EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

2023 Cost of Service

Cooperative Hydro Embrun Inc.
EB-2022-0022

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1.1 LEGAL APPLICATION & ADMINISTRATIVE MATTERS

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Cooperative Hydro Embrun for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1st, 2023.

Cooperative Hydro Embrun Inc. ("CHEI," "the utility," "the applicant") is a licensed distributor of electricity under distribution license ED-2002-0493 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

CHEI 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 January 1st, 2023.

CHEI notes that the application is being filed early and confirms the application is intended to set rates based on a 2023 Test Year.

The evidence contained in this application follows s Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements) for small electricity distributors issued on December 16th, 2021.

CHEI accordingly applies to the Board for the following Order or Orders: (List of Approvals)

1) Approval to charge distribution rates, effective January 1st, 2023, to recover a base revenue requirement of $1,165,281 which includes a revenue sufficiency of $124,033 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 2023 capital expenditures for $148,750 as supported by the Distribution System Plan outlined in Exhibit 2.
3) Approval to adjust the Retail Transmission Rates – Network and Connection previously approved and 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 Low Voltage charges as detailed in Exhibit 8.
7) Approval to continue the specific Service Charges (except for the MicroFIT Monthly Service charge) and Transformer Allowance as previously approved by the OEB and detailed in Exhibit 8.

8) Approval to continue applying the MicroFIT monthly service charge of $10.00 as approved in the Applicant's 2018 Cost of Service (2017-0035) and detailed in Exhibit 8.
9) 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.
10) Disposal/recovery of 1588 & 1589 commodity account balances as of December 31st, 2021, on a final basis with Rate Riders for a one-year disposition.
11) Acceptance of the Demand Profile methodology to determine the Non-Coincident Peak and Coincident Peak Demand Allocators as applied in the Cost Allocation model (worksheet I8) and described in Exhibit 7.
12) Disposal of the balance in the wireline pole attachment variance account as of December 31st, 2021, as recorded in account 1508 with account disposition requested on a final balance.

This application consists of the following Exhibits and Excel live models supporting the evidence presented in 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

- ✓ EB-2022-0022 CHEI 2023 Benchmarking Forecast Model
- ✓ EB-2022-0022 CHEI 2023 Cost Allocation
- ✓ EB-2022-0022 CHEI 2023 LRAMVA Workform
- ✓ EB-2022-0022 CHEI 2023 PILs Workform
- ✓ EB-2022-0022 CHEI 2023 Rev Req Workform
- ✓ EB-2022-0022 CHEI 2023 RTSR Workform
- ✓ EB-2022-0022 CHEI 2023 Load Forecast Model
- ✓ EB-2022-0022 CHEI 2023 Update Demand Data
- ✓ EB-2022-0022 CHEI 2023 COS Checklist
- ✓ EB-2022-0022 CHEI 2023 DVA Continuity Schedule
- ✓ EB-2022-0022 CHEI 2023 Chapter 2 Appendices

The key contacts for this application are as follow:

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CHEI's Counsel:	Michael Buonaguro Email: Michael Buonaguro <mrb@mrb-law.com> Phone: 416-767-1666

CHEI confirms the following administrative information:

- All documents have been submitted to the OEB via RESS.
- CHEI confirms that the application does not include any confidential information.
- CHEI aligned its rate year with its fiscal year as part of its 2014 Cost of Service. Therefore, no further adjustments are required in that respect.
- This application is supported by written evidence. CHEI requests that under Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing but understands that if specific issues remain unsettled post-settlement, the utility may be asked to participate in an oral hearing. CHEI notes that it has no special conditions in its license.

Notice of Application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspaper with the highest circulation in its service area. The News/Le Reflet", a bilingual unpaid local publication with an average circulation of approximately 13,000.

Once the Notice of Application and Hearing has been published in the above-listed newspapers, CHEI will file an Affidavit of Publication.

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

Certification of Evidence

CHEI hereby certifies that the application has been reviewed and approved by the General Manager and its Board of Directors and CHEI and confirms that the information and evidence presented herein is accurate to the best of CHEI's knowledge.

Benoit Lamarche
General Manager

Confirmation of Protection

Cooperative Hydro Embrun Inc. ("CHEI") confirms that the documents filed in support of CHEI's referenced application do not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Financial and Load Information filed in this application.

In compliance with the filing requirements, LDC has used 12 months of projections to determine its 2022 bridge year and 2023 Test Year. CHEI notes that, because the application is being filed early, its 2021 financial and load information has not been finalized and audited. CHEI commits to updating its 2021 financial and load information to reflect audited "actuals" as part of the interrogatory phase of the post-filing process. CHEI has not changed any of its proposed

methodologies from its last cost of service unless dictated explicitly by the regulator through a policy change.

Capital Spending

- 2018-2020: Audited balances
- 2021: 10 months actuals and two months forecasted balances.
- 2022-2023: Budgeted balances.

Operating Expenses

- 2018-2020: Audited balances
- 2021: 10 months actuals and two months forecasted balances.
- 2022-2023: Budgeted balances.

Other Revenues

- 2018-2020: Audited balances
- 2021: 10 months actuals and two months forecasted balances.
- 2022-2023: Budgeted balances.

Load Forecast

- 2012-2020 Wholesale: Actuals.
- 2021 Wholesale: 10 months actuals and two months forecast.
- 2022-2023 Wholesale: forecasted using regression analysis.

RTSR

- 2021: 10 months actuals and two months forecast.

Cost of Power

- Most current RPP/non-RPP split: 10 months actuals from 2021 applied to 2023 Load Forecast.

Cost of Capital

- Per Cost of Capital Parameters for 2022 Cost-Based Rates Issued by the OEB in a letter dated October 28th, 2021.

Deferral and Variance Accounts

- 2021: 10 months actuals and two months forecast. (BDO calculated balances)
- GA Workform: The GA Workform is not being filed as the 2021 year-end needs to be completed before the GA Workform can be completed. Furthermore, the

GA Workform reconciles the entries with the RRR filing, which will not be filed with the OEB until May 2022.

Materiality Threshold.

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement less than $10 million must use $10,000 as a materiality threshold for year over year variances and $50,000 when comparing the board approved test year to the proposed test year.

CHEI has also used its best judgment when providing justification and analysis for variances less than the threshold.

1.2. SUMMARY OF APPLICATION

1.2.1 Distribution Rates

The table below shows CHEI's yearly OEB-approved fixed and variable rate from the last cost of Service in 2018 to the proposed 2023 rates. Rates in between the Cost-of-Service applications were adjusted through IRM applications to reflect the Price Cap in effect at that time. CHEI opted to forego the Price Cap inflation factor to its 2022 rates in advance of the cost-of-service application. CHEI is seeking a reduction in its distribution rates from its current 2022 rates and except for the residential class's fixed charges, (which CHEI notes was not yet on a fully fixed charge in 2018) is seeking a reduction in rates from its 2018 board approved rates in all of its customer classes.

Table 1 – Rates Since last Cost of Service(2018)

Customer Class Name	2018BA	2019	2020	2021	2022	2023	
	CoS	IRM	IRM	IRM	IRM	CoS	Var from 2018
Price Cap Applied		EB-2018-0026	EB-2019-0028	EB-2020-0011	EB-2021-0014		
Price Cap Applied		**1.50%**	**2.2%**	**2.2%**	**0.0%**		
Residential – Fixed	$28.84	$32.11	$36.63	$37.44	$37.44	$33.66	$5.16
Residential – Var	$0.0064	$0.0032	$0.0000	$0.0000	$0.0000	$0.0000	-$0.0064
GS < 50 kW – Fixed	$21.11	$21.43	$21.86	$22.34	$22.34	$20.19	-$0.92
GS < 50 kW – Var	$0.0176	$0.0179	$0.0183	$0.0187	$0.0187	$0.0169	-$0.0007
GS > 50 to 4999 kW – Fixed	$199.45	$186.77	$190.51	$194.71	$194.71	$193.82	-$18.60
GS > 50 to 4999 kW – Var	$4.2387	$3.9694	$4.0488	$4.1379	$4.1379	$4.1192	-$0.3931
Unmetered Scattered Load – Fixed	$21.16	$21.48	$21.91	$22.39	$22.39	$16.18	-$3.99
Unmetered Scattered Load – Var	$0.0145	$0.0147	$0.0150	$0.0153	$0.0153	$0.0111	-$0.0028
Street Lighting - Fixed	$2.00	$2.26	$2.31	$2.36	$2.36	$2.14	-$0.28
Street Lighting - Var	$18.1857	$20.5456	$20.9565	$21.4175	$21.4175	$19.4273	-$2.5338

1.2.2 Revenue Requirement

The table below shows the change in CHEI's revenue requirement from the last Cost of Service in 2018 compared to the proposed 2023 Test Year.

The proposed Revenue Requirement for the 2023 test year of $1,165,281 reflects an increase of $97,948 from the 2018 Board Approved. The increase is primarily due to;

a) An increase in OM&A of $71,186
b) An increase in the Regulated Return on Capital due to additions of assets to the Rate Base.
c) An increase in "Other Revenues," which is explained in Exhibit 3.

Table 2 – Revenue Requirement

Particular	$	Reason and References
2018 BA Revenue Requirement	**$1,067,336**	
OM&A Expenses	$71,186.18	Increase in OM&A (Ref: Exhibit 4)
Depreciation Expense	$18,351.47	Increase in Depreciation Expenses (Ref: Exhibit 2)
Net Fixed Assets	*$884,842.56*	Increase in Average Net Fixed Assets (Ref: Exhibit 2)
Working Capital Allowance	*-$12,107.58*	Lower WCA as due to lower Cost of Power (Ref: Exhibit 2)
Rate Base	***$872,734.98***	**Movement in Rate (Asset) Base** (Ref: Exhibit 2)
Return on Capital	$12,476.91	Increase in Return on Capital (Ref: Exhibit 5)
PILs	$15,022.63	Increase in PILs due to increase in Assets (Ref: Exhibit 6)
Other Revenues	-$19,091.60	Reduction in Other Revenues (Ref: Exhibit 6)
Increase in Revenue Requirement	$97,945.59	
2023 TY Revenue Requirement	**$1,165,281.27**	

1.2.3 Load Forecast

CHEI used the same methodology to determine its forecast as it did in its previous applications. The load forecast for 2023 is based on a standard multiple regression analysis that relates historical monthly wholesale kWh usage to various variables, which explains the variation in monthly electricity consumption. CHEI's load is influenced by four main factors – weather (e.g., heating and cooling), which is by far the most dominant effect on most systems, the number of days per month, and a "Spring and Fall" flag.

Weather normalized values are determined using the regression equation with a "10-year average monthly degree days (2012-2021)".

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 2012 to 2021 period. As discussed in Exhibit 3, CHEI reviewed the effect of COVID-19 on its 2020 and 2021 loads and determined that there was no impact material enough to warrant any specific adjustments to its forecast for 2023.

The 2023 Load Forecast is presented on the next page, and detailed explanations of the load forecast can be found in Exhibit 3.

Table 3 – Load Forecast

Customer Class Name	2018 BA	2018	2023	Var from 2018
Customer Count				
Residential	2,100	2,131	2,345	245
GS < 50 kW	172	165	165	-7
GS > 50 to 4999 kW	9	9	9	0
USL	17	17	17	0
Street Lighting	530	558	633	103
TOTAL	2,828	2,880	3,168	340
Consumption (kWh)				
Residential	21,429,449	20,597,137	20,126,172	-1,303,277
GS < 50 kW	4,515,363	4,549,793	4,617,010	101,647
GS > 50 to 4999 kW	3,657,814	3,896,559	3,952,566	294,752
USL	82,356	93,084	93,084	10,728
Street Lighting	207,000	208,895	241,169	34,169
TOTAL	29,891,982	29,345,468	29,030,001	-861,981
Consumption (kW)				
Residential	0	0	0	0
GS < 50 kW	0	0	0	0
GS > 50 to 4999 kW	12,771	10,911	11,425	-1,346
USL	0	0	0	0
Street Lighting	605	583	652	47
TOTAL	13,376	11,494	12,077	-1,299

1.2.4 Rate Base and Distribution System Planning

The proposed Rate Base for the 2023 test year of $4,781,272 reflects an increase of $100,865 from CHEI's 2018 Board Approved Rate Base. The increase suggests a prudent and reasonable investment in the distribution assets. CHEI believes that the net increase in its Rate Base between 2018 and 2023 reflects the need to meet regulatory requirements such as the "obligation to connect" new growth and the need to maintain the highest electrical safety standards. Capital priorities include the replacement of poles and transformers as they show signs of deterioration and installing distributions assets to power new services. Details of CHEI's historical and proposed capital spending are presented in Exhibit 2.

Table 4 – Rate Base

Particulars	Last Board Approved	2023	Var from 2018
Net Capital Assets in Service:			
Year End CapEx	$6,244,627	$7,185,613	$940,986
Year End Accumulated Depreciation	$1,879,790	$2,708,489	$828,699
Net Book	$4,364,837	$4,477,124	$112,287
Working Capital Allowance	$315,570	$303,462	-$12,108
Total Rate Base	**$4,680,407**	**$4,780,587**	**$100,180**

1.2.5 Operating Expenses (OM&A)

The table below shows a summary of recoverable OM&A expenses for relevant years. As can be seen, the level of spending has remained relatively stable since the last Board approval in 2018, with a total increase of $71,186 or 10.4%.

The utility manages unforeseen expenses as they occur and tries to balance the increase, if any, by reducing costs or finding efficiencies wherever possible. Cost drivers are presented and explained throughout exhibit 4.

Table 5 – Summary of Recoverable OM&A Expenses (Appendix 2-JA)

	2018 Board Approved	2023	Variance from 2018 BA
Operations	$36,569	$47,439	$10,870
Maintenance	$53,115	$49,486	-$3,629
Billing and collecting	$199,982	$244,306	$44,324
Community Relations	$5,150	$3,521	-$1,629
Administrative and General+LEAP	$387,155	$408,405	$21,250
Total	**$681,971**	**$753,157**	**$71,186**

1.2.6 Cost of Capital

CHEI seeks to recover a weighted average cost of capital of 5.47% through rates in the 2023 Test Year. As per the OEB's prescribed Cost of Capital Parameters published for 2022 Cost of Service applications, CHEI has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, as well as the most recent, published allowed return on equity (ROE) rate of 8.66%. CHEI commits to updating its proposed cost of capital parameters to reflect the OEB's prescribed Cost of Capital Parameters for 2023 Cost of Service Applications once available.

CHEI's cost of capital and return on rate base for 2023 Test Year is shown in table 1 below.

Table 6 – Cost of Capital Parameters

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	($)	(%)	($)
Debt				
Long-term Debt	56.00%	$2,677,129	3.49%	$93,432
Short-term Debt	4.00%	$191,223	1.17%	$2,237
Total Debt	60.00%	$2,868,352	3.34%	$95,669
Equity				
Common Equity	40.00%	$1,912,235	8.66%	$165,600
Preferred Shares	0.00%	$ -	0.00%	$ -
Total Equity	40.00%	$1,912,235	8.66%	$165,600
Total	100.00%	$4,780,587	5.47%	$261,269

1.2.7 Cost Allocation

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate. CHEI has prepared a Cost Allocation Study based on an allocation of the 2023 test year costs (i.e., the 2023 forecast revenue requirement) to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc. Further details on Cost Allocation can be found in Exhibit 7.

Table 7 – Cost Allocation

					Target Range	
Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance		Floor	Ceiling
Residential	1.01	1.00	0.01		0.85	1.15
General Service < 50 kW	0.96	0.96	0.00		0.80	1.20
General Service > 50 to 4999 kW	0.87	0.96	-0.09		0.80	1.20
Unmetered Scattered Load	1.52	1.20	0.32		0.80	1.20
Street Lighting	1.11	1.11	0.00		0.80	1.20

1.2.8 Deferral and Variance Accounts

CHEI proposes to dispose of a refund of $11,672 related to Group 1 and a collection of $86,190 related to Group 2 Variance/Deferral Accounts.

Group 1 and Group 2 DVA balances are proposed to be disposed of over one year.

Table 8 – Deferral and Variance Accounts

Accounts Title	Acct #	Balances
Group 1		
LV Variance Account	1550	20,849
Smart Metering Entity Charge Variance Account	1551	(1,631)
RSVA - Wholesale Market Service Charge	1580	(14,407)
RSVA - Retail Transmission Network Charge	1584	14,678
RSVA - Retail Transmission Connection Charge	1586	9,575
RSVA - Power (excluding Global Adjustment)	1588	(40,736)
RSVA - Global Adjustment	1589	3,611
Total Group 1 accounts above (excluding 1589)		(11,672)
Group 2		
Deferred IFRS Transition Costs	1508	0
Pole Attachment Revenue Variance	1508	(17,575)
Retail Service Charge Incremental Revenue	1508	(6,761)
Retail Cost Variance Account - Retail	1518	0
Retail Cost Variance Account - STR	1548	0
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	80,207
PILs and Tax Variance for 2006 and Subsequent Years-Sub-account CCA Changes	1592	4,725
LRAM Variance Account	**1568**	**(752)**
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		**43,471**
Total of Account 1580 and 1588 (not allocated to WMPs)		**(55,143)**
Account 1589 (allocated to non-WMPs)		**3,611**
Group 2 Accounts (including 1592, 1532, 1555)		**86,190**

1.2.9 Bill Impacts

The total bill impacts range from a decrease of -3.0% for the Street Lighting to increase of 4.0% for the GS 50-4999 class. The General Service classes and USL are both seeing a small increase of 2.5 % and 2.7% respectfully which is due to the effects of the disposition of deferral and variance accounts.

