distribution operation and maintenance

		2018		2017
Materials, supplies, small tools	$	(132,880)	$	157,808
Salaries and benefits		963,916		893,087
Training and travel		48,459		58,245
Office and general		6,936		38,885
Utilities		47,765		42,659
Insurance		13,978		18,670
Property taxes		36,460		48,460
	$	984,634	$	1,257,814

Community relations

		2018		2017
Advertising	$	32,440	$	30,356
Safety program		39,187		49,116
	$	71,627	$	79,472

19. Expenses by nature (continued):

Billing and collecting

	2018	2017
Smart meter reading and operations	$ 51,381	$ 45,234
Postage	116,400	135,800
Salaries and benefits	365,524	371,586
Information technology	69,403	51,070
Office and general	26,836	24,103
Bad debts	34,385	173,608
Collection agency costs	4,112	2,666
	$ 668,041	$ 804,067

General and administrative

	2018	2017
Salaries and benefits	$ 469,469	$ 557,365
Memberships, fees and dues	86,102	86,935
Legal	67,009	63,839
Audit	30,000	24,000
Engineering	–	2,210
Building maintenance	119,479	126,322
Advertising	5,461	5,450
Regulatory	100,504	105,256
Information technology	11,006	1,537
Telephone	36,814	37,904
Insurance	30,504	31,932
Bank charges	19,874	16,372
Office supplies and materials	100,953	62,669
	$ 1,077,175	$ 1,121,791

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash and cash equivalents, accounts receivable, and unbilled revenue presented on the balance sheet.

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of $100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 11,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits (note 14), following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12 month period. The Corporation does not have any material accounts receivable balances greater than 90 days outstanding. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

20. Financial risk management (continued):

(a) Credit risk (continued):

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue which is not included in the table below is considered all current.

	2018	2017
Under 30 days	$ 2,844,831	$ 2,240,998
30 to 60 days	55,552	99,575
61 to 90 days	38,331	39,234
Over 90 days	98,373	179,025
	3,037,087	2,558,832
Allowance for doubtful accounts	(118,657)	(150,000)
Total accounts receivable	$ 2,918,430	$ 2,408,832

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 5,477,461	$ –	$ –	$ –
Long-term debt	75,015	225,045	300,060	5,985,918
Due to Ottawa River Energy Solutions Inc.	210,950	–	–	–
Total, December 31, 2018	$ 5,763,426	$ 225,045	$ 300,060	$ 5,985,918

20. Financial risk management (continued):

(b) Liquidity risk (continued):

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	$ 5,464,226	$ –	$ –	$ –
Long-term debt	75,015	225,045	300,060	6,285,978
Due to Ottawa River Energy Solutions Inc.	112,732	–	–	–
Total, December 31, 2017	$ 5,651,973	$ 225,045	$ 300,060	$ 6,285,978

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2018 is $3,443,990 (2017 - $3,294,743). Included in cost of power in the statement of comprehensive income is $20,643,412 (2017 - $21,826,741) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for $1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2018, no amounts had been drawn on the line of credit (2017 - $Nil).

23. Capital management:

The Corporation considers its capital to be its capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

24. Comparative information:

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

Appendix 1D Reconciliation for RRR to FS

Ottawa River Power Corporation
2020 Audited Financial Statement Reconciliation

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
Cash and cash equivalents	1,657,169.00	1005	1,655,480.07	
		1010	1,688.90	
TOTAL	1,657,169.00		1,657,168.97	0.03
Accounts receivable	2,757,963.00	1100	2,100,940.09	
		1104	205,504.50	
		1110	459,155.65	
		1130	(227,692.44)	
		2290	220,055.46	
Auditor reclassification from 'Accounts Payable and Accrued Liabilities' for financial statement presentation purposes				
TOTAL	2,757,963.00		2,757,963.26	(0.26)
Unbilled energy revenue	4,092,427.00	1120	4,092,426.88	
TOTAL	4,092,427.00		4,092,426.88	0.12
Inventory	430,126.00	1330	430,126.05	
TOTAL	430,126.00		430,126.05	(0.05)
Prepaid expenses	219,525.00	1180	219,524.71	
TOTAL	219,525.00		219,524.71	0.29
Payments in lieu of corporate income taxes receivable	147,646.00	2294	147,646.00	
TOTAL	147,646.00		147,646.00	-
Due from Ottawa River Energy Solutions Inc.	-	1200	-	
TOTAL	-		-	-
Property, building, distribution and office equipment and motor vehicles	20,301,007.00	1805	258,350.32	
		1808	171,369.87	
		1810	341,494.58	
		1820	1,517,828.53	
		1830	2,821,540.25	
		1835	3,890,429.82	
		1840	800,125.43	
		1845	1,230,653.77	
		1850	3,051,304.99	
		1855	1,645,142.15	
		1860	2,138,401.49	
		1915	50,952.11	
		1920	119,133.24	
		1930	1,508,587.94	
		1935	3,472.21	
		1940	92,080.48	
		1945	32,788.41	
		1955	26,170.96	
		1960	13,997.80	
		1980	54,218.12	
		1995	(1,526,788.80)	
		1508 Sub ICM	2,059,753.55	
TOTAL	20,301,007.00		20,301,007.22	(0.22)
Accumulated amortization	(6,232,705.00)	2105	(6,206,910.86)	
		1508 Sub ICM	(25,794.20)	
TOTAL	(6,232,705.00)		(6,232,705.06)	0.06
Intangible assets	15,206.00	1611	188,482.18	
		1612	2,747.84	
		2120	(176,023.66)	
TOTAL	15,206.00		15,206.36	(0.36)
Deferred income tax assets	693,995.00	1495	693,995.00	
TOTAL	693,995.00		693,995.00	-
Other non-current assets	250,943.00	1460	250,942.85	
TOTAL	250,943.00		250,942.85	0.15

Regulatory assets	67,238.00	1595 - 2019	67,237.66	
TOTAL	67,238.00		67,237.66	0.34
Total assets and regulatory assets	24,400,540.00		24,400,539.90	0.10
Accounts payable and accrued liabilities	(4,908,927.00)	2205	(3,231,222.08)	
		2208	(554,637.23)	
		2210	(25,053.31)	
		2220	(1,098,692.52)	
		2268	(162.34)	
		2292	836.50	
Auditor reclassification to 'Accounts Payable and Accrued Liabilities' for financial statement presentation purposes				
TOTAL	(4,908,927.00)		(4,908,930.98)	3.98
Current portion of long-term debt	(41,664.00)	2225	(41,663.77)	
TOTAL	(41,664.00)		(41,663.77)	(0.23)
Current portion of lease obligation	(5,916.00)	2285	(5,915.61)	
TOTAL	(5,916.00)		(5,915.61)	(0.39)
Contributions in aid of construction	(1,106,063.00)	2440	(1,106,062.90)	
TOTAL	(1,106,063.00)		(1,106,062.90)	(0.10)
Employee future benefits	(424,842.00)	2306	(424,842.00)	
TOTAL	(424,842.00)		(424,842.00)	-
Lease obligations	(38,986.00)	2325	(38,985.80)	
TOTAL	(38,986.00)		(38,985.80)	(0.20)
Long-term debt	(7,310,104.00)	2520	(7,310,104.47)	
TOTAL	(7,310,104.00)		(7,310,104.47)	0.47
Capital stock	(5,591,406.00)	3005	(5,591,406.00)	
TOTAL	(5,591,406.00)		(5,591,406.00)	-
Retained earnings	(3,866,325.00)	3045	(3,396,734.16)	
		3090		
		3046	(469,590.00)	
TOTAL	(3,866,325.00)		(3,866,324.16)	(0.84)
Regulatory liabilities	(1,106,307.00)	2350	(693,995.00)	
		1550	1,129,849.60	
		1551	(6,453.65)	
		1580	(316,722.59)	
		1584	(196,618.71)	
		1586	(48,287.60)	
		1588	(1,377,216.30)	
		1589	781,847.43	
		1508 Sub ICM Rec	(211,883.10)	
		1508 Sub POLE	(124,110.05)	
		1595 - 2016	(42,716.59)	
TOTAL	(1,106,307.00)		(1,106,306.56)	(0.44)
Total liabilities, equity and regulatory liabilities	(24,400,540.00)		(24,400,542.25)	2.25

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
Electricity revenue	(26,611,504.00)	4006	(10,571,766.71)	
		4010	(2,753,248.72)	
		4015	(9,248,688.30)	
		4025	(15,824.51)	
		4030	(19,607.47)	
		4055	(327,051.38)	
		4062	(617,592.81)	
		4066	(1,136,240.79)	
		4068	(914,922.36)	
		4075	(147,607.64)	
		4076	(82,277.79)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(776,675.05)	
TOTAL	(26,611,504.00)		(26,611,503.53)	(0.47)
Distribution revenue	(4,824,538.00)	4080	(4,779,098.05)	
		4082	(12,251.00)	
		4084	(24.89)	
		4086	(33,163.65)	
TOTAL	(4,824,538.00)		(4,824,537.59)	(0.41)
Cost of power	26,867,428.00	4705	15,961,225.44	
		4707	6,974,961.65	
		4708	617,592.81	
		4714	1,136,240.79	
		4716	914,922.36	
		4750	147,607.64	
		4751	82,277.79	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			1,032,599.65	
TOTAL	26,867,428.00		26,867,428.13	(0.13)
Other operating revenue	(613,750.00)	4210	(83,946.60)	
		4225	(29,687.91)	
		4235	(49,101.76)	
		4375	(481,912.58)	
		4390	(20,728.68)	
		4405	(21,611.70)	
		5325	(1,121.08)	
		5330	(6,180.00)	
		PART OF 4235	64,383.44	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			16,157.03	
TOTAL	(613,750.00)		(613,749.84)	(0.16)
Distribution operation and maintenance	1,099,767.00	5005	84,627.32	
		5010	5,518.44	
		5012	80,415.33	
		5016	12,774.69	
		5017	8,262.45	
		5020	36,944.13	
		5025	(758.89)	
		5035	6,120.70	
		5040	6,529.44	
		5055	868.15	
		5065	82,585.12	
		5070	113,772.28	
		5075	2,798.59	
		5085	301,418.55	
		5096	43,864.31	
		5105	48,717.75	
		5110	15,363.38	
		5114	33,341.79	
		5120	6,055.12	
		5125	72,996.54	
		5130	50,155.03	
		5135	100,547.27	
		5145	1,367.94	
		5150	11,112.66	
		5155	11,437.96	
		5160	144,059.16	
		5175	6,081.16	
Auditor reclassification of depreciation to correct account			(187,209.17)	
TOTAL	1,099,767.00		1,099,767.20	(0.20)
Community relations	36,663.00	5405	430.70	
		5410	34,820.68	
		5420	1,411.45	
TOTAL	36,663.00		36,662.83	0.17
Billing and collecting	844,681.00	5310	55,012.88	
		5315	588,954.38	
		5320	142,897.53	
		5335	57,859.13	
		5340	(42.91)	
TOTAL	844,681.00		844,681.01	(0.01)

General and administrative	1,289,253.00	5605	39,963.46	
		5610	341,441.84	
		5615	88,321.85	
		5620	79,314.54	
		5630	17,343.21	
		5635	12,739.74	
		5645	166,785.50	
		5647	85,456.09	
		5655	159,827.69	
		5665	78,858.61	
		5670	14,330.76	
		5675	191,538.17	
		5680	8,612.00	
		6205	4,720.00	
TOTAL	1,289,253.00		1,289,253.46	(0.46)
Amortization	903,915.00	5705	690,576.44	
		5715	335.00	
		1508 SUB ICM	25,794.20	
Auditor reclassification of depreciation to correct account			187,209.17	
TOTAL	903,915.00		903,914.81	0.19
Merchandising jobbing	371,798.00	4380	436,181.77	
Reclassification to 'Merchandising Jobbing' expenses		PART OF 4235	(64,383.44)	
TOTAL	371,798.00		371,798.33	(0.33)
Interest and bank charges	1,196.00	6035	30,278.25	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(29,081.91)	
TOTAL	1,196.00		1,196.34	(0.34)
Interest on long-term debt	323,121.00	6005	323,120.92	
TOTAL	323,121.00		323,120.92	0.08
Net movement in regulatory balances	(394,120.00)		776,675.05	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(1,032,599.65)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(16,157.03)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			29,081.91	
		4305	(151,120.00)	
TOTAL	(394,120.00)		(394,119.72)	(0.28)
Amount in lieu of income taxes	179,558.00	6110	28,438.00	
Auditor deferred tax restatement			151,120.00	
TOTAL	179,558.00		179,558.00	-
Actuarial loss on post-employment benefits, net tax	56,942.00	7010	56,942.00	
TOTAL	56,942.00		56,942.00	-
Total income and other comprehensive income	(469,590.00)		(469,587.65)	(2.35)

Appendix 1E Survey Results (Metsco)

METSCO
MAKING IT POSSIBLE

ORPC Distribution System Plan Customer Survey 2020 Report

Prepared For: Ottawa River Power Corporation

FINAL – PRIVILEGED & CONFIDENTIAL

Prepared By:

METSCO Energy Solutions
2550 Matheson Blvd East
Mississauga, ON L4W 4Z1

Executive Summary

It should be noted that Ottawa River Power Corporation ("ORPC") undertook this customer survey when the original filing date was November 2020. However, ORPC delayed their filing date until August 31, 2021. It was determined that another survey was not required as there was no significant change in ORPC's overall plan and strategy for its new forecast period. Hence, in this report it still references 2021-2025 as its forecast period, as this was how the questions were aimed at ORPC customers and it is felt that this should remain in the narrative of this report. As indicated in ORPC Distribution System Plan ("DSP"), the new forecast period is now 2022-2026 with the output of this report reflected within ORPC plan.