CHEI notes that bill impacts for the distribution rates (subtotal A) only are being reduced for every class with the exception of the GS 50kW to 4999kW.

The residential bill impact is calculated at 750kWh/month and the GS<50 is calculated at 2000kWh/ A summary of the bill impacts by class is presented below. Detailed explanations of the bill impacts are shown in Exhibit 8.

Table 9 – Bill Impacts

RATE CLASSES / CATEGORIES *(e.g.: Residential TOU, Residential Retailer)*	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		$	%	$	%	$	%	$	%
Residential - RPP	kWh	-$2.11	-5.6%	-$0.54	-1.2%	$1.58	2.7%	$1.47	1.2%
GS less than 50 kw - RPP	kWh	-$0.75	-1.3%	$2.82	3.5%	$8.02	7.4%	$7.43	2.5%
GS 50 to 4,999 kw - Non-RPP (Retailer)	kW	$69.31	13.2%	$98.75	16.1%	$171.16	16.8%	$229.97	4.0%
Unmetered scattered load - non- RPP (retailer)	kWh	-$0.80	-13.1%	$0.62	6.2%	$1.66	10.8%	$1.54	2.7%
Street lighting - non- RPP (other)	kW	-$260.76	-11.8%	-$248.80	-11.0%	-$215.91	-8.8%	-$210.74	-3.0%
Residential - non- RPP (retailer)	kWh	-$2.11	-5.6%	-$0.50	-1.1%	$1.62	2.8%	$1.51	1.1%

1.3. ABOUT THE UTILITY

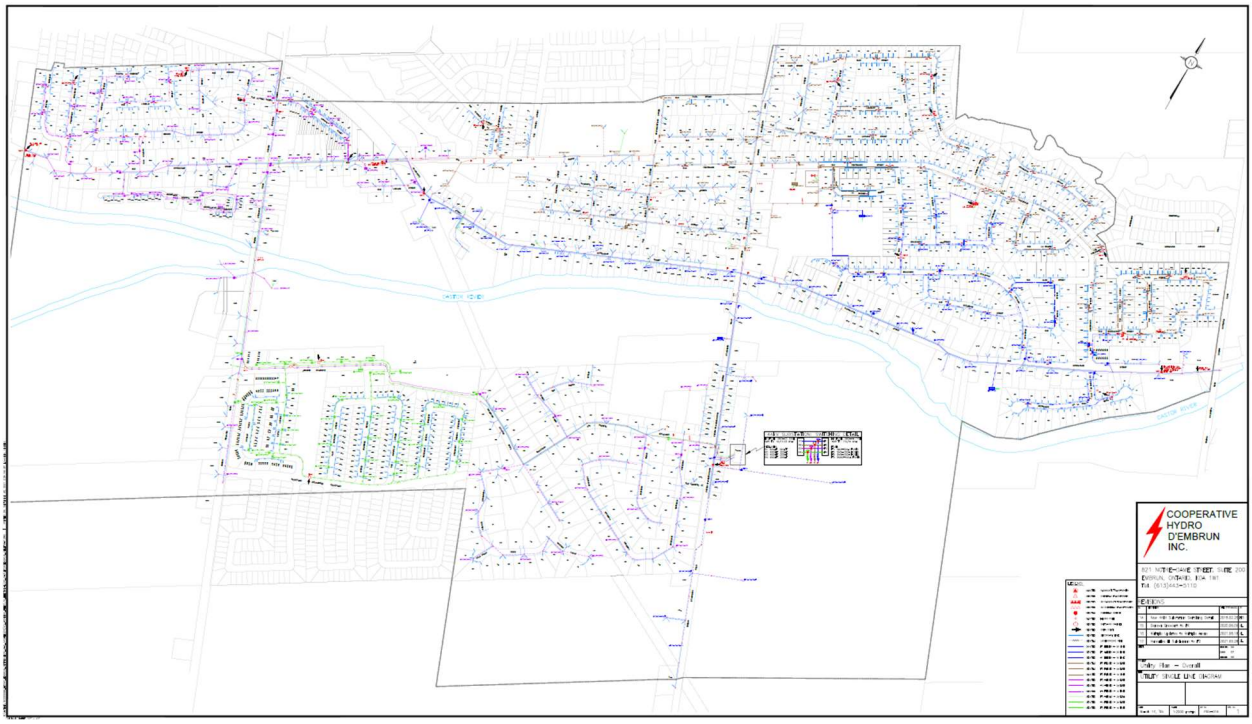
1.3.1 Distribution System Overview & Operating Environment

Embrun is a community in the Eastern Ontario region. Embrun is part of the larger Township of Prescott-Russell. With a population of 8,048 (entire town) or 5,655 (urban area), it is the largest community in Russell Township.

The community, primarily (but not exclusively) francophone, is located approximately a twenty-five-minute drive from Ottawa, an hour and a half from Montreal, and a five-hour drive from Toronto. Embrun is located near Trans-Canada Highway 417.

CHEI's service area is an embedded utility contained within the municipal boundaries of the town of Embrun; therefore, the utility only serves the community of Embrun. The area is embedded within Hydro One Networks Inc.'s service territory. The map below shows the utility's service area. A high-resolution map can be found in appendix 1E of this exhibit.

Table 4 - Map of Service Area



CHEI is a Cooperative owned by the people who use its services and carry on distributing electricity within the Town of Embrun. CHEI's customers total approximately 2463 comprised of approximately 92% residential customers and 8% General Service customers. The balance of the utility's customer base is comprised of Street Lights and Unmetered Scattered Load.

CHEI relies on approximately 37 km of circuits to deliver energy and power to its approximately 2400 customers. Cooperative Hydro Embrun's circuits include approximately 18 km of overhead lines and 19 km of underground lines, all carrying a voltage of less than or equal to 4.8 kV circuits.

The overhead system includes 326 pole-mounted and pad-mounted transformers and 345 poles. CHEI's underground distribution system accounts for approximately 53% of its overall distribution system.

CHEI's distribution system is supplied by Hydro One Networks Inc. ("HONI"), from the Chesterville TS at a voltage level of 44 kV and a 44kV-8.32kV transformer added to the distribution system in 2017.

Per ANSI standard C84.1-1989, "Low" voltage is described as 600V and below. "Medium" voltage is 2.4kV through 69kV. "High" voltage is 115kV through 230kV and "Extra-High" voltage is 345kV to 765kV, while "Ultra-high" voltage is 1.1MV.

Per the above definition, CHEI currently operates two 44KV, which could be classified as "medium-voltage."

The utility's operating environment has not changed since its last Cost of Service in 2018.

The General Manager is responsible for all internal and external financial activities of the company. This includes liaison with banks and other financial institutions; providing financial reports to its shareholder; development of budgets and tracking the company's progress towards achieving approved financial targets; coordinating metering, information systems, and customer billing, liaison with regulatory bodies including the OEB; accountants, purchasing and stores; and conservation and demand management. The General Manager oversees the operation of the distribution system. He is responsible for ensuring that contractors remain safe when interfacing with the distribution system, ensuring the reliable operation – including maintenance and repair – of the distribution system, and ensuring that customer requests for electricity service are provided promptly and according to code.

All three of CHEI's employees are responsible for responding to customer inquiries, providing backup for each other when needed, and maintaining effective communications throughout the company.

CHEI must also balance reliance on third-party contractors and consultants and use its workforce to its best advantage for the customer and community.

CHEI is structured as a Cooperative Utility, having registered under the *Cooperative Corporations Act* in September of 2000.

CHEI's Conditions of Service were last updated in 2016 prior to its 2018 Cost of Service. CHEI notes that rules and regulations have not changed significantly enough to update its Conditions of Service. However, CHEI monitors changes and commits to updating the document when necessary. The link to the Conditions of Service is;

https://hydroembrun.ca/content/user_files/2022/01/CHE-Conditions-of-Service-2016.pdf

1.3.2 Corporate Organization and Governance

CHEI currently employs three employees, which include:

- A General Manager;
- An Administrative Coordinator
- A collection agent/ CSR

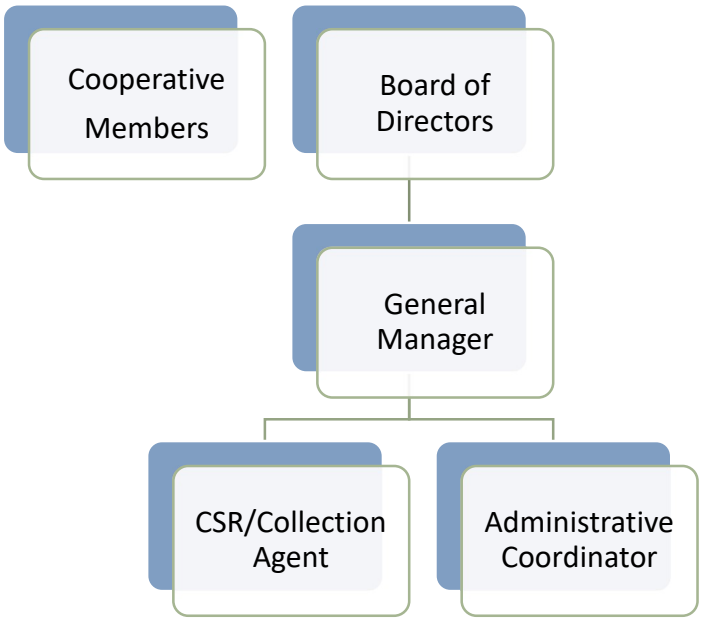
With respect to the Corporate Organization, the Cooperative Members are represented by the Board of Directors, which make decisions on behalf of the members.

CHEI is a utility that is tasked with the delivery of electricity. Profits are either reinvested for infrastructure or distributed to members through dividends, paid on a member's investment into the cooperative.

CHEI is based on voluntary and open membership with a one-time cost of $10 per member. Membership is available to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination. If a member wishes to leave the cooperative or move out of the service area, the membership fee is refunded back to the customer. CHEI is a democratic organization controlled by its members, who actively participate in decision-making. The elected representatives are accountable to the membership, and members have equal voting rights (one member, one vote). Each customer is a member and owner of the business with an equal say as every other cooperative member. The utility currently has 1610 members. CHEI notes that holders of multiple accounts, such as the municipality, or multi-unit buildings for example, are only allowed one membership.

The Organizational and Corporate Charts are shown in a single table below.

Table 3 - Organizational and Corporate Structure Chart.



1.3.3 Directives from Previous Decisions

2018 Rates (EB-2017-0035)

2018 Rates were determined through a cost-of-service process and approved by way of complete settlement. In its settlement agreement, CHEI committed to conduct a 3rd party line loss study in 2019 to review the impact of the recommendations implemented as part of its 2017, pre-cost of service line loss study. CHEI reached out to Stantec for a quote in the later part of 2019 to comply with the Decision and Order. At a cost of 21K, the utility planned on conducting the study in 2020. When hit with the pandemic in early 2020, CHEI's Board of Directors tabled the proposed study indefinitely in favor of focusing on the customer, the utility and the community's needs instead. To date, the study has not been conducted.

2019 Rates (EB-2018-0026)

2019 Rates were determined through an IRM process. The OEB found that Cooperative Hydro Embrun's request for a **1.50%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Cooperative Hydro Embrun's new rates were made effective January 1st, 2019. 2018 DVA balances were not approved on a final basis.

2020 Rates (EB-2019-0028)

2020 Rates were determined through an IRM process. The OEB found that Cooperative Hydro Embrun's request for a **2.00%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Cooperative Hydro Embrun's new rates were made effective January 1st, 2020. 2019 DVA balances were not approved on a final basis.

2021 Rates (EB-2020-0011)

2021 Rates were determined through an IRM process. The OEB found that Cooperative Hydro Embrun's request for a **2.20%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Cooperative Hydro Embrun's new rates were made effective January 1st, 2021. Concerning DVAs, specifically the Global Adjustments, the evidence filed on the record indicated deviations from the OEB's accounting guidance. In response to interrogatories, CHEI explained why it feels its accounting for the commodity accounts and settlement process was appropriate and pointed to its fully embedded status as one reason supporting the deviation from the OEB's RPP settlement process guidance. The OEB accepted CHEI's rationale for deviating from the guidance and ultimately approved the disposal of 2018 and 2019 balances on a final basis.

2022 Rates (EB-2017-0035)

2022 Rates were determined through an IRM process. The OEB accepted Cooperative Hydro Embrun's proposal to forgo the annual adjustment mechanism to its 2022 rates. While Cooperative Hydro Embrun was eligible for a rate increase for 2022, it chose not to apply the price cap in order to keep its rates as low as possible. The OEB was not concerned with financial viability as Cooperative Hydro Embrun's actual return on equity (ROE) for 2020 was in excess of the OEB-approved ROE. 2020 DVA balances were approved on a final basis.

1.3.4 Business Plan

Since its application in 2018, where a Business Plan was a requirement, CHEI has updated its business plan every two years. CHEI started working on its Business Plan at the end of 2019. The first iteration of the business plan was presented to the Board of Directors in April of 2020. However, with the unexpected pandemic, the plan was not approved by its Board of Directors until the end of 2020. The plan, which covered 2020-2021, is presented in Appendix A of this exhibit.

CHEI used the preparation of the herein Cost of Service application as a business plan for 2022-2023. The utility will update its next business plan for 2024-2025 once 2023 rates are approved.

1.3.5 Addressing Ongoing Changes in the Sector

Facilitating Innovation

While CHEI aspires and encourages the development of new creative services and processes which will allow customers to manage their consumption and bills better, the evidence for small utilities is mixed as to their ability to do so successfully. A significant contributor to this gap is the cost of innovation. The cost of innovation can be defined as "the process of improving cost for value." As such, CHEI believes there needs to be a more cost-effective approach to the facilitation of innovation before including such spending in its plans and rates. CHEI feels that current innovation ideas such as "Smart Grid" and "Green Button" (quoted at approximately 30k each) were designed with larger utilities in mind rather than smaller utilities whose primary goal is to provide safe, reliable electricity at the lowest price possible.

CHEI will continue to meet the requirements of its regulator. That said, CHEI will continue to seek open-type innovation, i.e., collaborating with other similar sized and like-minded utilities toward innovation goals, which could offer a more appropriate potential for supporting innovation while also helping to tame the costs. CHEI notes that it has a scheduled call with representatives of LDC-ON, Strategic Network, and Agency Policy Division, Ministry of Energy on January 19, 2022, to discuss the cost of Green Button as well as the acquisition of small utilities by larger utilities which is discussed in the next section.

Broadband Regulation

Bill 257 has been enacted as Chapter 2 of the Statutes of Ontario, 2021. The Schedule passes the Building Broadband Faster Act, 2021. The Act aims to expedite the delivery of broadband projects of provincial significance. The Act applies with respect to broadband projects that are designated by regulation. The Act seeks to accelerate the delivery of broadband projects of provincial significance. The Act applies with respect to broadband projects that are prescribed by regulation.

Section 4 discussed the capital planning around broadband infrastructure.

Capital planning

> 4. (1) If the Board requires licensed distributors to submit a capital plan to it under the Act, the Board shall require,
>
> (a) that, in preparing the plan, a licensed distributor must conduct consultations with any telecommunications entity that operates within the distributor's service area for the purpose of facilitating the prescribed use of, access to or development of electricity infrastructure; and
>
> (b) that a licensed distributor must include the following information in the plan:
>
> (i) the number of consultations that were conducted in accordance with clause (a) and a summary of the manner in which the licensed distributor determined with whom to consult,
>
> (ii) a summary of the results of the consultations, and

(iii) a statement as to whether the results of the consultations are reflected in the plan and, if so, a summary as to how.

In response to the bill, which came into effect on January 1, 2022, CHEI reached out to the area's telecom providers. The question to the telecom providers was to provide CHEI with plans for poles attachments in the service area going forward.

The telecom providers indicated that they were aware of the new Regulations, which ensure that any future capital plan by LDCs took into account the need for telecoms to attach to the poles at some time in the future. This would reduce or eliminate the need for make-ready work if the poles had not been designed with the telecom attachments in mind.

The regulation requires the OEB to, when asking for a capital plan from an LDC, ensure that the LDC consults with any local telecoms.

The telecom companies indicated that since this is new to all parties and that the most effective way to address it would be for CHEI to provide the telecom companies with a capital plan, showing the deployment of new or replacement pole lines. The telecom company could then determine if they might use those pole lines in the future. CHEI plans to send its DSP to the telecom companies once the rates are approved. Although the utility regularly keeps an open line of communication with its telecom companies, it intends on collaborating with its telecom companies when planning its pole replacement.