As part of ORPC developing their 2021-2025 DSP, an online customer survey has been undertaken to gather feedback from ORPC customers on their proposed plan. In total, 106 residential and business customers responded to the survey, across its four service areas. Key questions and responses from the survey can be best categorized under the following categories, including (a) customer representation, (b) customer priorities, (c) ORPC performance, (d) capital plan preferences, and (e) overall assessment of ORPC's proposed plan.

Customer Representation

The representation of customers who responded to the survey cover all customer types - residential and business - across all four services areas. The response rate covers approximately 1% of ORPC customer base, which is within the range of a typical online utility survey. The majority of customers have indicated they have not been extensively impacted by COVID-19.

Customer Priorities

Reasonable distribution rates are the top priority for customers. Customers have indicated that they would like ORPC to focus on day-to-day reliability and provide support to help customers better manage and reduce their electricity consumption. With reliability being one of the top priorities, customers want ORPC to reduce the number of outages experienced whilst looking at improving power quality.

ORPC Performance

The majority of ORPC customers were found to be either very satisfied or somewhat satisfied with respect to customer service, inquiry response time and outage response time. Those who indicated they are not satisfied with these services, have indicated that ORPC should be better at communicating when an outage occurs, and reduce the number of outages they experience whilst ensuring that rates remain affordable.

Capital Plan Preferences

The majority of ORPC's customers were found to be either satisfied with the pace of investments embedded within the four DSP investment categories (System Renewal, Service, Access & General Plant), or alternatively would like to see the utility increase the pace of investments. Similarly, with respect to system performance, the majority of ORPC's customers were found to be either satisfied with the utility continuing to deliver the same level of system performance as seen over the past 5-year period, or would like to see an improvement in system performance which would require an increase in investment levels from what has been described within the DSP. However, any increase with the pacing of investments would have to be balanced against the top customer priority of maintaining electricity rates at a reasonable level.

Overall Assessment of ORPC's Proposed Plan

Overall, there is strong support for ORPC's proposed plan, with customers either agreeing that this is the right approach or indicating that they trust that ORPC being the expert will make the right decisions. Customers have indicated that they would like to see ORPC build on its communication and look to reduce the number of outages whilst maintaining reasonable distribution rates. Customers who have been impacted by COVID-19 are also generally supportive of ORPC proposed plans, however they would also like to see COVID-19 relief rates be considered for those impacted by the COVID-19 pandemic.

Contents

1. Introduction

As part of Ottawa River Power Corporation ("ORPC") developing their 2021-2025 Distribution System Plan ("DSP") and ensuring that their proposed capital investments are aligned to customer preferences, ORPC engaged METSCO in the preparation and development of a Customer Survey ("DSP Survey") which was deployed across their entire customer base in order to capture information relating to the following categories:

- Customer Details (service area, customer type, dwelling type, age range, role in paying electricity bill, etc.)
- Overall Performance of ORPC (services provided by ORPC, customer satisfaction with system reliability, power restoration, planned outages, customer response times, bill accuracy, overall customer service, etc.)
- ORPC Capital Investments (customer preferences on System Renewal, Service, Access, and General Plant investments as well as System O&M investments)
- Communication Preferences with ORPC in Future

Due to the ongoing Coronavirus disease ("COVID-19") pandemic, efforts were made to avoid direct interaction with customers via in-person events such as town halls and interviews, and instead this survey was deployed using an online platform, with invitations to the platform being distributed via customer billing inserts. In addition, ORPC also advertised the survey via their social media channels and local business newsletters.

This survey was designed in such a manner to first gather information regarding ORPC's customer base, including identifying if the customers are residential or business customers, identifying their role in paying the electricity bill, identifying their overall knowledge of ORPC and services they offer, and also identifying how the ongoing COVID-19 pandemic has impacted these customers. Following this, the survey then provided key information to customers on ORPC's proposed capital expenditure plan ("CAPEX Plan") embedded within their DSP, including investments embedded within the System Renewal, System Service, System Access and General Plant categories, thereby providing necessary context on the questions that would that follow in the survey relating to the CAPEX Plan.

The subsequent CAPEX Plan questions were designed to capture customer preferences relating to the level of investments relating to each of the investment categories, as well as the reliability outcomes relating to these investments.

The following report goes into the results of the survey and the conclusions that can be derived from the responses. The report is structured under four categories:

- Segmentation and Demographics
- Overall Performance
- Capital Investment
- Communication Preferences

A conclusion section then summarizes the outcomes that ORPC can use from the customer survey.

1.1 Customer Engagement Process Development

The following sections describe ORPC's past customer engagements, how these shaped this survey, and how the challenges of COVID-19 were considered in developing the customer engagement survey. The final subsection explains how the results of the survey were validated.

1.1.1 Past Customer Engagement

ORPC engages their customers on an annual basis through a series of initiatives, including a survey that is conducted during the DSP bridge year, as well as customer satisfaction and public awareness safety surveys that third-party firms working on behalf of the utility will execute during the DSP planning period. These surveys are deployed both in online as well as phone formats. .

Table 1.1: ORPC Customer Engagement Activities 2017-2020

Table 1.1 illustrates the breakdown of ORPC customers that have been surveyed over the past 3-year period, including the most recent online survey, covered within this report, conducted as part of the DSP development process.

Table 1.1: ORPC Customer Engagement Activities 2017-2020

Customer Engagement Activity	Methodology	Number of Customers Engaged (2017 – 2020)
2017 Customer Satisfaction Survey	**Phone Calls / Interviews**	400
2018 Electrical Safety Authority Public Awareness Survey	**Phone Calls / Interviews**	400
2019 Customer Satisfaction Survey	**Phone Calls / Interviews**	400
2020 Electrical Safety Authority Public Awareness Survey	**Phone Calls / Interviews**	400
2020 ORPC Distribution System Plan Survey	**Online**	106
Total Customers Engaged (2015 – 2020)	**Phone Calls / Interviews / Online**	**1,706**

The outputs and the design of ORPC's past surveys has been used to help inform the design of this survey.

1.1.2 Design and Development of Current Customer Survey

Alongside reviewing ORPC's previous customer engagements and investigating other utilities engagements, METSCO worked closely with ORPC to design a robust and informative customer survey to collect feedback from all types of customers across its four service areas. By reviewing ORPC's previous customer experience surveys, an understanding of ORPC's customer satisfaction and preferences towards system reliability, account billing, overall communications and other ORPC services was captured.

This information helped to inform what materials would be covered specifically within this DSP Survey. When taking into the consideration (a) the challenges of COVID-19, (b) the need to engage ORPC's customer base and gather the most amount of information in a timely manner, and (c) the need to keep overall costs for the survey at prudent and digestible levels, it was it was decided that an online survey deployment would be the most optimal format to support ORPC's DSP.

Consideration was given to undertaking both telephone surveys as well as facilitating focus groups. However, both options were discounted. Whilst telephone surveys have been used in the past, this can be a time-consuming and costly way of engaging. Considering COVID-19 and the uncertainty this was creating, cold-calling customers was not deemed to be an acceptable option. Whilst focus groups would have allowed for targeted and very informative discussion with customers, it was decided that with the restrictions of COVID-19 this option should be avoided.

Online surveying deployment was considered the most effective platform to reach a large number of customers within the timeframe set. ORPC customers have experienced online surveys previously and therefore would be familiar with the layout and functionality of this. METSCO performed a review and analysis of the different online survey platforms available, with SurveyMonkey coming out as the most acceptable. The platform is used by many organizations, and most customers would have had experience of using this platform before. In addition, it is a platform that allows for easy communication across all ORPC's customer base and allows for easy extraction of the results.

The online survey was made accessible to customers from the 15th August 2020 – 2nd October 2020 (inclusive). Prior to the survey being opened, a bill insert was sent to all customers, informing them of the survey, its purpose, and how to access the survey platform. In addition, once the survey launched, ORPC ensured that the survey location link was made available on their website and was easily accessible for customers once they visited the website. Periodically, ORPC also informed customers of the survey via their social media channels and guided them to the survey link. Finally, ORPC offered an incentive for customers to fill out the survey and provide their feedback, by offering to donate $5 for each customer who filled out the survey to charity. This results in over $500 being contributed across all service territories.

1.1.3 Validating Customer Responses

To ensure that all responses to the survey were made by existing ORPC customers, survey respondents were asked to enter their account number. This account number is unique to each customer and was verified against the account numbers ORPC had on file to ensure that only genuine customers were populating the survey. No anomalies were found. This data was not used in any other way than to verify the response was from an ORPC customer. In total, 106 customers responded to the survey, which represent approximately 1% of ORPC's customer base. The survey responses were found to be a representative group across residential and commercial and across all service areas, which is within the range of other online utility surveys (1-2%).

2. Segmentation and Demographics

This chapter provides further details and insights into the customers who responded to the survey as well as the demographical details concerning these customers. A total of 106 ORPC customers with a good representation from all four service areas responded to the survey. The breakdown of the number and types of customers across the four service areas are listed in Table 2.1.

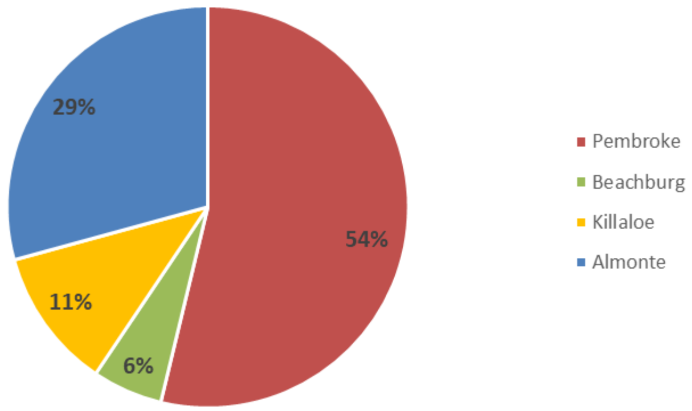
The number of customers who have responded to the survey is lower than previous customer engagements that ORPC has undertaken. This is largely due to the restrictions associated with COVID-19, which meant that there were less opportunities for ORPC to engage directly with customers via focus groups. The COVID-19 pandemic has introduced other broader concerns for customers as a whole, which may have contributed to an overall reduction of customers willing to participate in surveys in general. It should be noted, however, that the customers who did respond are representative of ORPC's customer population, and that overall results would remain proportional and aligned even if the surveyed group was expanded.

Table 2.1: Number of Customers who Responded across All Four Service Areas

Service Area	No. of Residential Customers Surveyed	No. of Business Customers Surveyed	Percentage of Customer who responded
Pembroke	54	3	54%
Almonte	30	1	31%
Killaloe	10	2	11%
Beachburg	5	1	6%
Total No. of Customers	**99**	**7**	**106**

The representation of these can across the four service areas can be seen in Figure 2.1 below.

Figure 2.1: Percentage Of Customers In Each Service Area Who Filled Out The Customer Survey



2.1 Residential Customers

Of the 99 residential customers who responded to the survey, 82% own their property with the remaining 18% renting their property. One to two individuals reside within 77% of these properties, with three to four individuals residing in 19% of the properties. The age range of respondents ranges from 25 - 65+ years old, with the segmentation shown in Figure 2.3.