1.3.6 Distributor Consolidation and Mandate Letter from the Ministry of Energy.

On November 15, 2021, the OEB and utilities received a letter from the Ministry of Energy regarding progress towards modernization. Page 4 of the letter states the following:

> "*The OEB should continue to ensure that the structure and operations of the distribution sector constantly evolve towards optimal efficiency. To that end, the OEB should explore opportunities to enable proactive investment in energy infrastructure, such as protection and refurbishment, where utilities can prove there are long-term economic and reliability benefits to ratepayers. In previous years, these efficiencies have been found both through utility mergers/ acquisitions and with the formation of innovative partnerships between utilities.*
>
> *Considering this, I also ask that the OEB require LDCs with fewer than 30,000 customers to file information within their cost-of-service applications on the extent to which they have investigated potential opportunities from consolidation or collaboration/partnerships with other distributors."*

CHEI confirms that it has not become a party to a proposed or approved Merger and Acquisition transaction since its last cost of service application in 2018. CHEI notes that it explored the idea of a merger/acquisition after being approached by a larger utility back in early 2018. The reason for entertaining the idea was primarily to take advantage of the 33% tax exemption. Furthermore, the potential one-time financial injection in the community would allow the shareholder to pursue projects that may not normally be otherwise possible. In weighing its options, CHEI sought advice from its regulatory consultant to better understand the MAADs process and costs of LDC sales in previous MAADs applications, as well as the impact to bills and customers following the amalgamation of rates. The utility also sought advice from its local accounting firm as well as Toronto-based legal firm specializing in MAADs applications. An offer was made. However, CHEI ultimately declined for the following reasons:

- The desire to remain a Cooperative.
- The company's profitability is steady, which means giving back continuous dividends to the members and reinvesting in the distributions system. A merger or amalgamation would result in the loss of refunds back to customers.
- The distribution system is in excellent condition.
- The OEB's no harm test would be hard to meet.
- CHEI's customers could see a significant increase in rates in 5 to 10 years due to a merger or amalgamation.
- CHEI retains better control over the operating costs, including reducing rates, if possible, on behalf of its current customers under its existing structure.
- CHEI values and seeks to retain its position in Group 1 of the OEB's benchmarking results.
- Consideration to customers who were surveyed and indicated they are happy that CHEI operates as a Cooperative.
- Potential loss of local office and customer service.
- Risk of lower quality customer service.
- Potential loss of bilingual office.
- Potential longer waits in power outages (depending on buyer)
- The cost of a MAADS application can reach-200K ($90/customer)
- Need majority vote from the members.
- Complexity around dismantling a cooperative.

CHEI believes that the perceived costs and efficiency savings related to acquisitions of small utilities by larger utilities are not universally or even generally applicable and certainly do not appear to apply to CHEI as a small utility that could be acquired by a larger utility. Larger utilities, for the most part, have higher monthly bills and generally score lower on the PEG Benchmarking Report. As of 2020, 26% of utilities under 30,000K customers are in Group 1, the most efficient PEG group. 26% are in Group II, and 48% are in Group III. For utilities over 30,000 customers, none are in Group I, 33% are in Group II, 54% are in Group III, and the remaining 12% are in Groups IV and V, which are, based on the PEG analysis, the least efficient groups. CHEI notes that the four largest utilities in the province are assigned Groups IV and V, with costs well above the costs predicted by the PEG group. The same analysis can be observed when comparing monthly bills.

In proposing to reduce its rates in this application, CHEI believes it is furthering the case to the effect that small utilities can find efficiencies other than through being acquired by a larger utility.

CHEI believes that rather than pushing utilities under 30,000 customers to explore mergers and acquisitions, the Ministry of Energy should inform itself on the benefits smaller utilities bring to the industry and their customers. The Ministry should encourage larger utilities to find efficiencies, thereby reducing bills. Larger utilities could also learn from smaller utilities with respect to offering a better and more personal customer service experience to their customers.

1.4. CUSTOMER ENGAGEMENT

1.4.1 Notice to Customers

In advance of its 2023 Cost of Service, the utility opened lines of communication with its customers to get valuable feedback on the utility's proposed capital and operational budget. The newsletter is being sent via e-billing, and bill inserts on January 19, 2022. CHEI included it at Appendix D

The utility further engaged with its customers using the following activities.

Website Update

In 2021, the utility revamped its website to be more customer-friendly. A "Recent News" section was added to help the customer understand the changes in the industry. Customers can also sign up for a newsletter.

The customer has access to a web portal where they are provided with timely feedback on their Time-of-Use (TOU) electricity consumption patterns which help manage electricity costs and consumption patterns.

Bill inserts

Bill inserts are an excellent way to communicate relevant information to our customers. CHEI, on occasion, will create an electronic letter that is sent to all clients with email addresses on file and also posts the letter on its website.

E-billing

CHEI currently has 1,423 customers on e-billing. The system also allows the utility to communicate with customers via e-billing communication.

Annual Meeting (Co-op members)

The utility held a General Assembly annual meeting in April of 2021, where the General Manager presented the utility's 2021 Budgets. The utility presented its budgets by RRFE grouping (system access, renewal, services, and general plant) and USoA account.

CHEI takes responsibility for informing, educating, and responding to customer needs as a top priority. Fundamental sector change in recent years has precipitated the need for increased customer communications. The most recent annual report can be found the utility’s website or by following the link below.

https://hydroembrun.ca/content/user_files/2021/05/annual-report-2020.pdfis

1.4.1 Customer Satisfaction Survey

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

CHEI conducted a customer satisfaction survey in spring 2021. The survey's objectives included measuring:

- Utility's overall performance.
- Reliability
- Billing and Payment Options
- Quality of service provided by customer care
- Quality of service offered by field employees
- Customer awareness and usage of the department's online services
- Customer support for greater use of renewable energy
- Customer opinions regarding how aggressively sustainable practices should be pursued
- Cost of Electricity
- Overall Performance

The utility used Survey Monkey to publish its survey and posted it on its website. A bill insert communicating the survey and prize was included in all bills. The utility established that the desired sampling margin of error (confidence interval) was no greater than (+/-) 5 percentage points at a 95% confidence level. With those parameters, the recommended sample size was determined to be 325. The margin of error is a measure of the precision of a sample estimate of the population value. It uses probability to demonstrate the accuracy of a sample estimate by providing a range of values in which a sample value would be expected to fall. In general, the margin of error provides a 95% confidence interval. The utility received 475 responses. Therefore, CHEI believes the survey is representative of public opinion.

The survey was conducted in the spring of 2021 and yielded a customer satisfaction ranking of 88.00%.

The utility intends on continuing to survey its customers on a bi-annual basis to monitor and assess customer knowledge, perceptions, and satisfaction regarding utility services.

1.5. PERFORMANCE MEASUREMENT, BENCHMARKING

CHEI has been in Group 1 of the PEG efficiency assessment report since 2016. Despite having achieved the highest efficiency grouping, the utility continues to seek ways of reducing costs, finding efficiencies through collaboration and cost-sharing ideas.

The table below shows the forecasted benchmarking calculations from the OEB model, which is being filed along with this application

Table 3 – Summary of Benchmarking Results.

	2020	2021	2022	2023
	(History)	(History)	(Bridge)	(Test Year)
Cost Benchmarking Summary				
Actual Total Cost	1,232,062	1,207,488	1,274,041	1,294,077
Predicted Total Cost	2,130,116	2,251,142	2,425,348	2,609,566
Difference	(898,054)	(1,043,654)	(1,151,307)	**(1,315,488)**
Percentage Difference (Cost Performance)	**-54.7%**	**-62.3%**	**-64.4%**	**-70.14%**
Three-Year Average Performance			-60.5%	-65.60%
Stretch Factor Cohort				
Annual Result	1	1	1	1
Three Year Average			1	1

1.5.1 Benchmarking and Scorecard Analysis

The Management Discussion on Scorecard Results is presented below.

Asset Management

CHEI has updated and simplified its Distribution System Plan to reflect the s Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements) for small electricity distributors issued on December 16th, 2021. The DSP can be found in Exhibit 2 of this application.

Connection of Renewable Generation

CHEI has maintained 100% timely connection of renewable installations. CHEI will continue to provide the staff resources to maintain an efficient and effective methodology to connect renewable installations. Details on renewable installations can be found in Exhibit 2 of this application.

Customer Satisfaction

CHEI has conducted its bi-annual customer satisfaction survey, presented in Section 1.4 of this Exhibit. Customers are generally satisfied with CHEI; however, in the most recent survey, customers are dissatisfied with the costs of their electricity bill, which is consistent with previous results. While CHEI manages less than 17% of the total customer bill, it continues its efforts to maintain appropriate cost control while providing safe and reliable power delivery to its customers.

Cost Control

CHEI strives to achieve greater efficiency through productivity improvements and cost control without compromising safety and reliability. The utility intends on maintaining its Group 1 efficiency for the next rate period.

Safety

Safety remains a core attribute of CHEI as it delivers power to its customers daily. CHEI strives to communicate safety throughout our distribution system through various methods, including safety orientations, online, outreach, and telephone.

Service Quality

CHEI has exceeded the minimum targets established by the OEB. CHEI has made significant achievements over previous results through its customer focus and training.

System Reliability

The system's reliability remains a cornerstone of CHEI with attention to vegetation management (mostly tree trimming) and re-investment in the distribution system infrastructure. Most interruptions result from increased storm activity or stem from the supplier Hydro One.

Overall Assessment and Performance Improvement Targets

CHEI has continued to reflect a customer-focused, financially sound, safe, and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence CHEI's operations, reflected in the continued low number of dissatisfied customers. CHEI continues to be a financially strong company that reinvests in technology that will bring improvements to customer interactions, system reliability, and safety.

CHEI has met or exceeded the targets in all performance categories. For measurements where CHEI did not reach a perfect score, the trend has improved year over year. That being said, CHEI will continue to compare its results to the OEB set targets and commits to continue its efforts to improve its results.

The table below shows the current scorecard on the OEB website. The link below the scorecard table will give the reader access to the scorecard table with the MD&A report, which explains the scorecard.

Table 10 – 2020 Scorecard

Scorecard - Cooperative Hydro Embrun Inc. 10/22/2021

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%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	flat	90.00%	
		Telephone Calls Answered On Time	95.20%	93.42%	94.26%	96.38%	95.46%	up	65.00%	
	Customer Satisfaction	First Contact Resolution	95%	95	91.36%	91.36	92.48%			
		Billing Accuracy	99.74%	99.79%	99.32%	99.84%	99.95%	down	98.00%	
		Customer Satisfaction Survey Results	85.89	85.89	86.24	86.24	88.00%			
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	75.00%	85.00%	85.00%	84.00%	84.00%			
		Level of Compliance with Ontario Regulation 22/04 [1]	C	C	C	C	C	flat		C
		Serious Electrical Incident Index – Number of General Public Incidents	0	0	0	0	0	flat		0
		Serious Electrical Incident Index – Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	10.000	up		10.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted [2]	0.04	0.09	0.60	0.03	0.03	down		0.04
		Average Number of Times that Power to a Customer is Interrupted [2]	0.23	0.01	0.06	0.09	0.01	down		0.08
	Asset Management	Distribution System Plan Implementation Progress	Completed	Completed	Completed	Completed	Completed			
	Cost Control	Efficiency Assessment	1	1	1	1	1			
		Total Cost per Customer [3]	$521	$514	$521	$511	$511			
		Total Cost per Km of Line [3]	$32,721	$32,028	$33,329	$33,552	$33,299			
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	100.00%	100.00%				flat	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.65	1.65	1.96	2.03	2.04			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.00	0.16	0.12	0.09	0.06			
		Profitability: Regulatory Return on Equity – Deemed (included in rates)	9.36%	9.36%	9.00%	9.00%	9.00%			
		Profitability: Regulatory Return on Equity – Achieved	3.68%	0.72%	8.12%	10.03%	11.35%			

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.

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

https://www.oeb.ca/documents/scorecard/2020/Scorecard%20-%20Cooperative%20Hydro%20Embrun%20Inc..pdf

1.5.2 Activity & Performance-Based Benchmarking

Earlier in 2021, the Ontario Energy Board (OEB) took steps to enhance Activity and Program-based Benchmarking (APB). The approach to APB is one of continuous improvement with a view to increasing its value as a tool to drive utility performance and support efficiencies in the regulatory process. The APB relies on unit costs as the primary benchmarking method to support decision-making in the sector and therefore the focus of the enhancements is on unit cost benchmarking. The results, aim to achieve two main goals:

1. Ensure that the unit cost metrics reflect the underlying business drivers of the costs themselves

2. Have the results of the unit cost models enable accurate comparability of unit costs between distributors

CHEI has tallied its average results for 2017 to 2019 in the table below and discusses the results following the table.

Table 11 – APB Benchmarking Analysis

	CHEI Average Actual Cost	CHEI Average Predicted Cost	CHEI Average Actual Less Predicted 2017-2019	Industry Average Actual Cost	Industry Average Predicted Cost	Industry Average Actual Less Predicted 2017-2019
Meters Maint.	$7,257.32	$26,469.94	-129.40%	$617,022.93	$914,306.37	-39.63%
Station Maint.	$4,928.83	$13,041.05	-97.30%	$958,793.53	$2,173,164.21	6.59%
Pole-Tower Fixt	$22,936.78	$33,877.18	-39.00%	$2,815,259.68	$3,577,849.54	-41.19%
Lines	$18,184.51	$22,411.41	-20.90%	$3,224,399.19	$4,065,485.50	-34.62%
Poles	$5,341.67	$5,909.36	-10.10%	$73,107.73	$131,352.94	-87.19%
Veg Mgmt.	$12,939.50	$11,684.75	10.20%	$309,006.57	$591,519.82	-65.13%
Billing	$192,218.18	$141,546.89	30.60%	$1,660,765.41	$2,809,072.65	-37.40%
Meters CapEx	$14,377.50	$8,746.60	49.70%	$700,490.54	$1,202,801.20	-81.19%
Station	$534,952.00	$155,894.11	123.30%	$635,836.67	$6,067,348.68	-173.90%
Line Transformer	$62,734.56	$16,675.03	132.50%	$4,961,990.73	$6,725,628.38	-31.39%

Meters Maintenance (T-15 in PEG APB model)

CHEI's maintenance costs are lower than average because meters have reached their useful lives and need to be changed out. Investment in new meters result and lower maintenance costs.

Station Maintenance (T-21 in PEG APB model)

CHEI's substations incur low maintenance costs as they are both in great working condition with the second substation being installed only 4 years ago.

Pole Tower Fixt Capex (tab T-24 in PEG APB model)

CHEI's service territory is small in comparison to other utilities. As such, the pole replacement program is manageable. The utility tests its poles every 5 years and align its testing with a cost-of-service application. On average, the plans on replacing 3 poles per year on a five-year period which explains why the costs are lower than the average.

Lines (tab T-12 in PEG APB model)

CHEI notes that some of the inputs to the line costs are incorrect therefore it cannot provide an accurate assessment and comparison to the average.

Poles (tab T-9 in PEG APB model)

The same rational and explanation applies to this category as the Poles Tower Fixt above.

Veg Mgmt. (tab T-18 in PEG APB model)

CHEI has an excellent and well-paced Vegetation Management Program the proof being that it has not seen any power failures in 5 years related to fallen trees or vegetation interference with distribution assets. CHEI budgets approximately $ 7000.00 and doesn't anticipate having to increase its costs going forward.

Billing (tab T-6 in PEG APB model)

There is a minimum cost associated with billing and CHEI believes that it's reached this minimum. The utility also adjusts its salaries in accordance with the cost of living. CHEI also notes that it could easily add hundreds of new customers without having to hire any employees. Hens the belief that it has reached the minimum cost of billing and collection for the service it provides.

Meters (tab T-33 in PEG APB model)

In 2018-2019 CHEI purchase additional meters to proceed with the expired seal year all smart meters were installed in 2009 which increased its 3-year average.

Station (tab T-27 in PEG APB model)

CHEI put in service a new 10 MVA / 13.3 MVA substation in 2017 creating an abnormal spike in its 3-year average.

Line Transformer Capex (tab T-30 in PEG APB model)

CHEI started to replace aging transformer in 2018-2019 and will continue to do so until 2027. To maintain its inventory of transformers, in case of a failure on existing one, CHEI

purchased additional stock in 2019 at an expense of $47,872 to keep the inventory up to date. In 2018-2019 CHEI replace aging transformer for an amount of $92,544. In the next 3-year average period will be stabilizing.

1.6. FINANCIAL INFORMATION

CHEI's financial performance has remained strong over the past four years with an income of $200,000, $241,110, and $270,454 for 2018, 2019, and 2020 respectively. The utility's solid performance has allowed the cooperative members to receive dividends of $45,000, $45,000, and $50,000 for 2018, 2019, and 2020. The most recent financial statements were prepared under MIFRS accounting standards and are presented in Appendix B of this exhibit.

Actual Return vs. Allowed Return

Liquidity: Current Ratio (Current Assets/Current Liabilities)

CHEI's current ratio increased slightly from 2.03 in 2019 to 2.04 in 2020. The ratio exceeds the indicator of good financial health.

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

In 2020, CHEI had a total debt to equity ratio of 0.06, which is also residual from the debt incurred for the new transformer. The ratio is diminishing as the debt is being paid off.

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

CHEI's 2020 distribution rates were rebased and approved by the OEB its 2018 Cost of Service and included an expected (deemed) return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

CHEI does not have Rating Agency Reports, Prospectuses, information circulars, etc. for recent and planned public issuances

CHEI did not undergo a change in tax status, nor does it have any existing accounting orders and as such, does not deviate from these orders, as well as any departures from the USoA Accounting Standards

CHEI does not have any affiliate or conduct non-distribution businesses, so there is no need to segregate activities from rates.

Profitability: Regulatory Return on Equity – Achieved

CHEI's historically achieved ROE has been with the 300 basis points of the Board-Approved ROE of 9.00%. CHEI's budget process involves an analysis of the forecasted ROE. CHEI's proposed ROE is 8.66%. CHEI will continue to budget with consideration to the Board-Approved ROE and commits to staying within the 300 basis points going forward.