Figure 2.2: Percentage Of The Number Of Individuals Residing Within The Customer Property

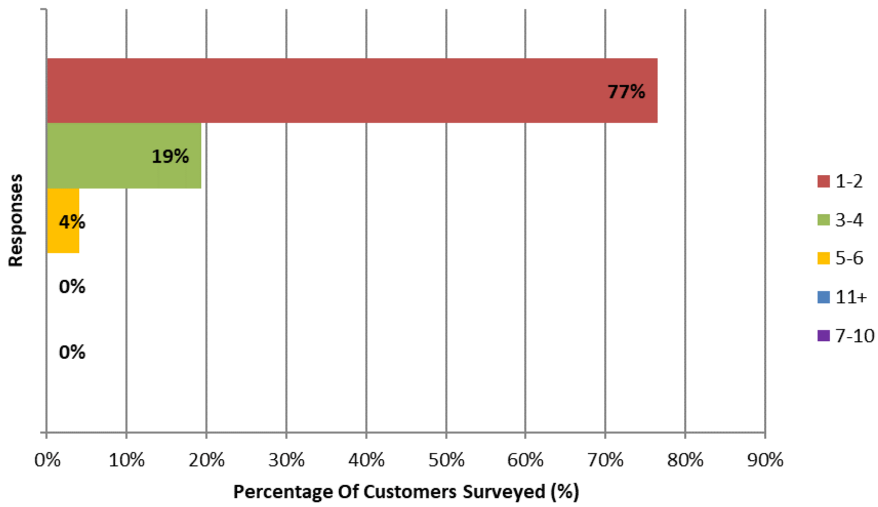
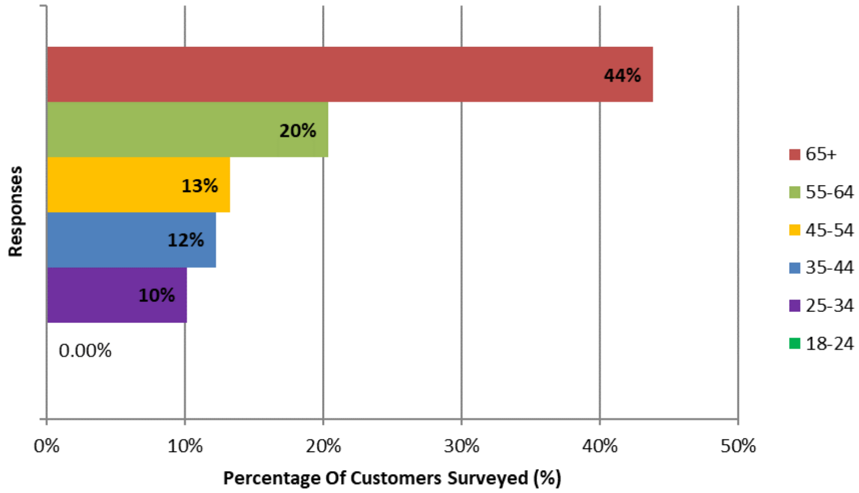
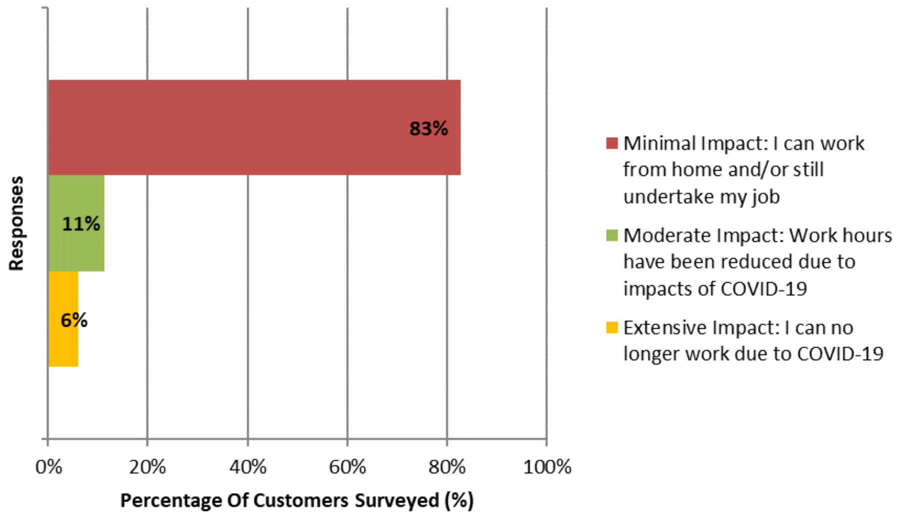


Figure 2.3: Age Range Of Respondents



All residential customers either have full responsibility or share the responsibility of paying their electricity bills. Customers were asked about the impacts that the ongoing COVID-19 pandemic has introduced to them. From the results in Figure 2.4, 6% of customers report that they have seen extensive impacts, meaning that they can no longer work, while 11% have seen moderate impacts (work has been reduced), while 83% have seen minimal impacts. Overall, over 89% of residential customers are either somewhat familiar or familiar with ORPC, with only 11% not familiar at all.

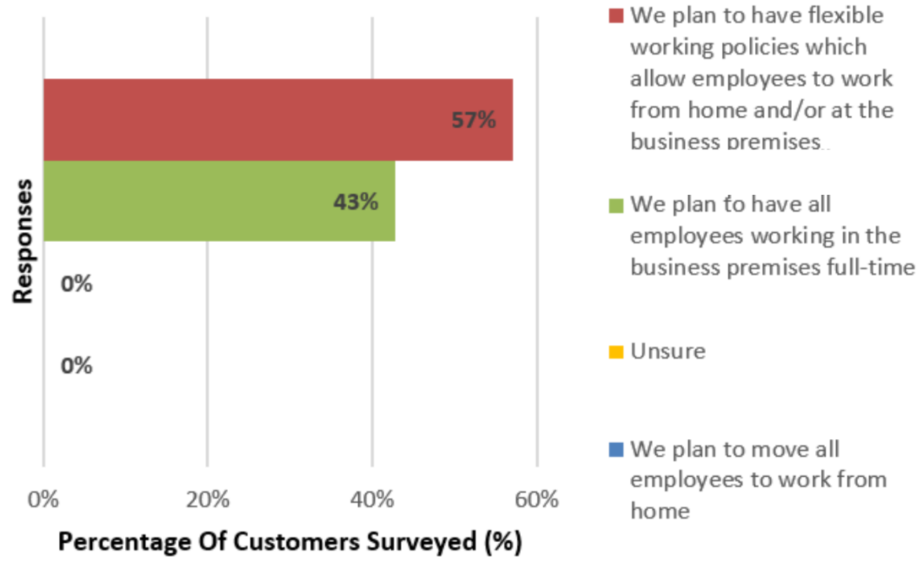
Figure 2.4: Percentage Of Customers Impacted by COVID-19



2.2 Business Customers

From the seven business customers who responded to the survey, all respondents are either responsible for paying or managing their organizations electricity bill and are either somewhat familiar or familiar with ORPC. In the survey, business customers were also asked if and how their organizations would allow employees to work now and, in the future, considering COVID-19 impacts. As illustrated in Figure 2.5, 57% of employers plan to provide flexible working policies allowing employees to work from home or from the office, while 43% plan to have employees working at the business premises full time.

Figure 2.5: Responses to Change to Ways of Working Due To COVID-19



2.3 Conclusions on Segmentation & Demographics

The results from the segmentation and demographics answers illustrate that the customer survey has captured a good representation of all types of ORPC customers (age, service area, customer type), including those impacted by COVID-19. The split of residential versus business customers (93% Residential customers and 7% Business customers) who responded to the survey is representative of ORPC's overall customer base (~90% Residential customers and ~10% Business customers). This allows ORPC to use these results in a meaningful way to shape and validate their DSP plan.

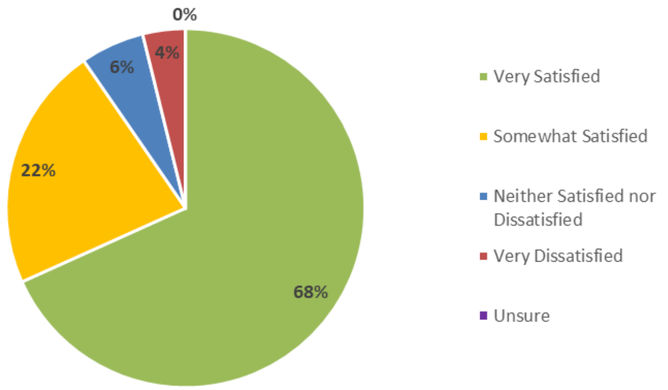
3. Overall Performance

This chapter summarises feedback and preferences from customers with respect to ORPC's overall performance with respect to system reliability and customer service, including billing. The following subsections serve to provide further detail into the questions and the results from this part of the survey.

3.1 Overall Performance

Three main questions were posed to customers to assess customer satisfaction with ORPC's overall performance, the reliability of the electricity service, and how satisfied they are with ORPC's responses to restoring power following outages. From the results in Figure 3.1, the majority (90%) of customers are either very satisfied or somewhat satisfied with ORPC's overall service.

Figure 3.1: Thinking Specifically About the Services Provided to You and Your Community by ORPC, How Satisfied or Dissatisfied Are You Overall with The Services That You Receive?



The 4% customers who are very dissatisfied are all situated within the Pembroke service area. Some customers also provided feedback to further explain their satisfaction results. From those who did provide comments, customer dissatisfaction mostly stemmed from poor communication and the cost of electricity. Key comments in these categories included the following:

- **Communication -** *"It would be nice if the problem could be posted on ORP website not on Facebook. Communication should be a priority."*

- **Cost of Electricity -***"Lower the cost for electricity; the cost has doubled since we moved to Pembroke 11 years ago"*

Whilst overall, the majority of ORPC's customers are satisfied or somewhat satisfied with ORPC's overall level of service, there are a minority of customers who are experiencing problems. ORPC should look to ensure that they can continue to maintain a high level of service whilst looking to address the issues these customers have experienced to better improve the service they provide.

Figure 3.2: How satisfied or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?

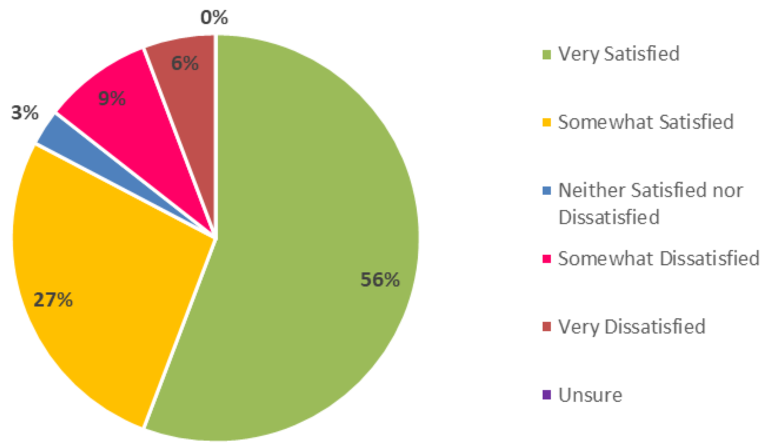


Figure 3.3: When any outages do occur, how satisfied or dissatisfied are you with the amount of time it takes to restore power?

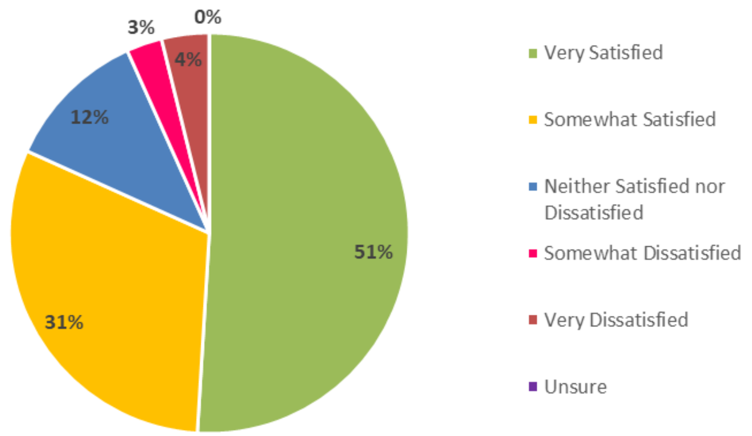


Figure 3.2 illustrates that on an overall whole, 82% of customers are either very satisfied or somewhat satisfied with the reliability of their electricity service. However, there are 15% of customers who indicated they were somewhat dissatisfied or very dissatisfied. All of these customers are residential customers, with the majority in the Pembroke service area, and one customer in Killaloe. Of these customers, 40% were either somewhat dissatisfied or very dissatisfied with the amount of time it took ORPC to restore power when an outage had occurred. These customers indicated that they were experiencing more outages and wanted to know the reason for outages and felt they could be better communicated through the different social media channels available to ORPC. Below are some of the comments left by these customers:

- *“Could we please have the reasons on our bills why power outages happened as there are times when they are happening very often.”*

- *“Random power outages are annoying- they had very frequently compared to my past experiences.”*

- *“OVER CHARGED FOR SERVICE, AND UNRELIABLE SERVICE”*

3.2 Customer Service

The following subsection details the questions and results surrounding ORPC’s customer service. Figure 3.4 illustrates that 90% of customers are either very satisfied or somewhat satisfied with ORPC’s customer service. Furthermore, Figure 3.5 illustrated that when customers do contact ORPC with a question or request that 81% of customers are very satisfied or somewhat satisfied with the amount of time ORPC takes to respond. Overall, this shows that ORPC has a good level of customer service and that most customers are satisfied with it.

Figure 3.4: Overall, How Satisfied or Dissatisfied Are You with The Customer Service Provided By ORPC?

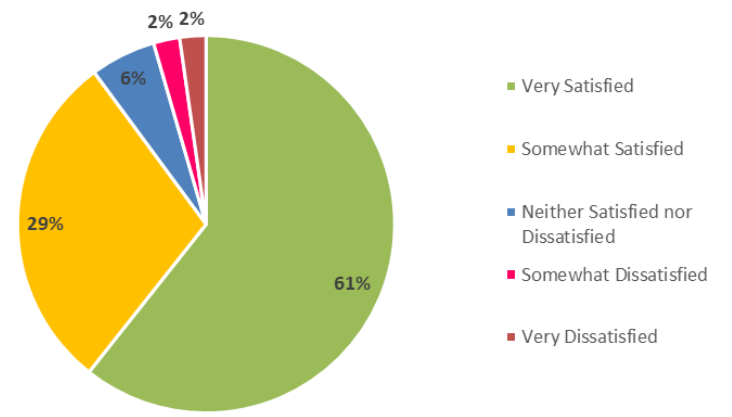
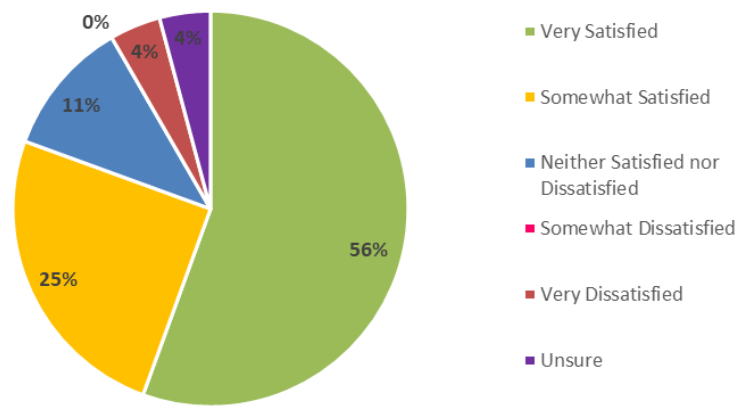


Figure 3.5: How Satisfied or Dissatisfied Are You with The Amount of Time It Takes ORPC To Respond to Your Question or Request?