Table 12 - Return on Equity Table

	2018	2019	2020	2023
2018 Board Approved	**9.00%**	**9.00%**	**9.00%**	**8.66%**
Actual Achieved	6.12%	8.12%	10.3%	

Profit and Loss

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

- ✓ Operating Revenues for 2022 and 2023 are forecast to be $1,176,526 and $1,214.031.
- ✓ Cost and Expenses for 2022 and 2023 are predicted to be $918,779 and $933,664
- ✓ Taxes for 2022 and 2023 are predicted to be $8,429 and 19,099 respectively.
- ✓ The net profit for 2022 and 2023 is forecast to be 168,851 and $165,600, respectively.

Table 13 – Profit and Loss

	Board Approved	Actual	Actual	Actual	Projected	Projected	Projected
WCA	**2018**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Cost of Power	3,525,627	3,148,742	3,512,283	4,487,602	4,487,602	3,199,114	1,165,281
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	48,750
	Board Approved	**Actual**	**Actual**	**Actual**	**Projected**	**Projected**	**Projected**
Derivation of Utility Income		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Operating Revenues							
Distribution Revenues	1,067,336	1,060,894	1,138,791	1,194,834	1,223,971	1,133,774	1,165,281
Other Revenue	29,658	26,392	-207	23,155	49,594	42,752	48,750
Total Operating Revenues	**1,096,994**	**1,087,286**	**1,138,584**	**1,217,989**	**1,273,565**	**1,176,526**	**1,214,031**
OM&A Expenses	681,971	692,376	698,458	740,827	704,865	739,788	753,157
Depreciation & Amortization	162,155	163,632	164,417	169,611	170,745	178,991	180,507
Property and Taxes	0	0	0	0	0	0	0
Total Costs & Expenses	**844,126**	**856,008**	**862,875**	**910,439**	**875,610**	**918,779**	**933,664**
Deemed Interest Expenses	80,297	19,554	14,589	11,255	1,750	80,467	95,669
Total Expenses	**924,423**	**875,562**	**877,464**	**921,694**	**877,360**	**999,246**	**1,029,333**
Utility Income before Income Taxes / PILs	**172,571**	**211,724**	**261,120**	**296,295**	**396,205**	**177,280**	**184,698**
PILs / Income Taxes	4,076	11,176	17,511	25,842	8,429	8,429	19,099
Adjustments for FS purposes (donations, dividends)			2,500		-2,220		
Utility Income	**168,495**	**200,548**	**241,109**	**270,454**	**385,556**	**168,851**	**165,600**

APPENDICES

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APPENDICES 1A

2020-2021 BUSINESS PLAN

Cooperative Hydro Embrun Inc.

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1. Executive Summary

Cooperative Hydro Embrun Inc. ("CHEI" or the "Utility") is a fully licensed distributor of electricity under distribution license ED-2002-0493 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

The utility develops and manages an electrical distribution network in the Prescott-Russell region, specifically the town of Embrun, and delivers electricity to five customer classes via its distribution system: residential, commercial (small and large general service classes), street lighting and unmetered scattered loads. CHEI earns income based on fixed and volumetric service charges for the distribution of this electricity. The service charges are set through a periodic rate-making process via applications to the OEB.

The utility'current rates were based on an OEB approved operating revenues of $1,062,612, which was adjusted for a Price Cap Index (inflation) in 2019 and 2020. The utilities' actual operating revenues are in the amount of 1,125,046. The revenues are mainly used to;

- ✓ Maintain its Substation and Feeder performance
- ✓ Maintain its underground distribution assets
- ✓ Maintain its system demand and critical loading issues
- ✓ Support its system maintenance activities and priorities
- ✓ Support its reliability statistics and observations
- ✓ Support future maintenance recommendations
- ✓ Support future capital budget recommendations

1.1. Mission

Be a profitable company in order to offer its members bilingual and reliable services when it comes to electricity distribution, while contributing to the community's economic, social and cultural well-being.

1.2. Strategic Goals and Initiatives (result)

CHEI has identified five key areas of focus that support the utility's mission:

- ✓ To provide safe, efficient, and reliable delivery of electricity to customers.
- ✓ To maintain costs at a reasonable level, find cost efficiencies wherever possible, and to make prudent investments on behalf of its customers.
- ✓ To provide a safe and engaging work environment for its employees.
- ✓ To engage with customers and the community.
- ✓ To plan and deliver system improvements required to ensure future supply.

1.3. Objectives (steps to get to the result)

CHEI plans on achieving its strategic goals by setting and meeting the following objectives:

- ✓ Improve grid reliability.
- ✓ Create a service-based utility whose primary goal is to exceed customers' expectations at a reasonable cost.
- ✓ Promote the long-term, efficient provision of utility services consistent with OEB policy.
- ✓ Work with other utilities in the promotion of both an efficient and sustainable environment.
- ✓ Operate effectively with the staff currently in place.
- ✓ Reduce operational costs where and when possible.
- ✓ Develop and adopt an actionable plan to improve the customer experience.

2. About the Utility

2.1 Utility Description

Embrun is a community in the Eastern Ontario region. Embrun is part of the larger Township of Prescott-Russell. With a population of 8,048 (entire town) or 5,655 (urban area), it is the largest community in Russell Township.

The community, which is mostly (but not exclusively) francophone, is located approximately a twenty-five-minute drive from Ottawa, an hour and a half from Montreal, and a five-hour drive from Toronto. Embrun is located near Trans-Canada Highway 417.

CHEI currently relies on 36 km of circuits and 288 transformers to deliver approximately 28,622,487 kWh of energy to approximately 2,355 customers. CHEI is entirely embedded within Hydro One Networks Inc.'s low voltage system. There are no other neighbouring electricity distribution utilities. The Town of Embrun is also served with natural gas.

Of its approximately 2355 customers situated in the Town of Embrun, 91% are residential customers, and 9% are commercial customers. The rest of Embrun's customers are attributable to the Street Lighting and Unmetered Scattered Load customer classes.

CHEI operates with three full-time employees, which include a General Manager, and two customer service representatives.

The General Manager is responsible for all internal and external financial activities of the company including liaison with banks and other financial institutions; providing financial reports to its shareholder; development of budgets and tracking the company's progress towards achieving approved financial targets; coordinating metering, information systems, and customer billing, liaison with regulatory bodies including the OEB; accountants and conservation and demand management. The General Manager oversees the operation of the distribution system. He is responsible for ensuring that contractors remain safe when interfacing with the distribution system, ensuring the

reliable operation – including maintenance and repair – of the distribution system and ensuring that customer requests for electricity service are provided promptly and according to code.

All three employees are responsible customer inquiries, providing human resources support including salary and benefits services: maintaining effective communications throughout the company.

CHEI must also balance reliance on third-party contractors and consultants and using its workforce to its best advantage for the customer and community.

2.2 Utility Ownership

CHEI is structured as a Cooperative Utility registered under the Co-operative Corporations Act in September of 2000.

CHEI is a utility that is tasked with the delivery of electricity. Profits are either reinvested for infrastructure or distributed to members in the form of dividends, paid on a member's investment into the cooperative.

CHEI is based on voluntary and open membership with a one-time cost of $10 per member. Membership is available to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination. If a member wishes to leave the cooperative or moves out of the service area, the membership fee is refunded back to the customer. CHEI is a democratic organization controlled by its members, who actively participate in decision making. The elected representatives are accountable to the membership, and members have equal voting rights (one member, one vote). Each customer is a member and owner of the business with an equal say as every other member of the cooperative. The utility currently has 1542 members.

3. Economic Overview and Customer Description

3.1 Economic Overview of the Service Area

Russell Township serves a vibrant, caring, bilingual, and growing population of approximately 16,000 individuals that includes (primarily) young families, educated professionals, spirited entrepreneurs, and talented tradespeople in a rural setting.

Embrun is defined as a bedroom community: a majority of the population works in nearby Ottawa and commutes into the city on a daily basis. A large proportion of these people are individuals with post-secondary education who work in the Canadian civil service or Ottawa's large high-tech sector. Such has been the case since the mid-20th century. Before then, agriculture was the primary source of income for the town. Embrun has three elementary schools and one secondary school. Because Ontario divides the education system into English Public, English Catholic, French Public, and French Catholic streams, which school Embrun children attend depend on which stream they come from.

Most of the population of Embrun is between ages 25-49 with a median age of 39. 77% of residents work, and 11% are self-employed. 93% of Embrun's workforce travel to Ottawa for work. The most common occupations are: Business, Finance & Administration (21.6%), Sales & Service (15.3%), Trades, Transport & Equip Operators (14.3%) and Education, Law, Social, Community & Government (14%)

The median income for Embrun residents is $40,567 a year, higher than the Ontario average of $29,335 a year. Note that those values include all inhabitants over the age of 15 with any reported income, meaning that (for example) teenagers working minimum wage on their days off school would be included. If only full-time workers are included, the median income for Embrun residents rises to $50,096 a year, still above the Ontario average, which for this category is $44,748 a year.

Embrun has a continental climate with cold winters, humid summers, and short autumns and springs.

While there are no definite plans for growth in the area, there are a few plans for subdivision development, which may spur some residential growth in the area. Considered a bedroom community for the city of Ottawa, families wishing to get out of the town but still work in the city are moving to urban service areas such as Embrun and buying townhomes or garden homes. It is expected that this trend will continue for the next few years.

CHEI anticipates two subdivision projects to be built in 2020. The first being Patenaude East Subdivision Phase II, a 49-unit subdivision and a 41-unit subdivision - Versailles Phase III. CHEI does not anticipate any new subdivisions in 2021.

4. Outcomes of the Renewed Regulatory Framework

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

- ✓ 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 sets 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 CHEI continues to improve in its understanding of the needs and expectations of its customers and the delivery of services.

4.1 Customer Focus

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

4.2 Seeking Customer Input

Customer satisfaction largely depends on whether a utility's products or services fulfill a customer's expectations—i.e., whether it meets, exceeds, or falls short of expectations. Quantifying customer satisfaction involves accumulating customer perceptions, measured through bi-annual surveys—in CHEI's case, using a 5- or 10-point scale, ranging from "extremely dissatisfied" to "extremely" satisfied. Customer Satisfaction Surveys are useful tools to understand how customers perceive the service they receive. CHEI is also embracing new ways to effectively connect with its customers, such as the opening of a new Twitter account, launched in 2016 to help with customer communications for outages and during conservation campaigns.

In advance of any major rate application, the utility opened lines of communication with its customers to get valuable feedback on the utility's specific capital and operational spending. The utility further engaged with its customers using the following activities.

- ✓ **Info Letter**

  Info letter distribution is an inexpensive method of reaching out to customers. When compared with paid advertising, info letter release distribution is almost always the more affordable option.

  CHEI occasionally will use info letter as a way of boosting the company's visibility, which is essential for a small utility. Such information lets customers know who we are, what we do, and why they need us.

- ✓ **Website Update**

  The utility has updated its website to show its current and upcoming capital project. This new section of the website will be updated monthly so that CHEI's customers can understand and comment on the utility's decision regarding its operational and capital planning.

- ✓ **Annual Meeting**

  The utility holds a General Assembly annual meeting where the General Manager presents the utility's current and future Capital Budget. The utility presented at a detailed level and the General Manager discusses the specifics around the need and costs of each project.

  CHEI takes its responsibility for informing, educating, and responding to customer needs as a top priority. Fundamental sector change in recent years has precipitated the need for increased customer communications.

4.3 Alignment of Goals to Needs and Preference of Customers

CHEI's customer satisfaction results and finding based on discussions with its customers support 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.

A 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, CHEI must frequently consider trade-offs between costs and benefits; that is, to target initiatives that will provide the biggest bang—or increase in customer satisfaction.

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

In its most recent customer satisfaction survey, CHEI found that customers are satisfied with the level of service they received from the utility.
Some concerns raised by customers were that they would appreciate more timely notification when outages occur. In the case of embedded utilities such as CHEI, it can take some time before the embedded distributor is informed of the issue and can effectively communicate the cause of the problem to its customers. The customer is the final link in a supply chain that is exposed to the risks of generators, transmitters, and government directives, all of which are beyond the control and influence of CHEI. Nonetheless, in the eyes of the customer, loss of power, regardless of the cause, ultimately becomes a reflection of the distributor's reputation and brand therefore CHEI will make every effort to notify its customer as quickly as possible.

Positive comments include the appreciate of the fact that the utility is a cooperative, that the customer service is friendly and quick to respond and help resolve issues.

The utility feels that it is moving in a positive direction. The survey results helped to identify customer attitudes about the utility's conservation programs, smart meters and TOU rates, electricity prices, and CHEI's standing and reputation in the community. The results will assist CHEI in fine-tuning its programs, services, and communications use direct and reliable customer feedback. CHEI's goal going forward will be to develop and communicate an actionable plan to continuously improve its interaction with its customers during power outages, regardless of the cause.

CHEI updates its website regularly so that its customers can see what the utility is working on in terms of distribution system betterment. Customers' feedback, input, views, and preferences are welcome and encouraged. CHEI is confident that with the communication plan in place, the utility's capital budget, as proposed in the Distribution System Plan, supports CHEI's customer priority and preferences. For obvious reasons, CHEI's priority over the next several years will be to replace aging

transformers and aging poles, all of which are performed at a planned and steady pace to minimize rate shock.

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

CHEI also ensures both safety and reliability at a cost per customer among the lowest (9th lowest of 60+ utilities) in the province. This focus is achieved through a continuous focus on providing value for money for our customers, including innovative solutions, cost-sharing, and careful selection of the initiatives that provide the best return on investment.

4.4 Public Policy Responsiveness

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

As distributors are no longer working towards the former 2015-2020 CDM targets, for 2019 and 2020 activity only, CDM projects that are subject to a contractual agreement entered into between the distributor and a customer by April 30, 2019, under a former CFF program should be included in the proposed CDM manual adjustment to the load forecast for 2019 and 2020. Distributors should provide relevant documentation to support the manual adjustments for 2019 and 2020 CDM projects, including the corresponding CFF program, project timelines, and projected savings.

4.5 Financial Performance

CHEI continues to record solid financial performance metrics. Key factors to this financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and expense expenditures to budget. The Business Plan and Distribution System Plan are living documents and as such are updated on a yearly basis. Both documents will serve a significant role in providing the future direction of financial investment and performance. Financial Results are discussed in detail in Section 8 of this Business Plan.

5. Performance Metrics and Benchmarking

Another development that has brought utility customer satisfaction to the forefront is the use of benchmarking studies, which compare levels of customer satisfaction across utilities.
High scores in benchmarking studies can show that utilities are recognized as being the best in class.

Perhaps the most widely known benchmark of efficiency rating comes from the PEG report, which surveys all 60+ utilities in Ontario. The PEG analysis is one of the only instruments that compare utilities' cost efficiencies consistently and is publicly available.

PEG produces an annual report that provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring.

Because of this study, CHEI has expended considerable effort to understand the drivers of their efficiency ranking and has undertaken initiatives to improve their scores.
The following section reviews past performances and introduces future performances based on load forecast and forecasted capital and operational expenditures.

5.1 Past performances

The PEG Past Performance table below shows CHEI's rating for the last three historical years of business. The PEG report uses econometrics to determine the cost efficiency of distributors. Group 1 (of 5) is ranked as the most efficient group. As can be seen, CHEI has achieved the highest ranking possible.

Table 1 - PEG Past Performance (Stretch Factor)

	2016	2017	2018
Stretch Factor Cohort - Annual Result	1	1	1

The percentage difference between actual and predicted cost is the measure of cost performance. Utilities with larger negative differences between actual and predicted costs, such as CHEI, are better cost performers and, therefore, eligible for lower stretch factors. This table shows CHEI's difference between its actual costs and predicted, and although total costs have increased, cost performances are improving.

Table 2 - Summary of Cost Performance Results

	2016	2017	2018
	(History)	(History)	(History)
Cost Benchmarking Summary			
Actual Total Cost	,112,507	1,153,022	1,199,837
Predicted Total Cost	1,629,865	1,738,489	1,878,685
Difference	517,358)	585,466)	(678,848)
Percentage Difference (Cost Performance)	-31.74%	-33.68%	-36.13%
Stretch Factor Cohort - Annual Result	**1**	**1**	**1**

The utility's historical capital additions have also been historically stable, which has been achieved using a solid well tracked budget process.

Table 3 - Historical Capital Spending

	2016	2017	2018	2019
Capital Additions	**$319,706**	**$1,708,342**	**167,412**	**189,498**

The utility's Rate Base has increased proportionally to its capital investments and, as such, has remained historically as stable as its other financial metrics.

5.2 Short- and Long-Term Capital Spending

CHEI is focused on maintaining its high-performance levels in all aspects of its capital investments 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 CHEI's mandate, is the responsibility to deliver a trusted source of safe, efficient, and reliable power to its customers, which supports growth and accommodates economic development in the town of Embrun.

CHEI strives to provide safe, reliable service while minimizing the life cycle costs of assets by doing predictive and preventative work. CHEI places a high priority on the upkeep and replacement of its aging infrastructure. Distribution equipment that was placed in-service decades ago, in many cases, has reached its normal useful life. Therefore, CHEI is faced with the ongoing replacement of this aging infrastructure. Customer expectations for reliability are high and can only be met with a well-maintained distribution system. Thus, investment in replacement equipment, along with its associated operational costs, has become a continuous reality for CHEI as it commits to satisfying the essential community needs.

2020-2021 Capital Planning

CHEI's Distribution System Plan developed in 2018, forms the basis for the utility's capital and maintenance programs. The updated Distribution System Plan reflects the latest performance priorities of the distribution system. It serves as a placeholder for the longer-term projects recommended from the condition (age risk ratings) assessments.

Priorities for 2020 and 2021 are the energizing of 2 subdivisions (Versailles and Patenaude) and replacement of aging assets mainly transformers. The budget development includes the following:

2020 System Access:

✓ New O/H and U/G services	$35,000
✓ Versailles III Project	$20,675
✓ Versailles III Project	$84,496
✓ Patenaude East Subdivision Phase II	$20,675
✓ Patenaude East Subdivision Phase II	$84,496
✓ Meter Replacement (Seal Years)	$20,000
✓ New Transformers Inventory	$15,000

2021 System Access:

✓ New O/H and U/G services	$35,000
✓ Meter	$10,000
✓ New Transformers Inventory	$15,000

2020 System Renewal:

✓ Transformer Program Elbows and Inserts	$15,000
✓ Replacement of Switch and Arrester	$10,500
✓ Transformer Replacement	$63,705
✓ Pole Replacement	$10,550

2021 System Renewal:

✓ Transformer Program Elbows and Inserts	$15,000
✓ Replacement of Switch and Arrester	$10,500
✓ Transformer Replacement	$46,170

2020-2021 General Plan:

✓ Software	$3,000
✓ Office Equipment	$1,200
✓ Computer Hardware	$1,500

2022-2025 Year Capital Planning to Aging Infrastructure

CHEI's Board of Directors has revised the 2019-2021 budget of the distribution plan submitted to the OEB at the time of its 2018 service cost. This medium-term decision is to ensure that CHEI's asset management is up to date and to replace its transformers that have reached the end of their useful life.

The focus for 2020 and 2021 is to replace aging assets in an effort to reduce trouble calls, and also achieve its best performance in terms of reliability of its distribution system for the years 2022 and beyond. In 2017, in advance of its 2018 conditions of service, CHEI performed a full pole inspection to better understand the condition of its poles.

The intention is to conduct another inspection between 2022-2025. CHEI anticipates that there will be two subdivisions of approximately 50 units built in the 2022-2025 range.

5.3 Operational Costs

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

CHEI continually reviews its business and operational goals against its workforce needs, its financial strength, and the impact on its customers. CHEI recognizes the importance and value of maintaining a skilled and engaged workforce, where all employees are customer-focused and enjoy working for the utility. CHEI analyzes its operation budget monthly to make sure that it does not stray far from its budgets, thus ensuring that its ROE stays within range of its approved ROE. The utility is very mindful that every dollar of increase in operating costs means that a dollar more is collected from the customers. Therefore, operational planning focuses mainly on efficiency and finding reductions wherever possible. Historical and projected costs are shown in Table 6 below.

5.4 Return on Equity

The actual Return on Equity for 2019 is determined to be 10.30%, which indicates a slight over earning when compared to the Board Approved 2018 rate of return of 9%. Further information on the topic of Return on Equity can be found in Section 8.

5.5 Target Performance

This section summarizes the projected performance of the utility, taking into consideration the long-term perspective of the health and age of the distribution assets. It captures the results of CHEI's expected PEG performance, Rate Base, and projected revenues based on its priorities for capital investments and operational expenditures.

Table 4 - PEG Target Performance (Stretch Factor)

	2020	2021
Stretch Factor Cohort - Annual Result	1	1

Table 5 - Target Cost Performance Results

	2020	2021
Cost Benchmarking Summary		
Actual Total Cost	1,197,683	1,194,758
Predicted Total Cost	2,097,489	2,227,270
Difference	(899,806)	(1,032,511)
Percentage Difference (Cost Performance)	-50.4%	-56,18%
Stretch Factor Cohort - Annual Result	1	1

Table 6 - Proposed Rate Base and Capital Additions

	2020	2021
Rate Base	$4,727,150	$4,858,674
Capital Additions	$174,767	$122,370
Disposal	$20,708	$17,159

Table 7 - Proposed Revenues Forecast

Power Purchase Accounts	**2020**	**2021**
4705-Power Purchased	$2,670,671	$2,662,096
4707-Global Adjustment	$0	$0
4708-Charges-WMS	$117,106	$116,730
4710-Cost of Power Adjustments	$0	$0
4712-Charges-One-Time	$0	$0
4714-Charges-NW	$239,936	$240,023
4715-System Control and Load Dispatching	$0	$0
4716-Charges-CN	$203,649	$203,721
4720-Other Expenses	$0	$0
4725-Competition Transition Expense	$0	$0
4730-Rural Rate Assistance Expense	$42,288	$42,153
4750-Charges - LV	$102,733	$102,767

4751-IESO Smart Meter Entity Expenses	$0	$0
Total	**$3,376,384**	**$3,367,490**

5.6 Scorecard Results and Analysis

Customer Focus

From the period of 2014-2018, the utility 's results were 100%; however, following an audit in 2015, the utility was found to be non-compliant with the regulators' policies and record-keeping requirements. With a new process in place, the utility's score for 2015 was 90.50%. As expected, CHEI's results improved as a result of the new management tools and processes.

	CUSTOMER FOCUS					
Performance Year	**New Residential/Small Business Services Connected on Time (Target: 90%)**	**Scheduled Appointments Met on Time (Target: 90%)**	**Telephone Calls Answered on Time (Target: 65%)**	**Billing Accuracy (Target: 98%)**	**First Contact Resolution**	**Customer Satisfaction Survey Results**
2018	100%	100%	94.26%	99	91.36%	86.24
2017	100%	100%	93.42%	100	95	85.89
2016	100%	100%	95.20%	100	95%	85.89
2015	90.50%	100%	92.80%	99	92%	90%
2014	100%	100%	97.60%	100	92%	90%

Customer Satisfaction

CHEI has conducted its bi-annual customer satisfaction survey, which is presented in Section 1.8 of this Exhibit. Customers are generally satisfied with CHEI; however, in the most recent survey (not yet reported on the Scorecards), customers are dissatisfied with the costs on their electricity bill, which is consistent with previous results. While CHEI manages less than 17% of the total customer bill, it continues its efforts to maintain appropriate cost control while providing safe and reliable delivery of power to its customers. The First Contact resolution has remained high throughout 2014-2018.

Operational Effectiveness

	OPERATIONAL EFFECTIVENESS									
Performance Year	**Level of Public Awareness**	**Level of Compliance with Ontario Regulation 22/04 (Target: substantially compliant)**	**Number of General Public Incidents**	**Rate per 10, 100, 1000 km of line**	**Average Number of Times Power to Customer is Interrupted**	**Average Number of Hours Power to Customer is Interrupted**	**DSP**	**Efficiency Assessment (1 = most efficient 5 = least efficient)**	**Total Cost ($) per Customer**	**Total Cost ($) per Km of Line**
2018	85%	C	0	0	0.06	0.6	Completed	1	521	33329
2017	85%	C	0	0	0.01	0.09	Completed	1	514	32028
2016	75%	C	0	0	0.23	0.04	Completed	1	521	32721
2015		C	0	0	0.01	0.03	In Progress	1	533	30485
2014		C	0	0	0.13	0.01	In Progress	2	530	31886

Safety

Safety remains a core attribute of CHEI's as it delivers power to its employees and customers daily. CHEI continues to strive to communicate on safety throughout our distribution system through various methods, including safety orientations, on-line, outreach, and telephone. Results over the past five years have been high. That said, CHEI will continue to focus its efforts on raising awareness and making safety a priority.

System Reliability

The reliability of the system remains a cornerstone of CHEI with attention to vegetation management (mostly tree trimming), and re-investment in the distribution system infrastructure. Most interruptions continue to be because of increased storm activity. 2014-2018 shows excellent results.

Asset Management

CHIE developed and implemented a Distribution System Plan (DSP) detailing the utility's historical and projected capital plan as part of its 2018 Cost of Service application. CHEI treats the document as a living document and, as such, updates the document regularly. The utility's DSP supports the capital plan and expenditures presented in this Business Plan.

Cost Control

CHEI as been ranked in group 1 under the PEG efficiency assessment report. Despite having achieved the highest efficiency grouping, CHEI continues to strive to achieve greater efficiency through productivity improvements and cost control, without compromising safety and reliability. The utility intends to maintain its Group 1 efficiency form the next rate period.

Public Policy Responsiveness

As explained in Section 4.4, under the new regulations, distributors are no longer working towards the former 2015-2020 CDM targets, for 2019 and 2020 activity only, CDM projects that are subject to a contractual agreement entered into between the distributor and a customer by April 30, 2019, under a former CFF program should be included in the proposed CDM manual adjustment to the load forecast for 2019 and 2020. Distributors should provide relevant documentation to support the manual adjustments for 2019 and 2020 CDM projects, including the corresponding CFF program, project timelines, and projected savings.

	PUBLIC POLICY RESPONSIVENESS		
Performance Year	**Net Cumulative Energy Savings (Percent of Target Achieved)**	**Renewable Generation Connection Impact Assessments Completed on Time**	**New Micro-Embedded Generation Facilities Connected on Time (Target: 90%)**
2018	92.56%	%	
2017	77.15%	%	100
2016	48.63%	%	100
2015	6.73%	%	100
2014	0.00%	%	100

Connection of Renewable Generation

CHEI has maintained a 100% timely connection of renewable installations. CHEI will continue to provide the staff resources to maintain an efficient and effective methodology to connect renewable installations. Details on renewable installations can be found in Exhibit 2 of this application.

Financial Performance

	FINANCIAL PERFORMANCE			
Performance Year	**Liquidity: Current Ratio**	**Leverage: Total Debt to Equity Ratio**	**Profitability: Regulatory Return on Equity - Deemed**	**Profitability: Regulatory Return on Equity - Achieved**
2018	1.96	0.12	9.00%	8.12%
2017	1.65	0.16	9.36%	0.72%
2016	2.65	0	9.36%	3.68%
2015	2.87	0	9.36%	1.53%
2014	3.09	0	9.36%	4.35%

5.7 Future Outlook

CHEI strives to Institute a culture of continuous improvement in identifying areas where the effectiveness of the organization can be improved.

Over the past years, CHEI took steps to weave reliability and sustainability into all aspects of its operations – from the power supply to encouraging and helping customers incorporate green features into their homes and businesses. Even though CHEI is a small utility, planning is something it has always done well and will continue to do so in the coming years.

CHEI also set out to leverage technology to improve the customer experience. Since then, the utility has launched a series of technology enhancements to increase communication with its customers and upgrade its website to include capital projects and educational tools about the industry and regulatory processes.

CHEI will continue to monitor its business objectives to ensure that they are aligned with the OEB scorecard and actively drive cost reductions and productivity improvement.

Developing CHEI"s Business Plan has allowed the management and executive team to think about how to plan and implement quick wins, mid-term improvements, and longer-term improvements.

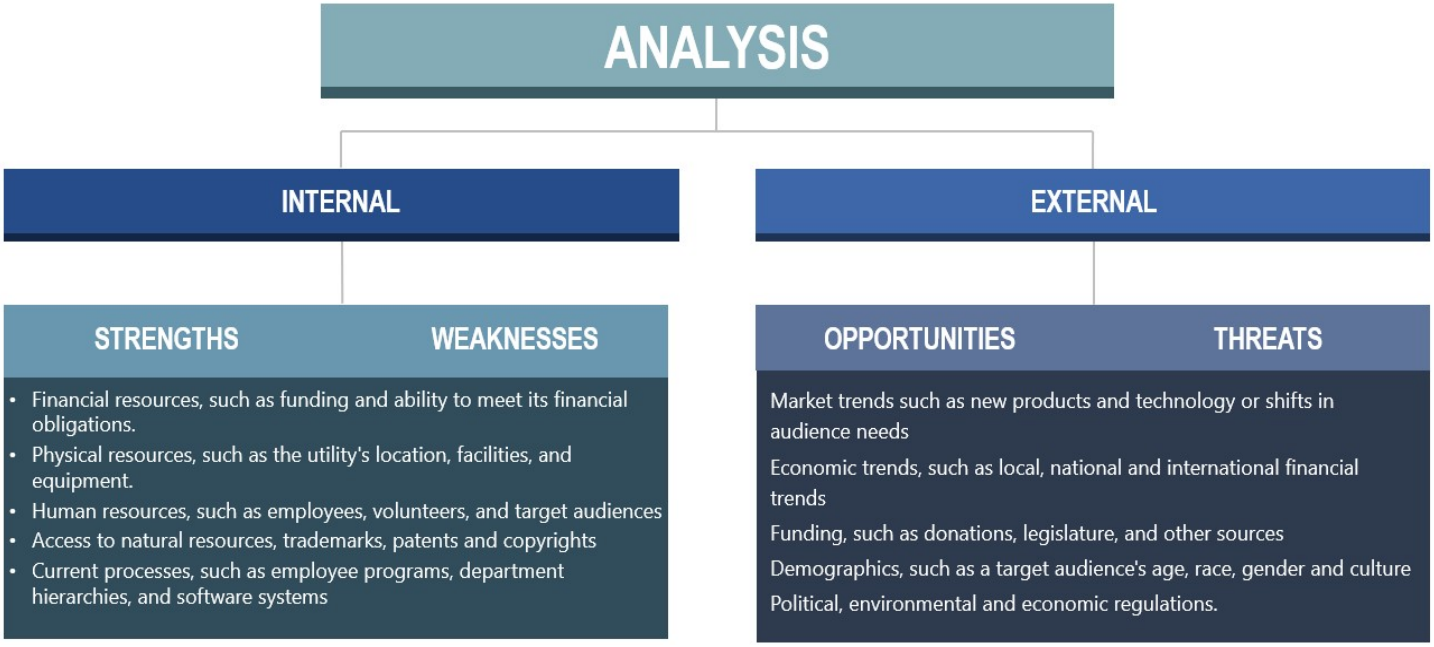
Some of the self-assessment measures which informed CHEI's Business Plan include;

- ✓ Reviewing its mission statement to ensure that it informs the direction of the utility and serves as a guide for long-term growth/development.
- ✓ Detailing specific long-term goals and short-term objectives by developing an action plan for each goal and purpose.
- ✓ Reviewing and updated its company history. It is especially important to document the motivation (vision) of the utility and its shareholders.
- ✓ Reviewing its current management structure, including the roles and responsibilities management team and employees. In doing so, CWH review areas for improvement in the current management structure to better understand its obstacles.
- ✓ Analyzing its economic conditions to better understand its effect on business strategy – including consideration for load forecast, predicted capital and operational costs, resources.
- ✓ Analyzing its strengths and weaknesses to identify where it is the most vulnerable.

6. Strategy and Implementation Summary

6.1 SWOT Analysis

The use of the SWOT (strengths, weaknesses, opportunities, and threats) analysis is new to the utility. However, it has already proven to be a valuable management tool that has helped CHEI review key aspects of the utility to identify factors that will drive performance and decision making going forward. Strengths and Weaknesses are associated with internal factors, while Opportunities and Threats are related to external factors such as:



6.2 CHEI Strengths

✓ **Cooperative**

CHEI values the community it serves and the environment in which it operates, but most importantly, it values the cooperative ownership structure it operates under. Sharing ownership gives people a stake, creating greater engagement, interest, and concern for the long-term benefit of the business. Studies consistently show that the commitment ownership brings boosts in productivity because people are invested, emotionally and financially, in the business. CHEI is living proof of this statement.

Sharing ownership can also harness innovation by giving those who understand the business the most reason to contribute to its development. When customers are also owners, there is an incentive, and a reward, for contributions.

✓ **Small LDC in a small town**

While the values of top management have a significant impact on the performance of businesses of all sizes, in small businesses, social performance is more directly and personally shaped by management. A smaller town with a smaller utility such as CHEI is more socially and economically embedded within the community in which they operate than are managers of big

utilities. Managers of a small utility are more likely to live in the city or town where they conduct business. They are long term residents. Their children attend local schools and play in local parks. Their families personally benefit from safe streets and a vital community. The absence of an infrastructure that exists in larger cities increases the business 'motivation to work for general community betterment. Long-term residence in a town is associated with knowing a greater number of other residents, interacting with them in multiple venues (as church members, employees, neighbours, and friends), and knowing more residents beyond the acquaintanceship level. Each relationship represents a potential personal invitation to get involved in a community organization and to engage with customers. If the community has a pattern of residents working together to promote community betterment, the more people a business owner knows, the higher the likelihood he or she will be personally invited to get involved in community projects or this case, have a voice and an opinion that is sure to be heard. In smaller towns such as Embrun, customer engagement is not always done at the utility's head office; it is often done while waiting in line at the grocery store, bank, or the gas pump.

The most important feature of a small town is that they provide a sense of community. The community is much more than belonging to something. It's about doing something together that makes belonging matter. The members of the community actively participate in their community by joining a volunteer fire departments, social associations, and cooperatives such as CHEI. They have small summer fairs where people can directly talk to staff and give their inputs. It is the active engagement of individuals that create a sense of belonging.

- ✓ **Employees**

CHEI cares about its employees, always ensuring a safe work environment, with opportunities for personal growth and development, and fair remuneration and management practices.

CHEI's management team also strives to lead by example. What this means is that active participation by the general manager promotes and encourages employee learning, engagement, and participation. CHEI understands that having the right team in place is critical to the success of the business, and such dynamics can only be achieved when a utility invests in its employees. Studies show that high levels of employee engagement in an organization are linked to superior business performance, including increased employee retention & profitability, customer excellence, and safety performance.