3.3 Billing

The following subsection covers the results of the survey with regards to ORPC's billing services. The results show that 77% of customers are familiar with the percentage of the electricity bill that represents ORPC's charges for distribution services. Figure 3.6 illustrates that 82% are very satisfied or somewhat satisfied that their electricity bill is accurate. Figure 3.7 illustrates that 42% of customers want to continue to be able to receive both electronic and paper bills, with a relatively even split between paper only (24%) and electronic only (29%). From these results it can be shown that most customers are either very satisfied or somewhat satisfied that ORPC provides accurate bills, and that ORPC should continue to provide the option of both paper and electronic bills.

Figure 3.6: How Satisfied or Dissatisfied Are You That ORPC Provides Accurate bills?

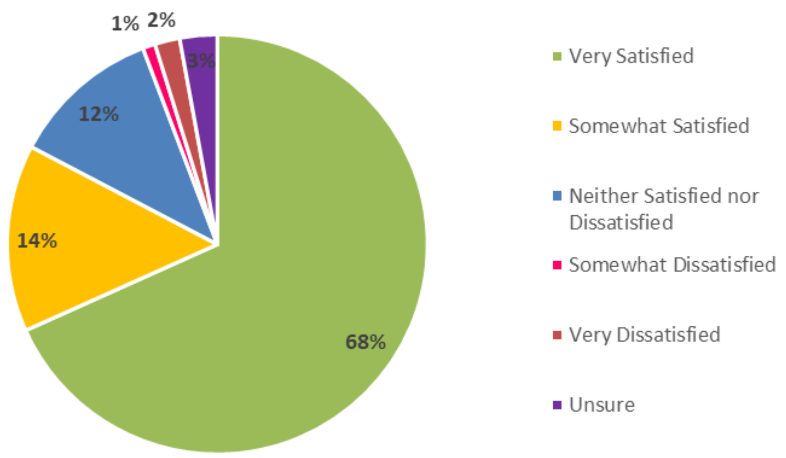
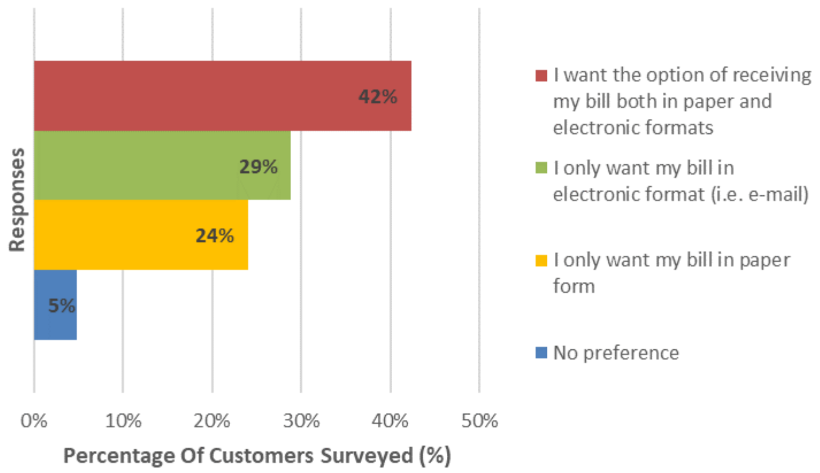


Figure 3.7: Customer Preferences Regarding How They Receive Their Bills?



3.4 Conclusions on Overall Performance

Overall, from the results presented in this chapter, the majority of ORPC's customers were found to be either very satisfied or somewhat satisfied with respect to customer service, inquiry response time and outage response time.

Whilst most customers have not felt an extensive impact due to COVID-19, there are still some customers (6%) who have felt these extensive impacts. Out of the customers who have felt impacts, 67% were either satisfied or somewhat satisfied with ORPC's overall performance, with the remaining 33% neither satisfied nor dissatisfied. These customers did indicate that they had concerns over bills, ranging from concerns over receiving an accurate bill to a suggestion that there should be a summer rate all year and a COVID-19 relief offered by ORPC for those impacted by the pandemic. While most customers are currently not impacted extensively by COVID-19, there are a proportion of customers who are and may require assistance or help.

4. Capital Investment

This part of the survey provided specific information regarding ORPC's investment plans from 2021 onwards to 2025. ORPC used this part of the survey to gather feedback about this plan to help further refine its plan. These investment plans have been centralized into ORPC's Distribution System Plan (DSP), which adheres to the planning requirements as established by the OEB.

The following subsections of this report provide a summary of the survey preamble and results relating to the customer preferences with respect to ORPC's proposed capital investment plan and resulting reliability impacts as a consequence of executing this plan. Questions covered a range of topics, from overall priorities for customers, to specific questions regarding investments within the four DSP investment categories, including System Access, System Renewal, System Service, and General Plant.

The following preambles were provided for each investment category in order to better define the investments taking place within each category, as well as providing further detail on how the investments will introduce benefits into the system. For System Renewal and System Service investment programs in particular, the preambles presented the current-state findings of asset demographics (age and condition results) as well as recent reliability performance results, to help better position the current state of the system in order to better enable customers to respond to the questions. All of the detailed questions and pre-amble can also be found in Appendix A.

System Access

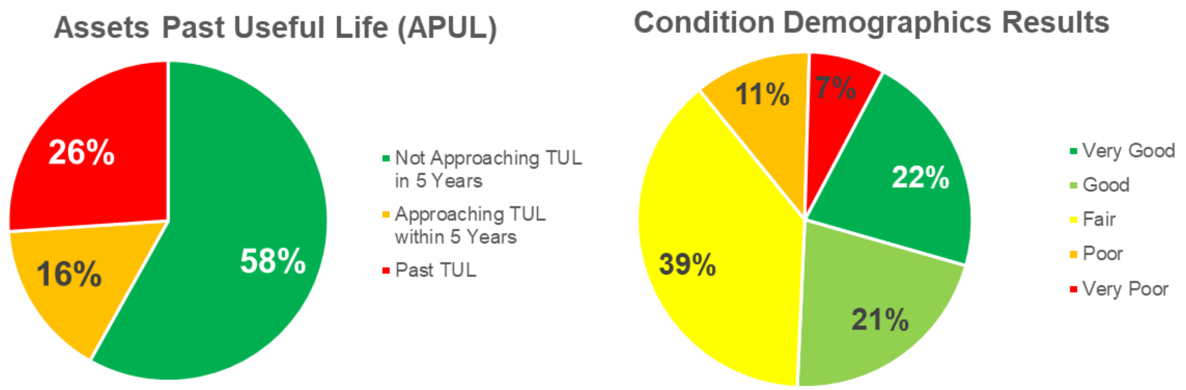
System Access investments represent non-discretionary investments necessary to facilitate access of customers to the system. This includes the connection of new customers and subdivisions, the installation and replacement of meters which allow for accurate consumption measurement and billing, as well as the relocation of electrical assets due to third party activities, which include the redevelopment of roadways and expansion of public transportation systems. These activities collectively fall under the System Access category of investments.

System Renewal

ORPC's System Renewal investments are targeted towards the replacement/renewal of assets – including transformers, poles, underground cables and overhead conductors – that are past their typical useful lives (TUL) - this is the number of years that on average ORPC would expect an asset to reliability operate, or in poor or very poor condition. In addition, functionally obsolete infrastructure that no longer aligns with ORPC's current operating practices will be replaced with new infrastructure that aligns with ORPC's current standards.

As illustrated in Figure 4.1, approximately 26% of ORPC's asset base already exceeds its useful lives, while another 20% will exceed their useful lives over the next 5-year period. Leveraging inspection results, ORPC has also conducted an asset condition assessment (ACA) for a limited proportion of their assets. From these results, 18% of assets are in Very Poor and Poor condition requiring immediate attention, while another 39% of assets are in Fair condition and will require attention over a 10-year period.

Figure 4.1 – System-Wide Age & Condition Summary Results

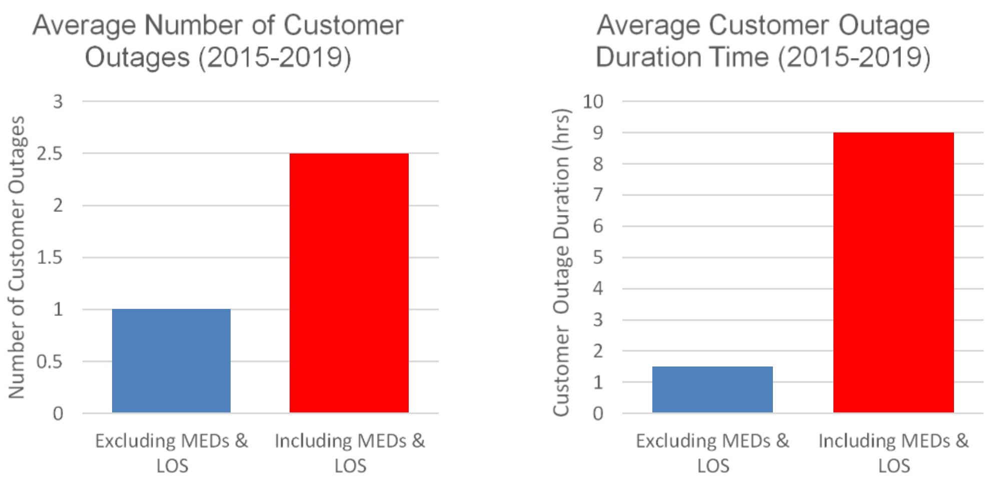


In general, ORPC's proposed System Renewal investments from 2021-2025 will be closely aligned to the average pace of asset replacements that have been executed over the previous 5-year period from 2015-2019.

System Service

On average over the past five years, each customer within ORPC's system has experienced nearly one interruption per year with each customer interruption lasting approximately 1.5 hours. However, when accounting for events that are outside the control of ORPC, such as "loss of supply" (LOS) events due to failures from the supplying Hydro One transmission system infrastructure, as well as "major event days" (MED) which include severe and exceptional weather-related events, each ORPC customer has experienced approximately 2.5 outages on average per year over the past five years, with each customer experiencing approximately 9 hours of outages per year on average. This comparison in system performance is further illustrated in Figure 4.2.

Figure 4.2 – Average System Performance (2015 – 2019)



System Service investments are designed to target system-wide critical issues, such that ORPC can better manage system performance during a loss of supply event or major event day. Activities will include enhanced communication systems to be installed at each of ORPC's substations, which will allow for major outage events to be reliably detected in a rapid manner such that system performance can be better managed, and in particular extreme events relating to MEDs. As ORPC can automatically detect outages through this upgraded communication system, necessary repair and replacement work can be performed more rapidly, thereby reducing the outage time to the customer. Investments within this category will also reinforce and improve the reliability of the key supply points into ORPC's service area, thereby allowing ORPC to better manage system performance during loss of supply events.

In general, ORPC's proposed System Service investments from 2021-2025 will be closely aligned to the average amount of System Service investments that have been executed over the previous 5-year period from 2015-2019.

General Plant

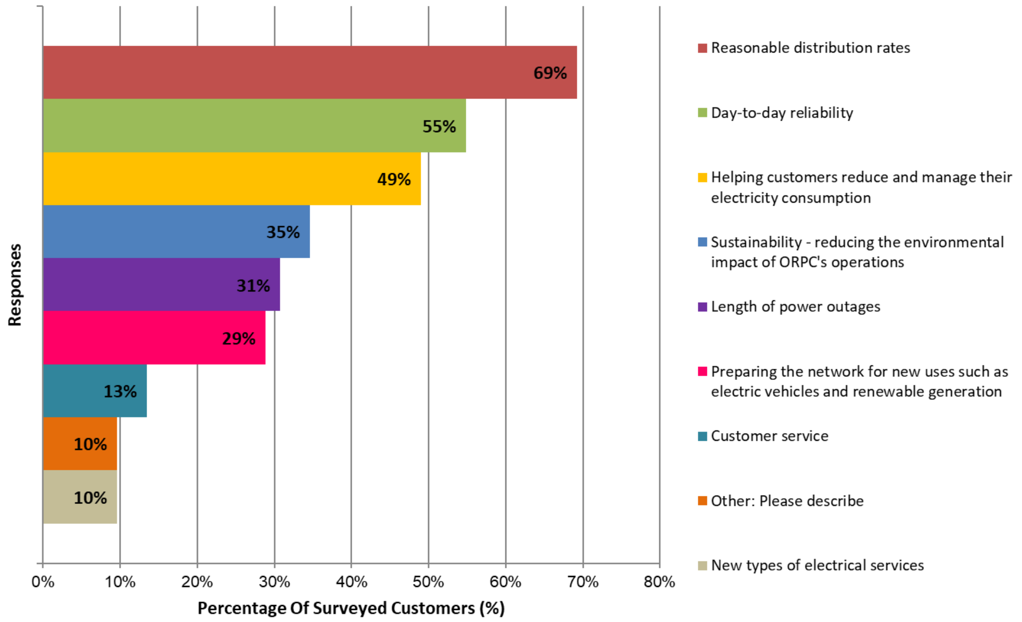
General Plant investments will be focused on initiatives that support the 24/7 operations of ORPC's distribution system, including upgrades to ORPC's facilities and buildings that house employees and equipment, the replacement of critical Fleet vehicles that transport crews to respond to outages, replacement, and upgrades to critical IT hardware and software necessary to manage and analyze the system, as well as investment into operational technologies including new testing technologies to better monitor the performance of the grid.