Going forward, the utility will continue to identify the key gaps between the talent in place and the expertise required to drive business success and provides clear expectations and feedback to manage performance

- ✓ **Customers and Community**

CHEI values the input and feedback of its customers and partners and respects the needs and expectations of its customers. CHEI takes pride in making significant contributions to its community programs in which we can add value, such as fundraising, energy conservation projects, and business development activities.

- ✓ **Forward-Looking**

  CHEI analyses budgets, trends, and performances monthly and makes decisions that help manage the cost, reliability, and availability of electricity supply to its customers in the long term.

- ✓ **Value and Financial Health**

  CHEI is focused on value for money for its customers (who are also the shareholders.) They strive to provide their services most efficiently and cost-effectively possible. CHEI's team consistently seeks opportunities to improve its service offering to deliver greater value.

6.3 CHEI Weaknesses

- ✓ **Dependency on third party assistance to meet its regulatory requirements.**

  CHEI has statutory obligations and responsibilities to the Ontario Energy Board (OEB) and the Electrical Safety Authority (ESA). Both regulators issues, comprehensive OEB codes, and guidelines that come with compliance and reporting requirements. As a small utility with only three employees, it can be difficult to conform to an ever-changing regulatory environment. Planning and budgeting for the unexpected can be difficult – especially with the current five-year rate rebasing period. CHEI is also finding that much of the new requirements require expertise that goes beyond those of its current staff. As such, the utility must often turn to third-party experts to bring external expertise to meet the requirements and level of standards which regulators expect. Under those circumstances, the utility will often "shop around" and negotiate rates and costs to find the best value for money.

- ✓ **Managing unexpected costs beyond the utility's control.**

  For the most part, the utility plans for significant investments well in advance; however, unexpected costs can arise as a result of a change in legislation or new regulatory requirements. Most larger utilities can absorb these costs without much impact on rates or performance. However, as a smaller utility, CHEI can be materially affected when faced with cost pressures that are beyond its control or ability to plan for.

6.4 CHEI Opportunities

- ✓ To form strategic alliances with like-minded LDCs to realize greater efficiencies and integrate new ideas that improve operations and ensure sustainability in an evolving energy sector.
- ✓ To drive down operating costs as much as possible.
- ✓ To meet and monitor the utility's allocated Conservation targets as closely as possible.
- ✓ To position the utility as, reliable and customer focused LDC, with high levels of trust
- ✓ To disaffirm negative perceptions that prevail, particularly in respect to energy increases
- ✓ To build a strong presence within the community.
- ✓ To engage current and prospective employees and partnerships, inspire them, build trust, and position CHEI as a great place to work or as a great partner.

6.5 CHEI Threats

In addition to its many regulatory responsibilities, the business of distributing electricity has several basic risk considerations that must be managed successfully to ensure business continuity.

The following areas of exposure were identified and evaluated as part of the CHEI risk profile:

- ✓ **Reliability**

  Although the utility's reliability metrics are well above the OEB's standards, customers have very high service expectations, and any system interruptions should be handled quickly and professionally. Reputational risks can occur when incidents and outages are not perceived to be addressed quickly and efficiently. Customers accept the occasional power outage, but confidence is eroded when they cannot get access to timely information on the nature of the incident and an estimate of restoration times.

  If an unplanned outage occurs within CHEI's service area, CHEI will immediately contact its operations contractor and escalate the issues. If an issue occurs where the utility suspects that it is outside of its territory, the utility will contact Hydro One in Winchester to let them know that the CHEI service area is out. For planned outage, the customers affected will be contacted at least 48 hours before either by phone or by mail.

  For all outages, CHEI personnel updates its social media. It attempts to give as many details as possible to its customers regarding the location, the area affected, and the timing of the restoration of power.

- ✓ **Succession Planning**

  Within the next five years, CHEI may see the leave of its current General Manager due to his eligibility to retire. The utility recognizes that finding a candidate with industry-specific competencies in smaller rural LDCs is tough. As such, over the past year, CHEI has put substantive effort into its succession planning. The utility has developed a Succession Plan, which in the process of being reviewed and approved by the utility's Board of Directors.

- ✓ **Increase in Regulatory Requirement from the OEB**

  The energy sector has many moving parts and, as such, is subject to the constant change in rules and regulations. One of the biggest threats for a small utility such as CHEI is the ability to keep up with the ever-changing regulatory and accounting demands from the government and regulators. This often proves to be a difficult factor to manage financially for utilities that operate with a minimum level of staffing and some skills.

7. Personnel Plan

CHEI is facing the same challenges the electricity industry is about its aging demographics and infrastructure. Matching the resource capability with the work demands in the electricity sector requires planning, which is what CHEI is currently executing. Numerous contributing factors are impacting workforce planning, including a shortage of proficiently skilled labour, and increased work demands. Although CHEI looks at invest in its current staff members on the various aspects of running a utility, the utility is faced with the issue of succession planning. The utility has developed a draft Succession Plan, which is currently in the process of being reviewed by its executive team.

CHEI currently employs one General Manager and two customer service representatives. CHEI does not plan to hire additional staff in 2020 and 2021. CHEI notes that employee pay raises reflect the rate of inflation. As explained in Section 2.1, CHEI must also rely on third-party contractors and consultants, mainly for the maintenance of the distribution system and assistance with meeting its regulatory requirements.

CHEI continually reviews its business and operational goals against; its workforce needs, its financial strength, and the impact on its customers. CHEI recognizes the importance and value of maintaining a highly skilled and engaged workforce, where all employees are customer-focused and proud to work for the utility.

Table 8 - FTE Employment

Trades & Technical Positions	Current #'s	Minimum #'s	2017 Budget #'s	2018 Budget #'s
General Manager	1	1	1	1
Customer Service Rep	2	2	2	2

8. Financial Results

CHEI's financial performance has remained strong over the past several years, with an income of 241,109, for 2019. The utility's solid performance has allowed the cooperative members to received dividends of $45,000.

8.1 Important Assumptions

Load forecasting affects all aspects of the utility's future, including supply capacity of the distribution system and revenue requirements.

Since expenses and revenues are often closely tied to the utility's customer count and load, it is important to go over the utility's historical and projected load before discussing financial results. CHEI's customer growth is primarily in the Residential Class. The utility projects a marginal increase in the GS<50 class and virtually no change in the Unmetered Scattered Load, Street Light. Overall, the trend table shows slow yet stable growth in customers. CHEI's load and customer projections support the Economic Outlook Summary, which indicates that population growth is expected to remain steady in 2020 and 2021. The second important assumption is the stability of operating costs. Table 13 below shows the utility historical operating costs and projected costs for 2017.

Table 9 - Load and Customer Forecast Table

Customers or Connections

Customer Class Name	**2018**	**2019**	**2020**	**2021**
Residential	2,131	2,148	2,194	2,240
General Service < 50 kW	165	164	166	167
General Service > 50 to 4999 kW	9	9	9	9
Unmetered Scattered Load	17	17	17	17
Street Lighting	558	567	588	610
TOTAL	**2,880**	**2,905**	**2,973**	**3,043**
Consumption (kWh)				
Customer Class Name	**2018**	**2019**	**2020**	**2021**
Residential	20,597,137	20,253,193	19,754,770	19,754,770
General Service < 50 kW	4,549,793	4,605,655	4,662,733	4,662,733
General Service > 50 to 4999 kW	3,896,559	3,459,712	4,009,232	3,916,635
Unmetered Scattered Load	93,084	93,084	85,600	85,600
Street Lighting	208,895	210,843	206,615	207,000
TOTAL	**29,345,468**	**28,622,487**	**28,718,950**	**28,626,739**
Consumption (kW)				
Customer Class Name	**2018**	**2019**	**2020**	**2021**
Residential	0	0	0	0

General Service < 50 kW	0	0	0	0
General Service > 50 to 4999 kW	10,911	10,571	11,813	11,828
Unmetered Scattered Load	0	0	0	0
Street Lighting	583	588	610	632
TOTAL	**11,494**	**11,159**	**12,423**	**12,460**

CHEI's 2018 Test Year operating costs are projected to be $725,975, which represents an increase of $165,692 from its 2018 Cost of Service or 6.5%. These operating costs are necessary to comply with the Distribution System Code, environmental requirements, and government direction. The increase in OM&A in 2021 from the 2018 Board Approved are attributed to operation and maintenance costs, including activities such as transformer replacement and maintenance to the distribution system. Billing in Collecting costs has also increased due to an increase in bad debt, collection charges, and costs associated with the billing system. The increase in Administrative Costs is, for the most part, related to an increase related to the number of Board members from 3 to 5.

Table 10 – Operating Expenses

	2018	**2019**	**2020**	**2021**
Operations	$38,103	$44,096	$39,300	$40,300
Maintenance	$51,679	$38,679	$57,205	$54,205
Billing and Collecting	$199,708	$219,757	$215,714	$223,500
Community Relations	$5,150	$4,628	$5,150	$5,150
Administrative and General	$395,236	$391,298	$403,195	$429,650
Total	**$689,876**	**$698,458**	**$720,564**	**$752,805**
%Change (year over year)	1.2%	1.2%	3.2%	4.5%

8.2 Actual Return vs. Allowed Return

✓ **Profitability: Regulatory Return on Equity – Deemed (included in current rates)**

CHE's current distribution rates were rebased and approved by the OEB in 2018 and included an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. The actual return on equity for 2019 is 10.30%, which indicates an underearning when compared to the Board Approved 2018 rate of return. CHE expects the return on equity to remain within the OEB's expected rate of return in 2020 and 2021.

8.3 Profit and Loss

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

Operating Revenues for 2020 and 2021 are forecast to be $1,164,219 and $1,208,907, respectively.

Cost and Expenses for 2020 and 2021 are predicted to be $886,898 and $921,961, respectively. Taxes for 2020 and 2021 are predicted to stable at $14,343 and $15,927.

The net profit for 2020 and 2021 is forecast to be $253,077 and $265,919, respectively.

Table 11 - Profit and Loss Table

WCA	**2018**	**2018**	**2019**	**2020**	**2021**
Cost of Power	3,525,627	3,148,742	3,332,405	3,376,384	3,367,490
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%
	315,570	*288,084*	*302,315*	*307,084*	*309,022*
	Board Approved	**Actual**	**Actual**	**Actual**	**Projected**
Derivation of Utility Income		**2018**	**2019**	**2020**	**2021**
Operating Revenues					
Distribution Revenues	1,067,336	1,060,894	1,138,791	1,164,219	1,208,907
Other Revenue	29,658	26,392	-207	-300	-300
Total Operating Revenues	**1,096,994**	**1,087,286**	**1,138,584**	**1,163,919**	**1,208,607**
OM&A Expenses	681,971	692,376	700,958	720,564	752,805
Depreciation & Amortization	162,155	163,632	164,417	166,334	169,156
Property and Taxes	0	0	0	0	0
Total Costs & Expenses	**844,126**	**856,008**	**865,375**	**886,898**	**921,961**
Deemed Interest Expenses	80,297	19,554	14,589	9,600	4,800
Total Expenses	**924,423**	**875,562**	**879,964**	**896,498**	**926,761**
Utility Income before Income Taxes / PILs	**172,571**	**211,724**	**258,620**	**267,421**	**281,846**
PILs / Income Taxes	4,076	11,176	17,511	14,343	15,927
Adjustments for FS purposes (donations)			0		0
Utility Income	**168,495**	**200,548**	**241,109**	**253,077**	**265,919**

8.4 Rate Base and Revenue Deficiency

The revenue deficiency indicates whether the utility is underspending or overspending in comparison to the income, it collects from currently OEB approved rates.

CHEI saw a revenue deficiency in 2018 in comparison to the 2018 Board Approved. The utility shows a sufficiency in 2019-2020-2021, with the largest sufficiency being in 2021.

Table 12 - Table of Rate Base and Revenue Deficiency

	Board Approved	Actual	Actual	Actual	Projected
	2018	**2018**	**2019**	**2020**	**2021**
Utility Income	**168,495**	**200,548**	**241,109**	**253,077**	**265,919**
Gross Fixed Assets (year-end)	6,346,967	6,249,389	6,421,818	6,596,585	6,718,955
Capital Expenditures (additions)	**204,680**	**167,038**	**189,498**	**174,767**	**122,370**
Accum. Depreciation	-1,960,867	-1,945,474	-2,098,889	-2,265,223	-2,434,379
Remove Non-Distribution Assets (2180)					
Net Fixed Assets	4,386,099	4,303,915	4,322,929	4,331,362	4,284,576
Average Net Fixed Assets	4,364,837	4,303,915	4,260,353	4,430,904	4,576,667
Non-distribution assets (NBV)					
Utility Rate Base	4,680,407	4,591,998	4,562,855	4,738,175	4,885,689
Deemed Equity Portion of Rate Base	1,872,163	1,836,799	1,825,142	1,895,270	1,954,276
Income/(Equity Portion of Rate Base)	9.00%	4.37%	5.28%	5.34%	5.44%
Indicated Rate of Return	5.32%	4.79%	5.60%	5.40%	5.54%
Approved Rate of Return	5.32%	5.32%	5.32%	5.32%	5.32%
Sufficiency / (Deficiency) in Return	(0.00%)	(0.52%)	0.29%	0.08%	0.23%
Equity	*40%*	*40%*	*40%*	*40%*	*40%*
Short Term Debt	*4%*	*4%*	*4%*	*4%*	*4%*
Long Term Debt	*56%*	*56%*	*56%*	*56%*	*56%*
Equity Return	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
Short Debt Return	*2.29%*	*2.29%*	*2.29%*	*2.29%*	*2.29%*
Long Debt Return	*2.90%*	*2.90%*	*2.90%*	*2.90%*	*2.90%*
Tax Rate	*15.50%*	*15.50%*	*15.50%*	*15.50%*	*15.50%*
Net Revenue Sufficiency / (Deficiency)	**0**	**-23,990**	**13,155**	**3,836**	**11,015**

APPENDICES 1B

Embrun Hydro Cooperative Inc.

Coopérative Hydro Embrun inc.

Financial Statements

États financiers

For the year ended December 31, 2020

Pour l'exercice clos le 31 décembre 2020

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Independent Auditor's Report

To the members of Embrun Hydro Cooperative Inc.

Opinion

We have audited the financial statements of Embrun Hydro Cooperative Inc. (the Cooperative), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in member's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Cooperative 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Rapport de l'auditeur indépendant

Aux membres de la Coopérative Hydro Embrun inc.

Opinion

Nous avons effectué l'audit des états financiers de la Coopérative Hydro Embrun inc. (la « Coopérative »), qui comprennent l'état de la situation financière au 31 décembre 2020, et les états du résultat global, de la variation des capitaux propres et des flux de trésorerie pour l'exercice clos à cette date, ainsi que les notes, y compris le résumé des principales méthodes comptables.

À notre avis, les états financiers ci-joints donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la Coopérative au 31 décembre 2020, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date, conformément aux Normes internationales d'information financière.

Fondement de l'opinion

Nous avons effectué notre audit conformément aux normes d'audit généralement reconnues du Canada. Les responsabilités qui nous incombent en vertu de ces normes sont plus amplement décrites dans la section Responsabilités de l'auditeur à l'égard de l'audit des états financiers du présent rapport. Nous sommes indépendants de la Coopérative conformément aux règles de déontologie qui s'appliquent à notre audit des états financiers au Canada et nous nous sommes acquittés des autres responsabilités déontologiques qui nous incombent selon ces règles. Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Responsabilités de la direction et des responsables de la gouvernance à l'égard des états financiers

La direction est responsable de la préparation et de la présentation fidèle des états financiers conformément aux Normes internationales d'information financière, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

BDO Canada s.r.l./S.E.N.C.R.L./LLP, une société canadienne à responsabilité limitée/société en nom collectif à responsabilité limitée, est membre de BDO International Limited, société de droit anglais, et fait partie du réseau international de sociétés membres indépendantes BDO.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

In preparing the financial statements, management is responsible for assessing the Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative's financial reporting process.

Auditor's 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 auditor's 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 these 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.

Lors de la préparation des états financiers, c'est à la direction qu'il incombe d'évaluer la capacité de la Coopérative à poursuivre son exploitation, de communiquer, le cas échéant, les questions relatives à la continuité de l'exploitation et d'appliquer le principe comptable de continuité d'exploitation, sauf si la direction a l'intention de liquider la Coopérative ou de cesser son activité ou si aucune solution réaliste ne s'offre à elle.

Il incombe aux responsables de la gouvernance de surveiller le processus d'information financière de la Coopérative.

Responsabilités de l'auditeur à l'égard de l'audit des états financiers
Nos objectifs sont d'obtenir l'assurance raisonnable que les états financiers pris dans leur ensemble sont exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, et de délivrer un rapport de l'auditeur contenant notre opinion. L'assurance raisonnable correspond à un niveau élevé d'assurance, qui ne garantit toutefois pas qu'un audit réalisé conformément aux normes d'audit généralement reconnues du Canada permettra toujours de détecter toute anomalie significative qui pourrait exister. Les anomalies peuvent résulter de fraudes ou d'erreurs et elles sont considérées comme significatives lorsqu'il est raisonnable de s'attendre à ce que, individuellement ou collectivement, elles puissent influer sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'un audit réalisé conformément aux normes d'audit généralement reconnues du Canada, nous exerçons notre jugement professionnel et faisons preuve d'esprit critique tout au long de cet audit. En outre :

- nous identifions et évaluons les risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, concevons et mettons en œuvre des procédures d'audit en réponse à ces risques, et réunissons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative résultant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne;

- 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 Cooperative'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 Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Cooperative 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.

We 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.

- nous acquérons une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de la Coopérative;
- nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, de même que des informations y afférentes fournies par cette dernière;
- nous tirons une conclusion quant au caractère approprié de l'utilisation par la direction du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la Coopérative à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport sur les informations fournies dans les états financiers au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre rapport. Des événements ou situations futurs pourraient par ailleurs amener la Coopérative à cesser son exploitation;
- nous évaluons la présentation d'ensemble, la structure et le contenu des états financiers, y compris les informations fournies dans les notes, et apprécions si les états financiers représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

Nous communiquons aux responsables de la gouvernance notamment l'étendue et le calendrier prévus des travaux d'audit et nos constatations importantes, y compris toute déficience importante du contrôle interne que nous aurions relevée au cours de notre audit.

BDO Canada s.r.l./LLP

Chartered Professional Accountants,
Licensed Public Accountants

Embrun, Ontario
April 1, 2021

Comptables professionnels agréés,
experts-comptables autorisés

Embrun (Ontario)
le 1 avril 2021

Embrun Hydro Cooperative Inc.
Statement of Financial Position
December 31

Coopérative Hydro Embrun inc.
État de la situation financière
31 décembre

	2020	2019	
Asset			**Actif**
Cash	$ 1,645,999	$ 1,193,488	Encaisse
Accounts receivable (Note 6)	603,617	502,060	Débiteurs (Note 6)
Unbilled service revenue (Note 6)	562,887	523,740	Produits provenant de services non facturés (Note 6)
Payments in lieu of taxes receivables (Note 7)	3,637	-	Paiements tenant lieu d'impôts à recevoir (Note 7)
	2,816,140	2,219,288	
Property and equipment (Note 4)	5,807,334	5,663,192	Immobilisations corporelles (Note 4)
Total Assets	8,623,474	7,882,480	Total des actifs
Regulatory deferral account debit balances and related deferred tax (Note 3)	144,332	181,243	Soldes débiteurs de comptes de report réglementaires et d'impôt différé connexe (Note 3)
Total Assets and Regulatory Deferral Account Debit Balances	$ 8,767,806	$ 8,063,723	Total des actifs et soldes débiteurs des comptes de report réglementaires
Liabilities and Members' Equity			**Passifs et capitaux propres**
Liabilities			**Passifs**
Accounts payable and accrued liabilities	$ 1,253,334	$ 962,903	Créditeurs et frais courus
Payments in lieu of taxes payable (Note 7)	-	7,511	Paiements tenant lieu d'impôt à payer (Note 7)
Deferred revenues	28,982	39,024	Produits reportés
Patronage payable	50,000	45,415	Ristournes à payer
Current portion of long-term debt (Note 8)	51,535	46,925	Tranche de la dette à long terme échéant à moins d'un an (Note 8)
	1,383,851	1,101,778	
Contributions in aid of construction (Note 5)	1,533,339	1,340,265	Apports affectés à la construction (Note 5)
Customer deposits (Note 6)	19,800	19,363	Dépôts de clients (Note 6)
Long-term debt (Note 8)	251,729	383,202	Dette à long terme (Note 8)
Deferred taxes	70,447	55,942	Impôt différé
Total Liabilities	3,259,166	2,900,550	Total des passifs
Commitments (Note 13)			Engagements (Note 13)
Members' Equity			**Capitaux propres**
Share capital (Note 10)	15,680	15,420	Capital-actions (Note 10)
Retained earnings	2,361,387	2,090,934	Bénéfices non répartis
Contributed surplus	2,862,994	2,862,994	Surplus d'apport
Total Members' Equity	5,240,061	4,969,348	Total des capitaux propres
Total Liabilities and Members' Equity	8,499,227	7,869,898	Total des passifs et capitaux propres
Regulatory deferral account credit balances and related deferred tax (Note 3)	268,579	193,825	Soldes créditeurs de comptes de report réglementaires et d'impôt différé connexe (Note 3)
Total Liabilities, Members' Equity and Regulatory Deferral Account Credit Balances	$ 8,767,806	$ 8,063,723	Total des passifs, des capitaux propres et des soldes créditeurs de comptes de report réglementaires

Signed on behalf of the Board of Directors' by:

Signé au nom du conseil d'administration:

Director _____ Administrateur

Director _____ Administrateur

Director _____ Administrateur

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Statement of Changes in Members' Equity
For the year ended December 31

Coopérative Hydro Embrun inc.
État des variations des capitaux propres
Pour l'exercice clos le 31 décembre

	Share Capital / Capital-actions	Retained Earnings / Bénéfices non répartis	Contributed Surplus / Surplus d'apport	Total / Total	
Balance at January 1, 2019	$ 15,540	$ 1,849,825	$ 2,862,994	$ 4,728,359	Solde au 1 janvier 2019
Profit for the year and net movements in regulatory deferral account balances	-	241,109	-	241,109	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Net variation of share-capital	(120)	-	-	(120)	Variation nette du capital-actions
December 31, 2019	15,420	2,090,934	2,862,994	4,969,348	31 décembre 2019
Profit for the year and net movements in regulatory deferral account balances	-	270,453	-	270,453	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Net variation of share-capital	260	-	-	260	Variation nette du capital-actions
December 31, 2020	$ 15,680	$ 2,361,387	$ 2,862,994	$ 5,240,061	31 décembre 2020

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Statement of Comprehensive Income
For the year ended December 31

Coopérative Hydro Embrun inc.
État du résultat global
Pour l'exercice clos le 31 décembre

	2020	2019	
Revenues			Produits
Electricity Sales	$ 4,487,602	$ 4,316,057	Électricité
Distribution	1,192,379	1,136,042	Distribution
Other revenues (Note 11)	126,204	156,412	Autres produits (Note 11)
	5,806,185	5,608,511	
Expenses			Charges
Advertising and promotion	8,805	9,128	Publicité et promotion
Amortization of property and equipment (Note 4)	216,689	208,353	Amortissement des immobilisations corporelles (Note 4)
Bad debts	13,335	13,361	Mauvaises créances
Customer billing	90,829	96,248	Facturation des clients
Energy purchases	4,487,602	4,316,057	Achats en énergie
Insurance	7,430	6,662	Assurance
Membership fees	6,485	6,200	Frais d'associations
Office	26,697	24,955	Frais de bureau
Professional fees	111,642	115,895	Frais professionnels
Programs	51,510	90,288	Programmes
Rent	16,800	16,800	Loyer
Repairs and maintenance of network	101,625	71,793	Entretien et réparations du réseau
Salaries and benefits - Directors	50,337	44,841	Salaires et avantage sociaux - Administrateurs
Salaries and benefits - Employees (Note 9)	282,697	270,828	Salaires et avantage sociaux - Employés (Note 9)
Telephone	12,511	12,201	Téléphone
Travel	7,569	6,958	Voyagement
Patronage	50,000	45,000	Ristournes
	5,542,563	5,355,568	
Income from operating activities	263,622	252,943	Produits provenant des activités d'exploitation
Finance income	17,331	31,420	Produits financiers
Finance cost	(13,063)	(19,677)	Frais financiers
Gain (loss) on disposal of property and equipment	28,405	(6,066)	Gain (perte) sur disposition d'immobilisations corporelles
Income before provision for payment in lieu of taxes	296,295	258,620	Résultat avant provision pour paiement tenant lieu d'impôts
Provision for payment in lieu of taxes			Provision pour paiement tenant lieu d'impôts
Current (Note 7)	25,842	17,511	Exigible (Note 7)
Deferred	14,505	11,585	Différé
	40,347	29,096	
Profit for the year before net movements in regulatory deferral account balances	255,948	229,524	Résultat pour l'exercice avant le mouvement net des soldes de comptes de report réglementaires
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	14,505	11,585	Mouvement net des soldes de comptes de report réglementaires lié aux produits et aux charges et de l'impôt différé connexe
Profit for the year and net movements in regulatory deferral account balances	$ 270,453	$ 241,109	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Embrun Hydro Cooperative Inc.
Statement of Cash Flows
For the year ended December 31

Coopérative Hydro Embrun inc.
État des flux de trésorerie
Pour l'exercice clos le 31 décembre

	2020	2019	
Cash flows from operating activities			Flux de trésorerie liés aux activités d'exploitation
Profit for the year and net movements in regulatory deferral account balances	$ 270,453	$ 241,109	Résultat pour l'exercice et mouvement net des soldes de comptes de report réglementaires
Adjustments to reconcile income to net cash used in operating activities:			Ajustements pour rapprocher le résultat et l'encaisse nette utilisée par les activités d'exploitation:
Amortization of property and equipment	216,689	208,353	Amortissement des immobilisations corporelles
Amortization of contributions in aid of construction	(47,077)	(43,936)	Amortissement des apports affectés à la construction
Gain (loss) on disposal of property and equipment	(28,405)	6,066	Gain (perte) sur disposition d'immobilisations corporelles
Changes in non-cash working capital			Variation des éléments hors caisse du fonds de roulement
Accounts receivable	(101,557)	(102,450)	Débiteurs
Unbilled service revenue	(39,147)	(117,284)	Produits provenant de services non facturés
Accounts payable and accrued liabilities	290,431	190,499	Créditeurs et frais courus
Payments in lieu of taxes receivables / payables	(11,148)	(1,637)	Paiements tenant lieu d'impôts à recevoir / à payer
Customer deposits	437	1,470	Dépôts de clients
Deferred revenues	(10,042)	(5,864)	Produits reportés
Patronage payable	4,585	10,415	Ristournes à payer
	545,219	386,741	
Cash flows from investing activities			Flux de trésorerie liés aux activités d'investissement
Purchase of property and equipment	(332,426)	(200,621)	Acquisition d'immobilisations corporelles
Changes in regulatory deferral account balances	126,170	235,384	Variation des soldes de comptes de report réglementaires
	(206,256)	34,763	
Cash flows from financing activities			Flux de trésorerie liés aux activités de financement
Increase in long-term debt	30,000	-	Augmentation de la dette à long terme
Repayment of long-term debt	(156,863)	(151,211)	Remboursement de la dette à long terme
Contributions in aid of construction	240,151	11,125	Apports affectés à la construction
Issuance of share capital	1,730	1,650	Émission de capital-actions
Redemption of share capital	(1,470)	(1,770)	Rachat de capital-actions
	113,548	(140,206)	
Net increase in cash	452,511	281,298	Augmentation nette de la trésorerie
Cash, beginning of the year	1,193,488	912,190	Encaisse, début de l'exercice
Cash, end of the year	$ 1,645,999	$ 1,193,488	Encaisse, fin de l'exercice

The notes are an integral part of these financial statements.

Les notes complémentaires font partie intégrante des états financiers.

1. Cooperative's Information

The Embrun Hydro Cooperative Inc.'s (the "Cooperative") main business activity is the distribution of electricity under a license issued by the Ontario Energy Board ("OEB"). The Cooperative owns and operates an electricity distribution system, which delivers electricity to approximately 2,401 customers located in Embrun, Ontario.

The Province, through its regulator the OEB exercises statutory authority through setting or approving all rates charged by the Cooperative and establishing standards of service for the Cooperative's customers. Rates are set by the OEB on an annual basis for January 1 to December 31.

Operating in regulated environment exposes the Cooperative to regulatory and recovery risks.

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.

1. Renseignements sur la Coopérative

La principale activité de la Coopérative Hydro Embrun inc. (la "Coopérative") est la distribution d'énergie électrique en vertu d'un permis de la Commission de l'énergie de l'Ontario (la « CEO »). La Coopérative détient et exploite un réseau de distribution d'énergie électrique, qui fournit de l'électricité à environ 2 401 clients à Embrun (Ontario).

Par l'entremise de la CEO, son organisme de réglementation, la Province détient le pouvoir légal pour établir et approuver tous les tarifs demandés par la Coopérative, ainsi que pour établir les normes de services des clients de la Coopérative. Les tarifs sont fixés par la CEO sur une base annuelle, soit du 1er janvier au 31 décembre.

Comme elle exerce ses activités dans un environnement réglementé, la Coopérative est exposée au risque réglementaire et au risque de recouvrement.

Le risque réglementaire est le risque que la Province et son organisme de réglementation, la CEO, mettent sur pied un programme de réglementation qui imposerait des conditions interdisant au secteur de la distribution de l'énergie électrique de fixer un taux de rendement acceptable assurant la viabilité financière de ses activités commerciales, y compris le recouvrement des dépenses engagées pour aider les autres acteurs du marché de l'énergie électrique, comme des coûts de transition et d'autres actifs réglementaires. Toutes les demandes de modification des charges de distribution de l'énergie électrique doivent être approuvées par la CEO.

1. Cooperative's Information (continued)

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. Embrun Hydro Cooperative Inc. 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 the 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.

The address of the Cooperative's corporate office and principal place of business is 821 Notre-Dame Street, Suite 200, Embrun, Ontario, Canada.

1. Renseignements sur la Coopérative (suite)

Le développement de la réglementation au sein du marché de l'électricité en Ontario, y compris les consultations actuelles et potentielles entre la CEO et les parties intéressées, peuvent avoir une incidence sur les tarifs de distribution et les autres éléments de recouvrement autorisés à l'avenir. La Coopérative Hydro Embrun inc. doit acquitter un coût de service dans le cadre d'un mécanisme réglementaire en vertu duquel la CEO établit les produits nécessaires pour i) recouvrer les coûts d'exploitation prévus, tels que l'amortissement et l'impôt sur le revenu, pour fournir le service réglementé et ii) pour offrir un rendement ou une assiette tarifaire justes et raisonnables sur les services publics. Puisque les conditions d'exploitation peuvent s'avérer différentes des prévisions, les rendements réels obtenus peuvent être différents des rendements approuvés.

L'adresse du siège social de la Coopérative et de son principal établissement est le 821 rue Notre-Dame, Suite 200, Embrun (Ontario), Canada.

2. Basis of Presentation

a) Statement of compliance
The financial statements of Embrun Hydro Cooperative Inc. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on April 1, 2021.

b) Basis of measurement
The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Canadian dollars (CDN$), which is also the Cooperative's functional currency, and all values are rounded to the nearest dollar, unless when otherwise indicated.

2. Mode de présentation

a) Déclaration de conformité
Les états financiers de la Coopérative Hydro Embrun inc. ont été préparés conformément aux Normes internationales d'information financière (« IFRS »), telles que publiées par l'International Accounting Standards Board (« IASB »).

La publication des états financiers a été autorisée par le Conseil d'administration le 1 avril 2021.

b) Mode d'évaluation
Les états financiers ont été préparés selon la méthode du coût historique.

Les états financiers sont présentés en dollars canadiens, qui est également la monnaie fonctionnelle de la Coopérative, et à moins d'indication contraire, tous les montants ont été arrondis au dollars près.

2. Basis of Presentation (continued)

c) Judgment and Estimates

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 Cooperative's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The recognition and measurement of regulatory deferral account balances (Note 3);
- The determination of useful lives of property and equipment;
- The determination of impairment of accounts receivable and unbilled service revenues; and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 6);
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 7); and
- The assessment of the duration and severity of the developments related to the COVID-19 pandemic is subject to significant uncertainty; accordingly, judgments, estimates and assumptions related to the impact of the pandemic that may have a material adverse effect on the Cooperative's operations, financial results and condition in future periods, made by management in the preparation of the financial statements are also subject to significant uncertainty.

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

2. Mode de présentation (suite)

c) Jugement et estimations

La préparation des états financiers selon les IFRS exige que la direction fasse appel à certaines estimations comptables critiques. Elle exige également que la direction fasse preuve de jugement lors de l'application des méthodes comptables de la Coopérative. Les secteurs exigeant un jugement ou des estimations critiques dans l'application des méthodes comptables et pour lesquels le risque d'ajustement significatif aux valeurs comptables des actifs et passifs constatés dans les états financiers du prochain exercice est le plus important sont les suivants :

- La comptabilisation et l'évaluation des soldes de comptes de report réglementaires (Note 3);
- La détermination de la durée de vie utile des immobilisations corporelles;
- La détermination de la dépréciation des débiteurs et des produits provenant de services non facturés; et l'incorporation d'informations prospectives dans l'évaluation de la perte de crédit attendue ("PCA") (Note 6);
- la détermination de la provision pour paiement tenant lieu d'impôts, compte tenu du nombre élevé de transactions et de calculs pour lesquels la détermination finale des impôts est incertaine (Note 7); et
- L'évaluation de la durée et de la gravité des développements liés à la pandémie de COVID-19 est sujette à une incertitude importante; par conséquent, les jugements, estimations et hypothèses liés à l'impact de la pandémie qui pourraient avoir un effet défavorable important sur les opérations, les résultats financiers et la situation financière de la Coopérative dans les périodes futures, formulés par la direction lors de la préparation des états financiers, sont également sujets à une incertitude importante.

De plus, les notes aux états financiers ont été préparées de manière à présenter les renseignements les plus pertinents en premier et à exclure toute information jugée non significative par la direction. L'évaluation du caractère pertinent ou significatif de ces informations repose largement sur le jugement.

3. Regulatory Deferral Account Balances

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

Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s), that are expected to be returned to consumers in future periods through the rate-setting process.

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. Management continually assesses the likelihood of recovery of regulatory assets. 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.

3. Soldes de comptes de report réglementaires

Les soldes de comptes de report réglementaires sont comptabilisés et évalués au coût, initialement et ultérieurement. Ils sont évalués pour dépréciation selon la même méthode que celle utilisée pour les autres actifs non financiers.