In general, ORPC's proposed General Plant investments from 2021-2025 will be closely aligned to the average amount of General Plant investments that have been executed over the previous 5-year period from 2015-2019.

4.1 Customer Priorities

Customers were asked to select their top priorities that ORPC should focus on over the next five-year forecast period (2021-2025), as well as selecting the top two system reliability priorities that the utility should look to address in the over the next planning period from 2021-2025. The results from these questions are illustrated in Figures 4.3 and 4.4.

Figure 4.3: Top Three Priorities That Customers Think ORPC Should Look to Address?



From the results as shown in Figure 4.3, having reasonable distribution rates, while also maintaining day-to-day reliability, and helping customers reduce and manage their electricity consumption, collectively represent the top three priorities that customers would like to see from the utility.

Figure 4.4: Top Two System Reliability Priorities That Customers Think ORPC Should Look to Address

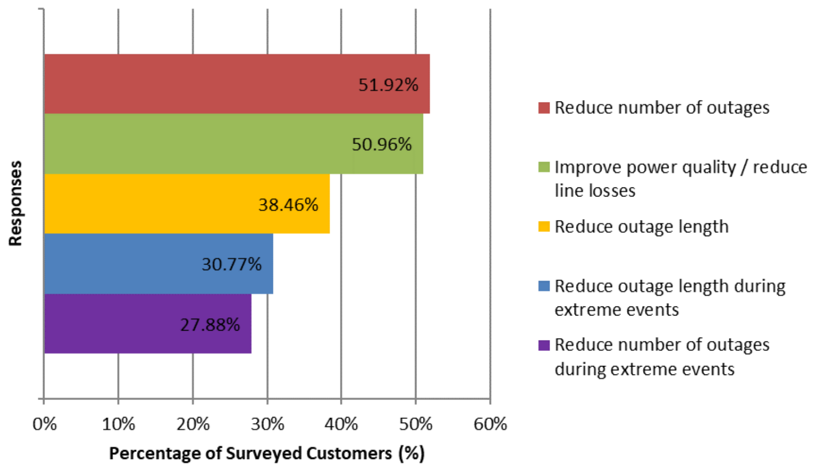


Figure 4.4 illustrates that ORPC should focus on maintaining reliability, they should be looking to minimize the number of outages that occur whilst improving power quality/reduce line losses. ORPC should use the top priorities identified by customer in Figure 4.3 and 4.4 to develop investments that will deliver on these priorities.

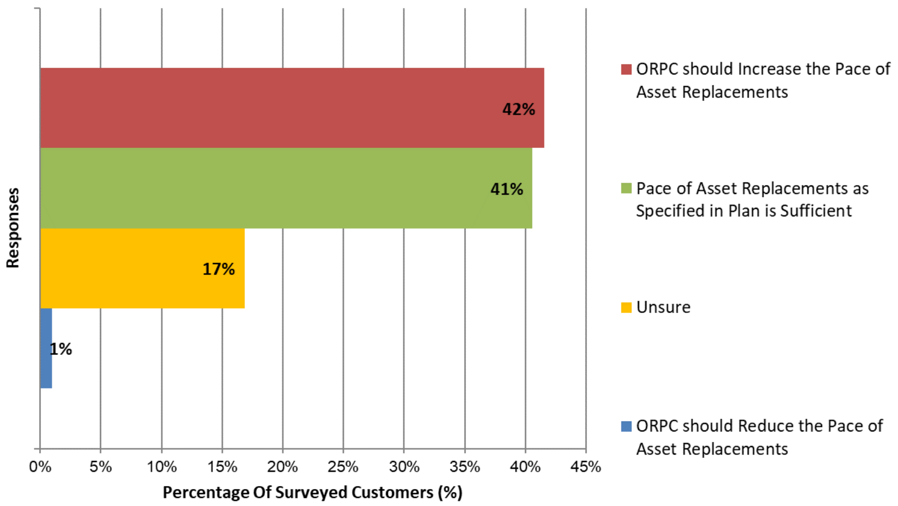
4.2 System Renewal

Regarding the System Renewal category, customers were asked about the pacing of investments and their preferences on the future system performance that ORPC should be looking to achieve. The results presented in Figure 4.5 illustrate that a majority (83%) of customers would like ORPC are either satisfied with the pace of investments as specified within the DSP, or would prefer an increase to the pace of asset investments. More specifically, 41% of customers are satisfied with the asset investment pacing as presented in the plan, while 42% of customers would prefer an increase to investment pacing. Importantly, only 1% of customers feel that ORPC should reduce the pace of investments.

On an overall whole, this suggests that at a minimum, the majority of customers are either satisfied with the volume of System Renewal investments within the plan, or would prefer to see an increase in the volume of investments. However, when taking into consideration results as presented in Section 4.1 – that reasonable distribution rates represents the most critical customer priority – ORPC's System Renewal plan as presented in the DSP ultimately achieves a balance between the need to keep rates reasonable while also continuing to manage end-of-life assets in the system.

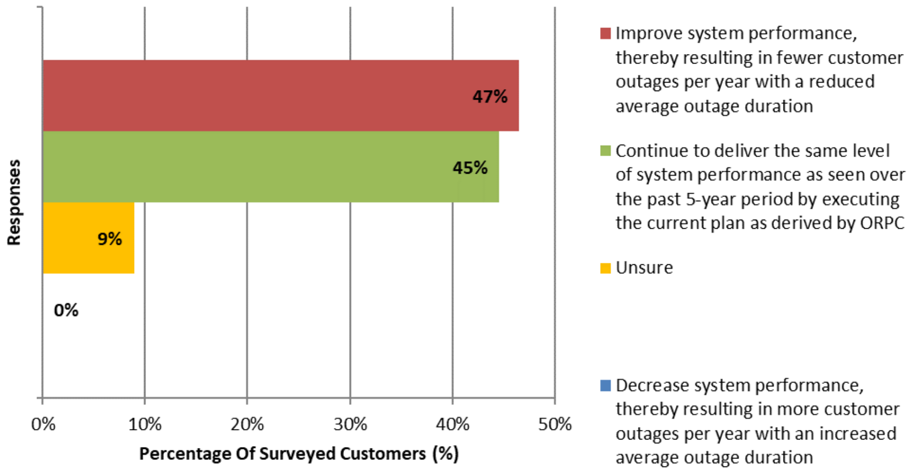
It can also be interpreted that these results show that the proposed investments will support the subsequent customer priorities of maintaining day-to-day reliability as identified in Figures 4.3 and 4.4.

Figure 4.5: Results of How ORPC Should Pace Its Asset Replacement Program



Customers were also asked about their preferences regarding ORPC's system performance. Figure 4.6 illustrates that 47% of customers wish to see improvements in system performance, while 45% of customers with for ORPC to delivery the same level of performance as seen over the past 5-year period. As is the case with the results presented in Figure 4.5, a very slightly larger number of customers would prefer ORPC to deliver more improvements, which aligns to the second-ranked customer priority of day-to-day reliability. However, ORPC's DSP ultimately balances these customer needs with the highest-ranked customer priority of allowing for reasonable distribution rates.

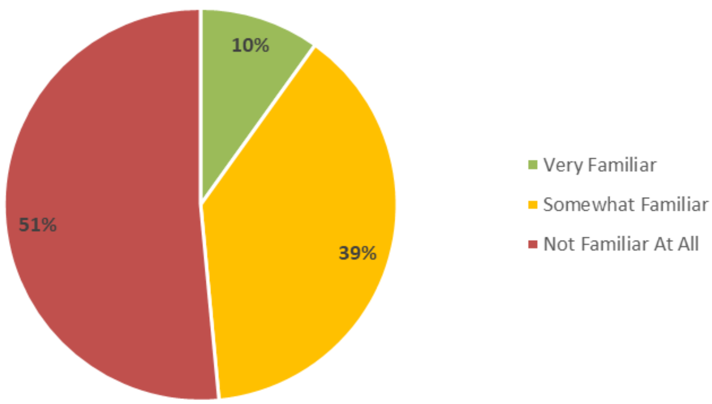
Figure 4.6: Results Regarding Customer Preference for System Performance



4.3 System Access

Whilst System Access investments represent mandatory activities for ORPC to undertake, the customer survey was used to allow ORPC to gather information on how well customers knew and understood the customer connection process. From the results in Figure 4.7, only 48% of customer are very familiar and somewhat familiar with ORPC's customer connection process. It can be surmised that these results are reasonable, as the majority of customers directly involved with new customer connection procedures will be residential housing developers and commercial customers. The majority of homeowners and renters do not directly interact with the customer connection process, as this would be done on their behalf by the home builder/developer.

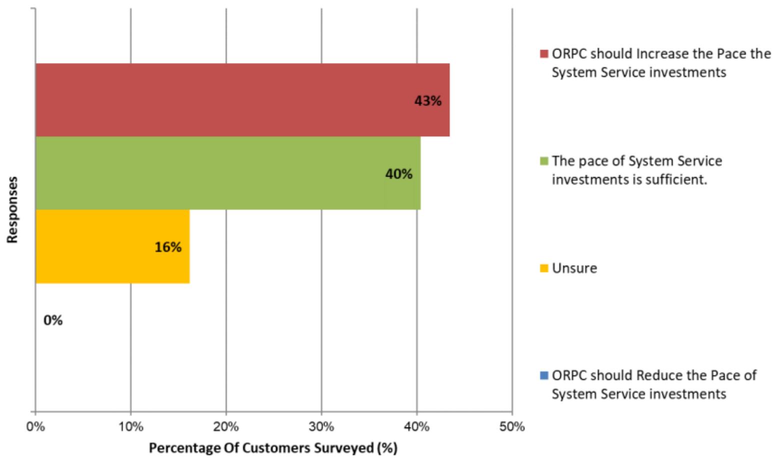
Figure 4.7: How Familiar Are Customers with The Customer Connection Process?



4.4 System Service

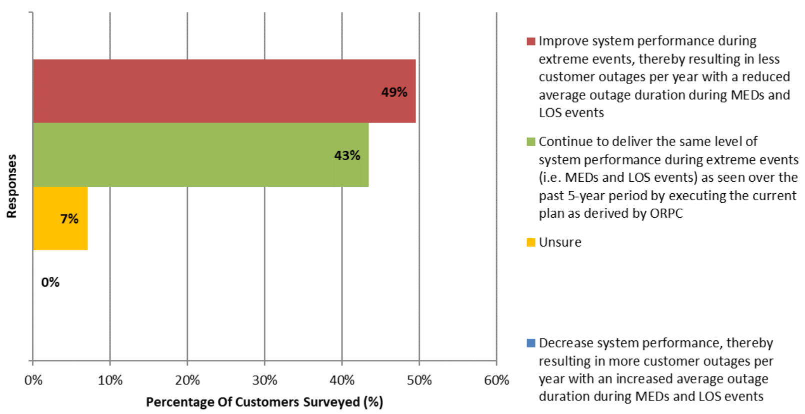
Customers were asked about the pacing of investments and the system performance preferences regarding system service investments. Figure 4.8 illustrates that there is a slight preference (43%) for ORPC to increase its pace of System Service investments, with 41% suggesting that ORPC's proposed pace of system service investments is sufficient. Importantly, no customers indicated that ORPC should reduce their pace of System Service investments. This suggests that ORPC's proposed investments for System Service are in line with customer expectations, with acknowledgment that ORPC could consider increasing its pacing if deemed appropriate. ORPC's DSP ultimately contains System Service investments which balance these results against the customers' top priority of having reasonable distribution rates as identified in Figure 4.3.

Figure 4.8: Results of How ORPC Should Pace its System Service Program



The survey preamble explained that System Service investments will continue to manage the risk associated with extreme system performance events over the next five-year period. Using this context, customers were asked to indicate their preference regarding future system performance. Figure 4.9 illustrates that 49% of customers would like ORPC to improve system performance, with a further 43% wanting ORPC to maintain the levels of system performance.

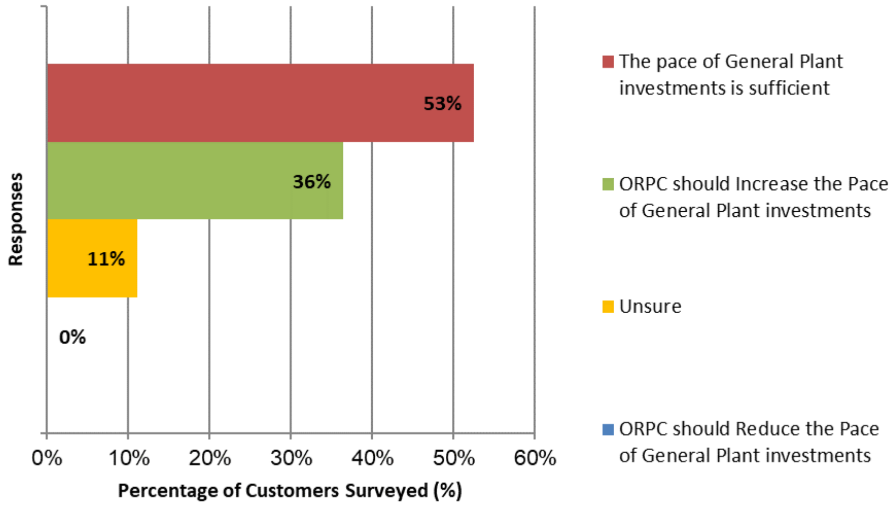
Figure 4.9: Results Regarding Customer Preference for System Performance



4.5 General Plant

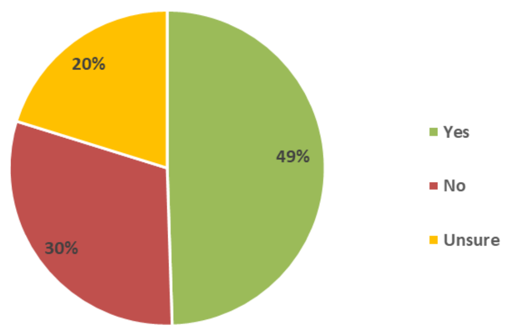
The final section of the survey on ORPC's Capital Investment Program looked at gathering customers views on ORPC's General Plant investments. This included questions on the pacing of investments as well as specific questions regarding fleet vehicles, facilities, and operational technology investment. Figure 4.10 illustrates that 53% of customers think that OPRC's proposed pace of investment for General Plant investments is sufficient, with an additional 36% requesting that the utility increase the pace of investment. Importantly, no customers have indicated that a reduction in the pace is required. Ultimately, ORPC's proposed General Plant investments provide a balance between these results as well as the need to maintain reasonable distribution rates as identified in Figure 4.5.

Figure 4.10: Results of How ORPC Should Pace its General Plant Program



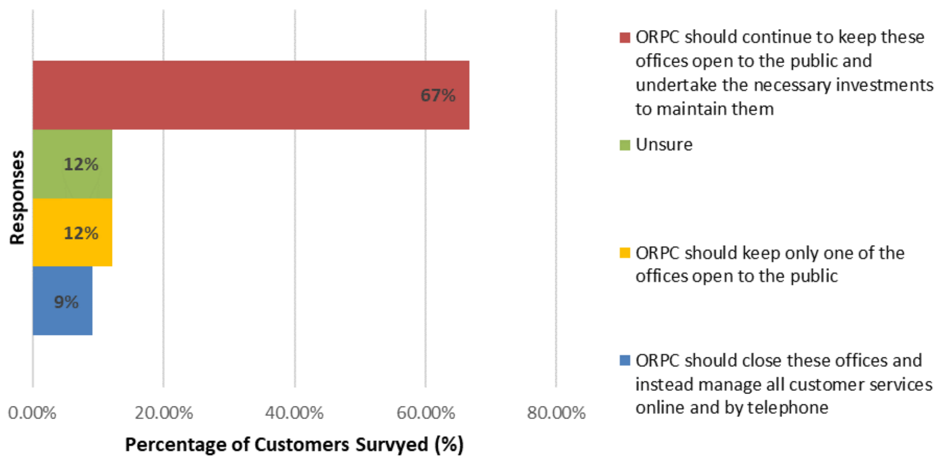
Customers were also asked about their views on whether ORPC should consider investing in low emissions vehicles when they invest in its fleet vehicles, even if this results in an increased cost relative to a diesel/petrol vehicle. Figure 4.11 illustrates that 49% of customers indicated that ORPC should consider this option, while 30% of customers indicated that they should not, with the remaining customers unsure. It can be concluded from this that ORPC should consider low emissions vehicles, however they should again ensure that this is balanced against the customers' top priority of having reasonable distribution rates in place.

Figure 4.11: Should ORPC Consider Investing in Low Emission Vehicles when considering Fleet Investments?



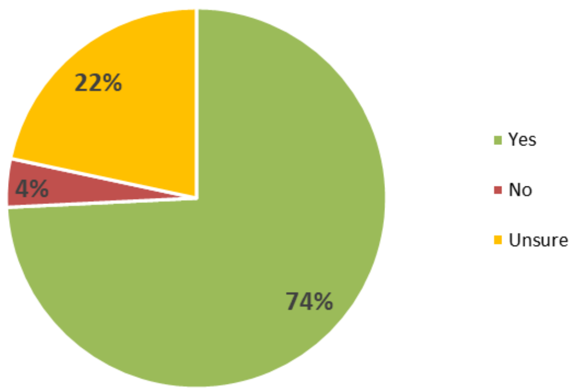
ORPC currently has two front offices, in Almonte and Pembroke, that allow for customers to access services from the utility and to pay bills. ORPC is proposing a similar investment level to investments made over the past 5-year period to maintain and operate these offices. In the survey, customers were asked for their views on whether these offices should remain open, be closed, or only have one of the offices remain open. The majority of customers - 67% - indicated that ORPC should keep both offices open and accessible to the general public, as shown in Figure 4.12.

Figure 4.12: Customers Views on Keeping ORPC's Front Office Buildings Open to The Public



Finally, customers were asked about their views on ORPC's proposed Operational Technology Investment Program. Customers were asked if they agreed that ORPC should invest in incremental testing procedures and monitoring technologies to further enhance the condition outputs used as part of the decision-making process. Figure 4.13 illustrates that 74% of customers agree that ORPC should invest in testing procedures and monitoring technologies to further enhance the condition outputs used as part of the decision-making process.

Figure 4.13: Customers Views on The Operational Technology Investment Program

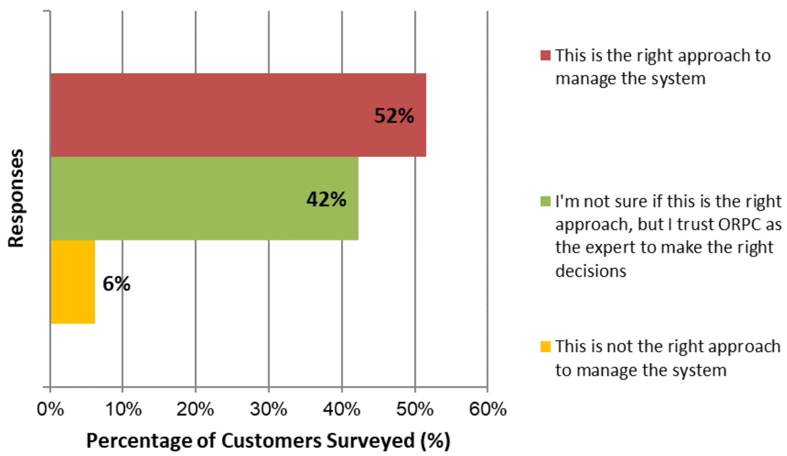


4.6 Conclusion on ORPC's Capital Investment Plan

The results from the survey have indicated that keeping distribution rates reasonable, addressing day-to-day reliability and helping customers reduce and manage their electricity consumption are the top three priorities that ORPC should be focusing on.

Overall, it can be seen from the results for specific capital investment categories that customers generally are in favour of the investments and the relative pacing that ORPC are proposing. In all cases, customers have indicated that they would like to see an increase in pacing. However, based upon the customer priorities, it is clear that any consideration of investment pacing must be balanced against the needs of maintaining reasonable distribution rates. For these reasons, ORPC's proposed capital investment plan ultimately balances the need for reasonable rates with the need to continue to invest within the system. As a final wrap-up question for the capital investment plan, customers were asked for their views on whether the approach ORPC was taking within their DSP was the right approach based upon the information presented within the survey. Figure 4.14 illustrates that 52% of customers believe that ORPC has taken the right approach.

Figure 4.14: Customers Overall Views on ORPC's Approach to Manage the System



An additional 42% of customers have indicated that while they were unsure if ORPC was taking the right approach, they trusted the utility as the expert to make the right decision. This result would be consistent with customers who, despite the information made available from the preambles, do not possess the technical insights into ORPC's system in order to judge whether the right decisions are being made. Rather, they are deferring that decision to the utility, who remain the experts, and most importantly, they trust the utility in making those decisions.

Only 6% of customers were found not to agree with ORPC's approach in managing the system. Table 4.1 further examines this 6% of customers. All of these represent residential customers split across Pembroke and Almonte service areas. Only one of the customers indicated that they have been directly impacted by COVID-19 and only one customer indicated that they were dissatisfied with ORPC's overall performance. However, 50% of these customers have indicated that they have been impacted by reliability issues and power outages. These customers have indicated that they want better outage information, more reasonable electricity rates, as well as a COVID-19 relief offered for those impacted by the pandemic. They also believe that ORPC is well run, but think further investment is needed to improve the reliability of the system. Ultimately, these results indicate that ORPC needs to offer enhance customer service and response to these small groups of customers. However, it is clear from the results that the vast majority of customers either fully agree with the capital investment plan, or trust ORPC to make the right decisions in executing this plan.

Table 4.1: Breakdown of the 6% Of Customers Who Indicated They Do Not Think ORPC's Plan Is the Right Approach

Percentage of Customers (%)					
Pembroke Service Area	Almonte Service Area	Extensively impacted by COVID-19	Dissatisfied with ORPC Overall Performance	Somewhat or Very Dissatisfied with reliability of electricity service	Somewhat or Very Dissatisfied with amount of time to restore power
67% (4 customers)	33% (2 customers)	17% (1 customer)	17% (1 customer)	50% (3 customers)	50% (3 customers)

Customers were given the ability to provide overall feedback to ORPC regarding the capital investment program. Key feedback given include the following statements:

- *"Improved outage information so that clients know that ORPC is aware of an outage and what is happening"*
- *"I believe ORPC is well run. However, I also believe that further investment is necessary to improve the reliability given the age of the system."*
- *"Should have a summer rate all year and a COVID relief offered by ORP for those impacted by the pandemic"*
- *"Random power outages are annoying- they had very frequently compared to my past experiences."*

5. Communication Preferences

The chapter briefly describes the results from customers on preferred communication options for the future. The survey asked customers two questions: The first question was regarding the customers' preferred communication platforms, with an overwhelming 84% indicating that online surveys would be their preferred platform. The second question was with regards to how often ORPC should be engaging its customers, with 42% indicating once a year with a further 32% indicating once every 2-3 years. The results of both these questions can be found in Figures 5.1 and 5.2 below.

Figure 5.1: Customers Preferred Communication Platform

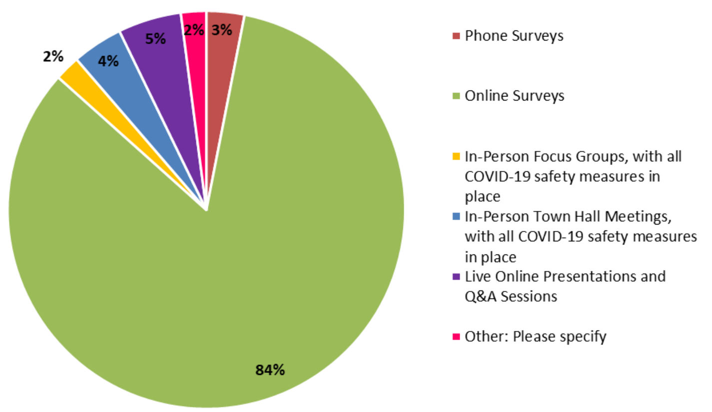
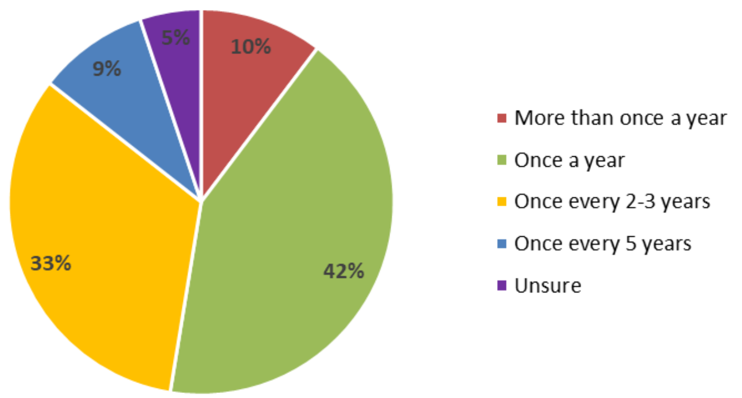


Figure 5.2: Customers Preferred Frequency of Communication



6. Conclusions

It can be concluded that the customers who responded to this customer survey are representative of the ORPC service area, covering both residential and business customers across all four service areas. The total number of people who responded represents 1% of ORPC's customer base which is within the typical range of online utility surveys. This will allow ORPC to use the findings from this report and the full results to validate their proposed DSP for the 2021-2025 period.

Most of ORPC's customers have not been extensively impacted by COVID-19, but there are still a small percentage of customers who currently have been extensively impacted by the pandemic. With the pandemic continuing into the future, impacts to customers could change, and ORPC will need to ensure that they are responding and are ready to adapt their plans to support these customers.

Based upon the results outlined in this report, customers are deeply interested in ORPC addressing day-to-day reliability, helping customers reduce and manage their electricity consumption, and ensuring that electricity rates are maintained to reasonable levels.

The majority of ORPC's customers were found to be either very satisfied or somewhat satisfied with respect to customer service, inquiry response time and outage response time. Those who indicated they are not satisfied with these services have indicated that ORPC should be better at communicating when an outage occurs, and reduce the number of outages they experience whilst ensuring that rates remain affordable especially in relation to COVID-19 impacts some customers have felt.

The majority of ORPC's customers were found to be either satisfied with the pace of investments as described within the DSP or preferred for the utility to increase the pace of investments across the four DSP investment categories. Similarly, with respect to system performance, the majority of ORPC's customers were found to be either satisfied with the utility continuing to deliver the same level of system performance as seen over the past 5-year period, or would like to see an improvement in system performance which would require an increase in investment levels from what has been described in their DSP. Ultimately, ORPC's capital investment plan has achieved a balance between managing the pace of investments against the need of maintaining electricity rates at a reasonable level, which remains a top customer priority.

Customers indicated that with regards to future communications, that they would prefer online surveys on either a yearly basis or every 2-3 years.

Finally, there was opportunity given to customers to provide any other views or comments that they wanted to make. These comments varied from wanting ORPC to improving communication to praising ORPC on the good work that they deliver. Below is a selection of comments that illustrates this:

- *"Not sure if it pertains to the investment plan but increased communication of planned outages would be beneficial"*

- *"lower the cost of electricity to the consumer"*

- *"It would be beneficial to bury as many lines as possible, I'm thinking it would reduce costs in the future as you wouldn't need to maintain hydro poles, weather would not effect it as much so there would be less outages, less wear and tear etc. I know it would cost more upfront but in the long run it would save money. Maybe do the most impacted areas for outages first."*

- *"Keep doing what you are doing since you are doing it well. The old adage if "If it ain't broke, don't fix it."*

- *"Like myself there are lots of new residents in Almonte and small group tours of your power generation infrastructure would be looked on favourably. Thanks for the good work your staff do!"*

- *"I believe ORPC is well run. However, I also believe that further investment is necessary to improve the reliability given the age of the system"*

These comments demonstrate that ORPC's customers have a wide range of views, and that ORPC should continue its work as contained within its capital investment plan, but also be aware of the continuous needs of managing distribution rates, communication to customers and system reliability.

7. Appendix A - Customer Survey Questions & Preamble

Customer Survey 2020 - ORPC Distribution System Plan (2021-2025)

Introduction

About Ottawa River Power Corporation

Ottawa River Power Corporation (ORPC) is an electricity distributor licensed by the Ontario Energy Board (OEB). ORPC provides electricity distribution services in the City of Pembroke, the former Village of Beachburg (in the Whitewater Region), the former Village of Killaloe (in the Renfrew County), and the former Town of Almonte (in the Town of Mississippi Mills), serving over 11,000 customers. ORPC owns and maintains over 346km of overhead lines, 129km of underground lines, and 10 substations.

ORPC is committed to the pursuit of excellence in safety and reliability for the customers and communities we serve. We continue to seek innovation through energy conservation and technology while striving to be the trusted energy advisor for our customers and continuing to create value for our shareholders.

What is the purpose of this survey?

ORPC is conducting this voluntary survey as part of its upcoming submission of its 2021-2025 Distribution System Plan (DSP) to learn more about how ORPC's investment plans can best reflect the needs and preferences of its customers. The information collected will be used to further refine investment decision-making and will be submitted as part of its upcoming electricity distribution rate (EDR) application. By participating in this survey, you consent to ORPC utilizing your responses as a key input into the EDR filing process.

Customer Verification

Thank you for taking the time to complete this survey. The following questions are to verify your customer details. These details will not be used for any other reason. Your response will still be treated anonymously. Please have a copy of your Ottawa River Power bill on hand.

Figure 1 – ORPC bill

1. **Please enter your Customer Account Number. Figure 1 shows where this is found on your bill. Please enter all 10 digits without a dash (i.e. Enter XXXXXXXXXX instead of XXXXXXXX-XX).**

<INSERT NUMBER>

Part A: General

This section is to get an overview of the customer(s), and how well they know ORPC. Please answer the questions where possible.

1. **Are you a residential or business customer?**
   a. **Residential**
   b. **Business**

If answer to Q1 is Residential:

2. **Which of the service areas below are you located within?**
   a. **Pembroke**
   b. **Beachburg**
   c. **Killaloe**
   d. **Almonte**
   e. **Unsure**

3. **Do you own or rent your property?**
   a. **Own**
   b. **Rent**

4. **Choose one of the following that best describes your property?**
   a. **Detached House**
   b. **Semi-Detached House**
   c. **Condo/Apartment**
   d. **Other**

5. **How many individuals live within your property?**
   a. **1-2**
   b. **3-4**
   c. **5-6**
   d. **7-10**
   e. **10+**

6. **Which age range would best describe the main user of electricity within your household/business?**
   a. **18-24**
   b. **25-34**
   c. **35-44**
   d. **45-54**
   e. **55-64**
   f. **65+**

7. **In your household (or your Business, as applicable) what is your role for paying your electricity bill? Please select the best applicable option.**
   a. **I am primarily responsible for paying my household's electricity bill**
   b. **I share the responsibility for paying my household's electricity bill**
   c. **I am not responsible for paying my household's electricity bill**
   d. **Unsure**

8. **How has COVID-10 impacted you?**
   a. **Minimal Impact: I can work from home and/or still undertake my job**
   b. **Moderate Impact: Work hours have been reduced due to impacts of COVID-19**
   c. **Extensive Impact: I can no longer work due to COVID-19.**

9. **What is your overall familiarity with ORPC?**
   a. **Very Familiar**

b. **Somewhat Familiar**
c. **Not Familiar**

If answer to Q1 is Business:

10. **Which of the service areas below are you located within?**
    a. **Pembroke**
    b. **Beachburg**
    c. **Killaloe**
    d. **Almonte**
    e. **Unsure**
11. **How many employees work within your business property?**

<INSERT NUMBER>

12. **Within your Organization/Business what is your role for paying your electricity bill? Please select the best applicable option.**
    a. **I am the person responsible for managing my organization's electricity bill**
    b. **I am the person overseeing the management of my organization's electricity bill**
    c. **I am not involved with either managing or overseeing my organization's electricity bill**
    d. **Unsure**

13. **COVID-19 has made many organizations re-evaluate how they allow employees to work now and in the future. Please select one of the following statements that best represents your view:**
    a. **We plan to have all employees working in the business premises full time**
    b. **We plan to have flexible working policies, which allows employees to work from home or at the business premise.**
    c. **We plan to move all employees to work from home**
    d. **Unsure**

14. **What is your overall familiarity with ORPC?**
    a. **Very Familiar**
    b. **Somewhat Familiar**
    c. **Not Familiar**

Part B: Overall Performance of ORPC

Preamble

This section looks to explore your experience with ORPC's overall performance and how satisfied you are with the services you receive, including system reliability, billing, and customer service. We are also looking to understand the priorities that you think ORPC should focus on.

15. **Thinking specifically about the services provided to you and your community by ORPC, how satisfied or dissatisfied are you overall with the services that you receive?**
    a. **Very Satisfied**
    b. **Somewhat Satisfied**
    c. **Neither Satisfied nor Dissatisfied**
    d. **Somewhat Dissatisfied**
    e. **Very Dissatisfied**
    f. **Unsure**

16. **Overall, how satisfied or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?**
    a. **Very satisfied**
    b. **Somewhat Satisfied**
    c. **Neither satisfied nor dissatisfied**
    d. **Somewhat Dissatisfied**
    e. **Very Dissatisfied**
    f. **Unsure**

17. **When any outages do occur, how satisfied or dissatisfied are you with the amount of time it takes to restore power?**
    a. **Very Satisfied**
    b. **Somewhat Satisfied**
    c. **Neither Satisfied nor Dissatisfied**
    d. **Somewhat Dissatisfied**
    e. **Very Dissatisfied**
    f. **Unsure**

18. How do you contact ORPC when you have a question or request?

a. **Online**
b. **Phone**
c. **ORPC Front Office Buildings in Almonte and Pembroke**
d. **N/A**

19. How satisfied or dissatisfied are you with the amount of time it takes ORPC to respond to your question or request?

a. **Very Satisfied**
b. **Somewhat Satisfied**
c. **Neither Satisfied nor Dissatisfied**
d. **Somewhat Dissatisfied**
e. **Very Dissatisfied**
f. **Unsure**
g. **N/A**

20. Overall, how satisfied or dissatisfied are you with the customer service provided by ORPC?

a. **Very Satisfied**
b. **Somewhat Satisfied**
c. **Neither Satisfied nor Dissatisfied**
d. **Somewhat Dissatisfied**
e. **Very Dissatisfied**
f. **N/A**

21. Can you please select your top three priorities that you think ORPC should look to address:

a. **Day-to-day reliability**
b. **Reasonable distribution rates**
c. **Length of power outages**
d. **Customer service**
e. **New types of electrical services**
f. **Preparing the network for new types of uses such as electric vehicles and renewable generation**
g. **Sustainability - reducing the environmental impact of ORPC's operations**
h. **Helping customers to reduce and manage their electricity consumption**
i. **Other: Please describe**

22. Can you please select your top two system reliability priorities that you think ORPC should look to address:

a. **Reduce outage length**
b. **Reduce outage length during extreme events**
c. **Reduce number of outages**
d. **Reduce number of outages during extreme events**
e. **Improve power quality / reduce line losses**

23. How satisfied or dissatisfied are you that ORPC provides accurate bills?

a. **Very satisfied**
b. **Somewhat Satisfied**
c. **Neither satisfied nor dissatisfied**
d. **Somewhat Dissatisfied**
e. **Very Dissatisfied**
f. **Unsure**

24. Prior to this consultation, how familiar were you with the percentage of your electricity bill that represents ORPC's charges for distribution services?

a. **Very familiar**
b. **Somewhat familiar**
c. **Not familiar at all**

25. Please select your preferred option below with respect to how you would like to receive your bills from ORPC:

a. **I want the option of receiving my bill both in paper and electronic formats**
b. **I only want my bill in electronic form (i.e. e-mail)**
c. **I only want my bill in paper form**
d. **No preference**

26. Do you have any other comments, questions, or suggestions with regards to ORPC's overall performance?

< Open Response>

Part C: ORPC DSP

Preamble

This part of the survey is to provide specific information regarding ORPC's investment plans from 2021 onwards to 2025. ORPC is looking to gather feedback about this plan to help further refine the plan. These investment plans have been centralized into ORPC's Distribution System Plan (DSP), which adheres to the planning requirements as established by the OEB.

To create the DSP, ORPC executes a rigorous asset management (AM) process as illustrated in Figure 1, in which (a) decision-making information such as in-field inspection results, asset age and condition results are collected and consolidated, (b) long-term, short-term and maintenance investment plans are developed leveraging this decision-making information, (c) these plans are executed within the system, and (d) executed plans are continuously reviewed to identify enhancements and improvements.

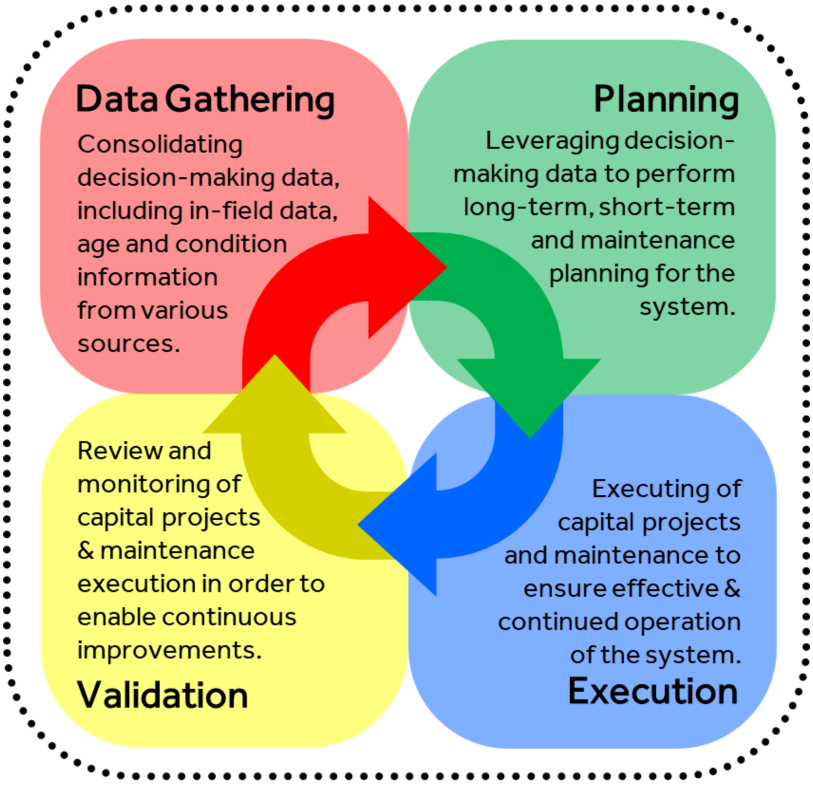


Figure 1 – ORPC's AM Process

In total, ORPC plans to spend approximately **$1.2M on average per year** over the next five-year period from 2021 onwards to 2025. These investment levels closely align to the average annual investments made to the system over the last 5-year period from 2015 to 2019.

System Renewal

ORPC's "System Renewal" investments are targeted towards the replacement/renewal of assets – including transformers, poles, underground cables and overhead conductors – that are past their typical useful lives (TUL) - this is the number of years that on average ORPC would expect an asset to reliability operate, or in poor or very poor condition. In addition, functionally obsolete infrastructure that no longer aligns with ORPC's current operating practices will be replaced with new infrastructure that aligns with ORPC's current standards.

As illustrated in Figure 2, approximately 26% of ORPC's asset base already exceeds its useful lives, while another 20% will exceed their useful lives over the next 5-year period. Leveraging inspection results, ORPC has also conducted an asset condition assessment (ACA) for a limited proportion of their assets. From these results, 5% of assets are in Very Poor and Poor condition requiring immediate attention, while another 36% of assets are in Fair condition and will require attention over a 10-year period.

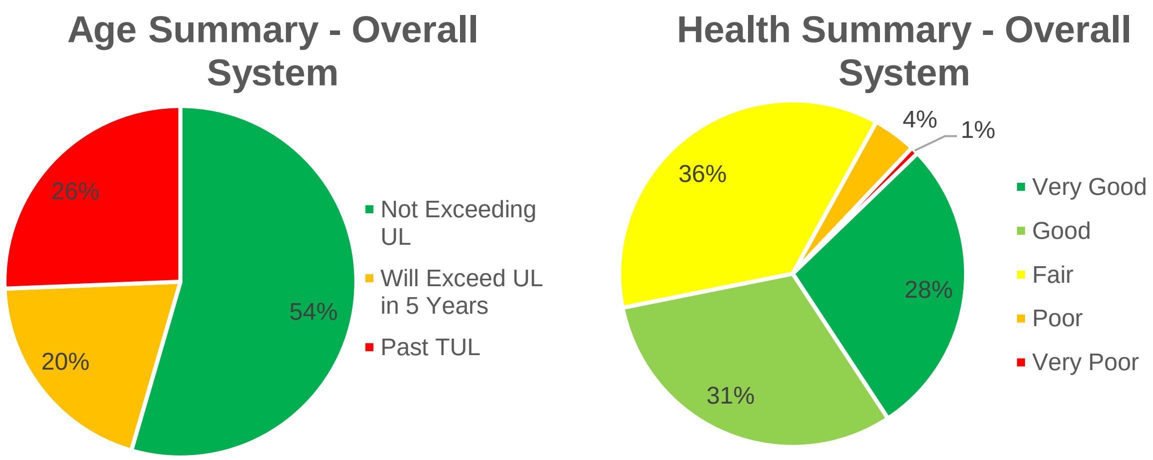


Figure 2 – System-Wide Age & Condition Summary Results

In general, ORPC's proposed System Renewal investments from 2021-2025 will be closely aligned to the average pace of asset replacements that have been executed over the previous 5-year period from 2015-2019.

27. **Recognizing the aging and degradation conditions of ORPC's asset base, please select one of the following options that best describes your preference regarding how ORPC can be pacing their asset replacements over the next five years. The pace of asset replacements as specified within ORPC's plan (which closely align to the average pace of asset replacements from the past 5-year period) is sufficient.**
    a. **ORPC should increase the pace of asset replacements such that assets in Very Poor and Poor condition, as well as assets past their useful life, are replaced within the next 5-year period.**
    b. **ORPC should reduce the pace of asset replacements, which would mean not all poor and very poor assets would be addressed in the next five years, and this could result in more frequent and longer outages.**
    c. **Unsure.**

28. **Regarding system performance, each customer within ORPC's system has experienced nearly one outage per year with each customer outage lasting approximately 1.5 hours on average over the past 5-year period (2015-2019), excluding Loss of Supply (LOS) days and Major Event Days (MED). Recognizing that System Renewal investments will continue to manage system performance over the next 5-year period, please select one of the following options that best describes your preferences with respect to system performance:**
    a. **Continue to deliver the same level of system performance as seen over the past 5-year period by executing the current plan as derived by ORPC**
    b. **Improve system performance, thereby resulting in less customer outages per year with a reduced average outage duration.**
    c. **Decrease system performance, thereby resulting in more customer outages per year with an increased average outage duration.**
    d. **Unsure**

System Access

"System Access" investments represent non-discretionary investments necessary to facilitate access of customers to the system. This includes the connection of new customers and subdivisions, the installation and replacement of meters which allow for accurate consumption measurement and billing, as well as the relocation of electrical assets due to third party activities, which include the redevelopment of roadways and expansion of public transportation systems. These activities collectively fall under the “System Access” category of investments.

29. Before this consultation, how familiar were you with the customer connection process and how ORPC facilitates new connections within the system?

- **a. Very familiar**
- **b. Somewhat familiar**
- **c. Not familiar at all**

System Service

On average over the past five years, each customer within ORPC’s system has experienced nearly one interruption per year with each customer interruption lasting approximately 1.5 hours. However, when accounting for events that are outside the control of ORPC, such as “loss of supply” (LOS) events due to failures from the supplying Hydro One transmission system infrastructure, as well as “major event days” (MED) which include severe and exceptional weather-related events, each ORPC customer has experienced approximately 2.5 outages on average per year over the past five years, with each customer experiencing approximately 9 hours of outages per year on average. This comparison in system performance is further illustrated in Figure 3.

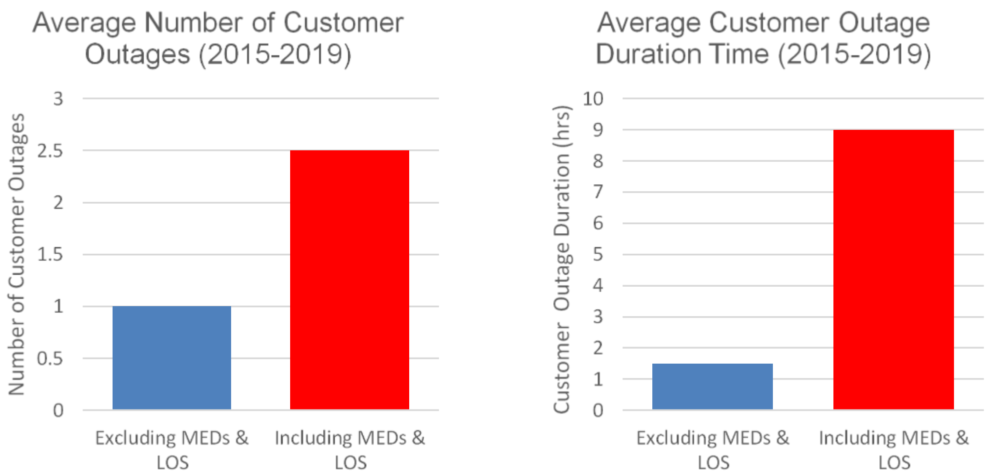


Figure 3 – Average System Performance (2015 – 2019)

“System Service” investments are designed to target system-wide critical issues, such that ORPC can better manage system performance during a loss of supply event or major event day.

Activities will include enhanced communication systems to be installed at each of ORPC's substations, which will allow for major outage events to be reliably detected in a rapid manner such that system performance can be better managed, and in particular extreme events relating to MEDs. As ORPC is able to automatically detect outages through this upgraded communication system, necessary repair and replacement work can be performed more rapidly, thereby reducing the outage time to the customer. Investments within this category will also reinforce and improve the reliability of the key supply points into ORPC's service area, thereby allowing ORPC to better manage system performance during loss of supply events.

In general, ORPC's proposed System Service investments from 2021-2025 will be closely aligned to the average amount of System Service investments that have been executed over the previous 5-year period from 2015-2019.

30. **Recognizing that System Service investments are designed to manage system-wide critical issues, and mitigate critical outages that can occur in the system, which of the following options best describes your preference towards how ORPC can be pacing their System Service over the next five years?**
    a. **The pace of System Service investments as specified within ORPC's plan (which closely align to the average pace of System Service from the past 5-year period) is sufficient.**
    b. **ORPC should increase the pace of System Service investments in order to better mitigate the risks from system-wide critical issues.**
    c. **ORPC should reduce the pace of System Service investments, even if this results in greater risk exposure to system-wide critical issues, thereby potentially resulting in greater outage impacts during Loss of Supply events and Major Event Days.**
    d. **Unsure**

31. **Recognizing that System Service investments will continue to manage the risk associated with these extreme system performance events over the next 5-year period, please select one of the following options that best describes your preferences concerning system performance:**
    a. **Continue to deliver the same level of system performance during extreme events (i.e. MEDs and LOS events) as seen over the past 5-year period by executing the current plan as derived by ORPC**
    b. **Improve system performance during extreme events, thereby resulting in less customer outages per year with a reduced average outage duration during MEDs and LOS events.**

c. **Decrease system performance, thereby resulting in more customer outages per year with an increased average outage duration during MEDs and LOS events.**
d. **Unsure**

General Plant

"General Plant" investments will be focused on initiatives that support the 24/7 operations of ORPC's distribution system, including upgrades to ORPC's facilities and buildings that house employees and equipment, the replacement of critical Fleet vehicles that transport crews to respond to outages, replacement, and upgrades to critical IT hardware and software necessary to manage and analyse the system, as well as investment into operational technologies including new testing technologies to better monitor the performance of the grid.

In general, ORPC's proposed General Plant investments from 2021-2025 will be closely aligned to the average amount of General Plant investments that have been executed over the previous 5-year period from 2015-2019.

32. **Recognizing that IT, Fleet, and Operational Investments allow for ORPC's 24/7 operational backbone to be maintained, which of the following statements best represents your point of view?**
    a. **ORPC should continue the same pace of General Plant investments when compared to the past 5-year period (2015-2019) such that the utility can continue to operate in a fully functional and efficient manner.**
    b. **ORPC should increase the pace of General Plant investments such that the utility can further enhance and accelerate utility efficiencies and operational improvements over the next 5-year period.**
    c. **ORPC should reduce the pace of investments into aging IT, Fleet, and Operational Equipment, which will result in longer outage response times and increase inefficiencies within the utility.**
    d. **Unsure.**

33. **When ORPC is considering investing in new vehicles, should they look to invest in greener, more sustainable electric/low emission vehicles, even if this means increased costs relative to a diesel/petrol vehicle option?**
    a. **Yes**
    b. **No**
    c. **Unsure.**

34. **ORPC currently has two front offices, in Almonte and Pembroke, that allow for customers to access services from the utility and to pay bills. ORPC is proposing a similar investment level to investments made over the past 5-year period to continue to maintain and operate these offices. Which of the following statements best represents**

your point of view? Note that none of the options below would result in changes to the electricity bill, but would have an impact on services to the customer.

a. **ORPC should continue to keep these offices open to the public and undertake the necessary investments to maintain them.**
b. **ORPC should close these offices to the public and instead manage all customer services online and by telephone.**
c. **ORPC should keep only one of the offices open to the public.**
d. **Unsure.**
e. **N/A**

System Operating & Maintenance (O&M) Expenditures

Alongside their capital expenditure plan, ORPC also executes pre-defined maintenance programs, which allow for assets to be maintained and/or repaired at regular intervals, and also allows for visual inspections to be executed such that condition-related information can be gathered to support the asset condition assessment process. Condition results that are produced from the maintenance programs represent a key input into the decision-making process into which assets are ultimately replaced in the system. ORPC continues to explore opportunities to further enhance maintenance practices, including the addition of testing and monitoring programs to better identify deficiencies within the system. These programs allow ORPC to better identify and proactively address aging or defective assets before they fail. This in turn helps improving system reliability and potentially reduce costs as more assets will be addressed with a pro-active solution rather than a more expensive reactive solution.

35. **Based on the above, do you agree that ORPC should invest in testing procedures and monitoring technologies to further enhance the condition outputs used as part of the decision-making process?**

a. **Yes**
b. **No**
c. **Unsure**

36. If you answered "Yes" to investment in testing procedures and monitoring technologies (Question #30), would you be okay with an increase in the electricity bill due to these investments?

a. Yes
b. No
c. Unsure
d. N/A

37. Based upon your knowledge and understanding of ORPC's overall DSP as communicated to you via this survey, which of the following statements best aligns to your overall opinion of ORPC's DSP and associated investments in the next 5-year period?

a. I believe that this is the right approach to continue to manage the safe and reliable performance of the system
b. I'm not sure if this is the right approach but I trust ORPC as the expert to be able to make the right decisions
c. I don't believe that this is the right approach and ORPC should consider revising their plans and strategy

Part D: Communication in future

Pre-amble

This section relates to how you would like ORPC to communicate with you in the future.

38. To help ORPC improve on customer engagement in the future, please select one option that would be your preferred approach for being consulted in the future on similar topics.

a) Phone Surveys
b) Online Surveys
c) In-Person Focus Groups, with all COVID-19 safety measures in place.
d) In-Person Townhall Meetings, with all COVID-19 safety measures in place.
e) Live Online Presentations and Q&A Sessions
f) Other: please specify

39. How often would you say should ORPC engage its customers on matters such as those captured in this survey? Please select one of the options below.

a) More than once a year
b) Once a year
c) Once every 2-3 years
d) Once every 5 years
e) Not Sure

40. Do you have any other comments, questions, or suggestions that you would like ORPC to consider as it develops the capital investment plans for the coming years?

< Open Response>

Thank you for your time and feedback.