Les soldes créditeurs de comptes de report réglementaires sont associés à certains revenus gagnés au cours de la présente période ou des périodes antérieures, dont le retour aux consommateurs est prévu au cours des périodes futures par le biais du processus d'établissement de tarifs.

Les soldes débiteurs de comptes de report réglementaires représentent les revenus futurs associés à certains coûts engagés au cours de la présente période ou des périodes antérieures, dont le recouvrement auprès des clients est prévu dans les périodes futures par le biais du processus d'établissement de taux. La direction évalue continuellement la possibilité de recouvrement des actifs réglementaires. Si le recouvrement par le biais de tarifs ultérieurs n'était plus jugé probable, les montants seraient portés en charges dans les résultats d'exploitation au cours de la période durant laquelle l'évaluation est réalisée.

3. Regulatory Deferral Account Balances (continued)

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Cooperative has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

3. Soldes de comptes de report réglementaires (suite)

Tous les montants reportés en tant que soldes débiteurs de comptes de report réglementaires sont assujettis à l'approbation de la CEO. En d'autres termes, les montants à reporter pourraient être modifiés par l'organisme de réglementation. Les périodes de recouvrement restantes correspondent aux périodes prévues. Quant aux périodes réelles de recouvrement ou de règlement, elles pourraient changer en fonction de l'approbation de la CEO. Compte tenu des décisions et articles de règlement antérieurs, existants ou à venir, la Coopérative détient des montants dont elle a prévu le recouvrement auprès des clients (ou le retour aux clients) au cours de périodes ultérieures, comme il est indiqué ci-dessous. Par conséquent, les soldes de comptes de report réglementaires sont les suivants :

Regulatory Deferral Account Debit (Credit) / Soldes débiteurs (créditeurs) de comptes de report réglementaires

	Hydro one recovery / Recouvrement par Hydro One	Rebassing costs / Frais de rebassing	Deferred tax / Impôt différé	"RARA" recovery / Recouvrement "CARR"	
December 31, 2018	$ 35,480	$ 68,436	$ 44,357	$ 122,806	31 décembre 2018
Balances arising in the period	4,817	(17,111)	11,585	(89,127)	Soldes au cours de la période
December 31, 2019	40,297	51,325	55,942	33,679	31 décembre 2019
Balances arising in the period	(15,975)	(17,111)	14,505	(18,330)	Soldes au cours de la période
December 31, 2020	$ 24,322	$ 34,214	$ 70,447	$ 15,349	31 décembre 2020

	Settlement variances / Écarts de règlement	Bill 210 regulatory cost / Coût réglementaire du projet de loi 210	Net Regulatory (liabilities) Assets / Actifs (passifs) réglementaires nets	
December 31, 2018	$ (59,862)	$ -	$ 211,217	31 décembre 2018
Balances arising in the period	(126,643)	(7,320)	(223,799)	Soldes au cours de la période
December 31, 2019	(186,505)	(7,320)	(12,582)	31 décembre 2019
Balances arising in the period	(66,089)	(8,665)	(111,665)	Soldes au cours de la période
December 31, 2020	$ (252,594)	$ (15,985)	$ (124,247)	31 décembre 2020

3. Regulatory Deferral Account Balances (continued)

Rebassing costs
Every five years, the Cooperative has to file a request to the OEB for the approval of its billing rates. The costs incurred are recorded as a regulatory asset and are amortized using the straight-line method over a five year period.

Deferred tax
The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

"RARA" recovery
On December 23, 2013 the OEB ordered that the approved regulatory asset balances be aggregated into a single regulatory account. The approved balance will be recovered over periods of 1 and 2 years. The RARA is credited with recovery amounts and is debited by OEB prescribed carrying charges.

Settlement variances
This account is comprised of the variances between amounts charged by the Cooperative to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Cooperative after May 1, 2002. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

Bill 210 regulatory cost
This account is comprised of the variances between amounts charged by the Cooperative to customers, based on regulated rates, and the corresponding cost relating to the wireline telecom attachments to their distribution poles and the energy retailer service charges.

3. Soldes de comptes de report réglementaires (suite)

Frais de rebassing
À tous les cinq ans, la Coopérative doit faire une demande à la CEO pour l'approbation des taux de facturation. Les coûts engendrés pour cette demande sont comptabilisés en tant qu'actif réglementé et sont amortis selon la méthode linéaire sur une période de cinq ans.

Impôt différé
Le recouvrement d'impôts différés auprès des clients (ou leur remboursement aux clients) par le biais de tarifs ultérieurs est comptabilisé dans le solde de compte de report réglementaire. Le solde des actifs d'impôt différé est présenté dans l'état de la situation financière sous le total des soldes de comptes de report réglementaires.

Recouvrement "CARR"
Le 23 décembre 2013, la CEO a exigé que le solde des actifs réglementés autorisés soient combinés dans un seul compte réglementé. Le solde autorisé de ce compte sera recouvert sur des périodes de 1 et 2 ans. Le CARR est crédité avec les montants récupérés et est débité par les frais d'intérêts prescrits par la CEO.

Écarts de règlement
Ce compte comprend les écarts entre les montants facturés aux clients par la Coopérative établis selon les tarifs réglementés, ainsi que le coût correspondant du service d'électricité non concurrentiel encouru par la Coopérative après le 1er mai 2002. Les écarts de règlement sont liés principalement aux frais d'administration, aux frais d'électricité non concurrentiels, aux frais d'importation de l'énergie et aux ajustements généraux.

Coût réglementaire du projet de loi 210
Ce compte comprend les écarts entre les montants facturés aux clients par la Coopérative établis selon les tarifs réglementés, ainsi que le coût correspondant qui sont liés aux branchements de télécommunications par fil à leurs poteaux de distribution et les frais de service des détaillants d'énergie.

4. Property and Equipment

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as property and equipment since they support the Cooperative's distribution system reliability.

Depreciation of property and equipment is recorded in the Statement of operations on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Computers	20%
Distribution system	1.67 to/à 2.86%
Office equipment	10%
Smart meters	6.67%
Tools	10%
Land is not depreciated	

4. Immobilisations corporelles

Les pièces de remplacements majeures, comme les transformateurs et les autres éléments conservés comme équipement de rechange, sont comptabilisées dans les immobilisations corporelles, car elles assurent la fiabilité du réseau de distribution de la Coopérative.

L'amortissement des immobilisations corporelles est comptabilisé dans l'état des résultats selon la méthode linéaire sur la durée de vie utile estimative des actifs correspondants. Les durées de vie utiles estimatives, les valeurs résiduelles et les méthodes d'amortissement sont révisées annuellement à la fin de chaque période de présentation de l'information financière.
Les durées de vie utiles estimatives se détaillent comme suit :

Ordinateurs	
Système de distribution	
Équipement de bureau	
Compteurs intelligents	
Outils	
Les terrains n'ont pas été amortis	

4. Property and Equipment (continued)

Property and equipment consists of the following:

4. Immobilisations corporelles (suite)

Ces immobilisations corporelles sont les suivantes :

	Land / Terrain	Computers / Ordinateurs	Distribution system / Système de distribution	Office equipment / Équipement de bureau	
Cost					Coût
Balance at December 31, 2018	$ 56,900	$ 172,671	$ 7,307,637	$ 61,313	Solde, au 31 décembre 2018
Additions	-	7,586	175,755	908	Acquisitions
Disposals	-	-	(16,695)	-	Disposals
Balance at December 31, 2019	56,900	180,257	7,466,697	62,221	Solde, au 31 décembre 2019
Additions	-	1,246	318,806	3,431	Acquisitions
Reclassification	-	-	28,405	-	Reclassification
Balance at December 31, 2020	$ 56,900	$ 181,503	$ 7,813,908	$ 65,652	Solde, au 31 décembre 2020
Depreciation and impairment losses					Amortissement et pertes de valeur
Balance at December 31, 2018	$ -	$ 140,533	$ 1,983,051	$ 48,363	Solde, au 31 décembre 2018
Depreciation for the year	-	8,836	169,469	2,575	Amortissement pour l'exercice
Disposals	-	-	(10,629)	-	Dispositions
Balance at December 31, 2019	-	149,369	2,141,891	50,938	Solde, au 31 décembre 2019
Depreciation for the year	-	5,583	180,298	2,491	Amortissement pour l'exercice
Balance at December 31, 2020	$ -	$ 154,952	$ 2,322,189	$ 53,429	Solde, au 31 décembre 2020
Carrying amounts					Valeur comptable
At December 31, 2019	$ 56,900	$ 30,888	$ 5,324,806	$ 11,283	Au 31 décembre 2019
At December 31, 2020	$ 56,900	$ 26,551	$ 5,491,719	$ 12,223	Au 31 décembre 2020

4. Property and Equipment (continued)

4. Immobilisations corporelles (suite)

	Smart meters / Compteurs intelligents	Tools / Outils	Total / Total	
Cost				Coût
Balance at December 31, 2018	$ 386,479	$ 15,901	$ 8,000,901	Solde, au 31 décembre 2018
Additions	16,372	-	200,621	Acquisitions
Disposals	-	-	(16,695)	Dispositions
Balance at December 31, 2019	402,851	15,901	8,184,827	Solde, au 31 décembre 2019
Additions	8,943	-	332,426	Acquisitions
Reclassification	-	-	28,405	Reclassification
Balance at December 31, 2020	$ 411,794	$ 15,901	$ 8,545,658	Solde, au 31 décembre 2020
Depreciation and impairment losses				Amortissement et pertes de valeur
Balance at December 31, 2018	$ 143,689	$ 8,275	$ 2,323,911	Solde, au 31 décembre 2018
Depreciation for the year	26,311	1,162	208,353	Amortissement pour l'exercice
Disposals	-	-	(10,629)	Dispositions
Balance at December 31, 2019	170,000	9,437	2,521,635	Solde, au 31 décembre 2019
Depreciation for the year	27,155	1,162	216,689	Amortissement pour l'exercice
Balance at December 31, 2020	$ 197,155	$ 10,599	$ 2,738,324	Solde, au 31 décembre 2020
Carrying amounts				Valeur comptable
At December 31, 2019	$ 232,851	$ 6,464	$ 5,663,192	Au 31 décembre 2019
At December 31, 2020	$ 214,639	$ 5,302	$ 5,807,334	Au 31 décembre 2020

During the year, the Cooperative purchased property and equipement in which $64,900 (2019 - $-) is included in the accounts payables and accrued liabilities.

Au cours de l'exercice, la Coopérative a acquis des immobilisations corporelles dont un solde de 64 900 $ (2019 - - $) est inclus dans les créditeurs et frais courus.

5. Revenue Recognition

As a licensed distributor, the Cooperative 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 Cooperative is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Cooperative ultimately collects these amounts from customers. The Cooperative has presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized on an accrual basis, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Other revenues, which include revenues from pole rentals, retaillers' revenue and other revenues are recognized at the time services are provided. Where the Cooperative has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

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.

5. Comptabilisation des produits

À titre de distributeur autorisé, la Coopérative est responsable de la facturation aux clients pour l'électricité produite par des tiers et pour les coûts liés à la fourniture de services d'électricité tels que les services de transmission et d'autres services fournis par des tiers. En vertu de la réglementation, la Coopérative doit remettre ces montants à ces tiers, et ce, sans égard au fait que la Coopérative, ultimement, recouvre ou non ces montants auprès des clients. La Coopérative a présenté les produits tirés de ces activités sur une base brute.

Les produits tirés de la vente et de la distribution d'électricité sont comptabilisés selon la méthode de la comptabilisation d'exercice et comprennent les produits non facturés courus relativement à l'électricité fournie, mais non encore facturée. Les produits tirés de la vente et de la distribution d'énergie comprennent les montants facturés aux clients en guise de frais administratifs de distribution. Ces montants sont comptabilisés à partir des relevés de compteurs.

Les autres produits, tels que les produits tirés de la location des poteaux, les produits des détaillants et les autres produits, sont comptabilisés au moment où le service est fourni. Dans les cas où la Coopérative a une obligation permanente de fournir un service, les produits sont comptabilisés à mesure que le service est fourni et les montants facturés d'avance sont comptabilisés en tant que produits reportés.

Lorsque les produits estimés sont moindres que les coûts liés à la prestation des services ou lorsque de l'équipement spécial est nécessaire pour répondre aux besoins spécifiques des clients, certaines immobilisations peuvent être acquises ou construites grâce à un soutien financier obtenu sous la forme d'apports de clients. Comme ces apports permettent d'assurer la fourniture continue d'électricité aux clients, ils sont classés en tant qu'apports affectés à la construction et sont amortis en tant que produits selon la méthode linéaire sur la durée de vie utile des immobilisations construites ou des apports d'actifs.

Les apports de capital sont d'abord comptabilisés à leur juste valeur, et les montants correspondants sont comptabilisés en tant qu'apports affectés à la construction.

5. Revenue Recognition (continued)

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

5. Comptabilisation des produits (suite)

La continuité des apports reportés affectés à la construction se détaille comme suit :

	2020	2019	
Net deferred contributions, beginning of year	$ 1,340,265	$ 1,373,076	Apports reportés nets au début de l'exercice
Contributions in aid of construction received	240,151	11,125	Apports reçus affectés à la construction
Contributions in aid of construction recognized as other revenue	(47,077)	(43,936)	Apports affectés à la construction comptabilisés à titre d'autres produits
Net deferred contributions, end of year	$ 1,533,339	$ 1,340,265	Apports reportés nets, à la fin de l'exercice

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

Tous les apports affectés à la construction sont des apports en trésorerie. Il n'y a pas eu d'apports d'immobilisations corporelles.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits

Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occurs within 30 days of delivery.

Customer deposits represents cash deposits from electricity distribution customers and retailers, as well as construction deposits. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Cooperative in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients

Les produits provenant de services non facturés reflètent l'électricité livré mais qui n'est pas encore facturé aux clients. La facturation du client est généralement effectuée dans les 30 jours suivant la livraison.

Les dépôts de clients sont constitués des dépôts en trésorerie provenant des clients et des détaillants de distribution d'électricité, ainsi que des dépôts pour la construction. Les dépôts provenant des clients de distribution d'électricité sont remboursables aux clients lorsque leur niveau de risque de crédit devient acceptable selon le jugement de la Coopérative, lequel est fondé sur les politiques de la CEO, ou lorsque leur contrat de distribution d'électricité prend fin.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Recognition and initial measurement

The Cooperative initially recognizes accounts receivable on the date on which they are originated and unbilled service revenue on the date on which the Cooperative delivers the electricity but has not yet billed the customer. Accounts receivable and unbilled service revenue are initially measured at fair value.

The Cooperative initially recognizes customer deposits on the date on which the Cooperative receives the deposit. Customer deposits are initially measured at fair value.

Classification and subsequent measurement

Accounts receivable and unbilled service revenue are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

Customer deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

Fair value measurement

Due to its short term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

The fair value of customer deposits approximates their carrying amounts taking into account interest accrued on the outstanding balance.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Comptabilisation et évaluation

La Coopérative comptabilise initialement les débiteurs à la date à laquelle ils sont générés et les produits provenant de services non facturés à la date à laquelle la Coopérative livre l'électricité mais n'a pas encore facturé le client. Les produits des services à recevoir et non facturés sont initialement évalués à la juste valeur.

La Coopérative comptabilise initialement les dépôts de clients à la date à laquelle elle les reçoit. Les dépôts de clients sont initialement évalués à la juste valeur.

Classification et évaluation subséquente

Les débiteurs et produits provenant de services non facturés sont classés et ultérieurement évalués au coût amorti selon la méthode du taux d'intérêt effectif, car ils respectent le critère du paiement du principal et des intérêts uniquement et sont détenus dans un modèle d'entreprise dont l'objectif est de détenir des actifs financiers afin de collecter les flux de trésorerie contractuels. La valeur comptable est réduite par l'utilisation d'une provision pour perte et le montant de la provision pour perte correspondante est comptabilisé en résultat net. Les recouvrements ultérieurs de créances et les produits des services non facturés précédemment provisionnés sont crédités au compte de résultat ou perte.

Les dépôts de clients sont classés et évalués ultérieurement au coût amorti, en utilisant la méthode du taux d'intérêt effectif.

Évaluation à la juste valeur

En raison de sa nature à court terme, la valeur comptable des débiteurs et des produits provenant de services non facturés se rapproche de leur juste valeur.

La juste valeur des dépôts de clients se rapproche de leur valeur comptable en tenant compte des intérêts courus sur le solde impayé.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB.

The Cooperative's credit risk associated with accounts receivable and unbilled service revenue is primarily related to payments from distribution customers. The Cooperative has approximately 2,401 customers, the majority of which are residential. The Cooperative considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Cooperative, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

On March 25, 2020, the Ontario Government announced $9 million COVID-19 Energy Assistance Program [“CEAP”], which expanded financial support for residential customers during the COVID-19 pandemic. On June 1, 2020, the Ontario Government announced an additional $8 million for CEAP for Small Business [“CEAP-SB”], which expanded financial support for certain commercial customers. The CEAP-SB provides a one time, on-bill credit to eligible small business and registered charity customers to help them catch up on their energy bills and resume regular payments. Small business and registered charity customers may be eligible for up to $850 in support towards their electricity bill if they primarily use electricity for heating, or up to $425 otherwise. Small business and registered charity customers could also be eligible for up to $425 in support towards their natural gas bill. On December 31, 2020, the OEB determined that the Cooperative’s portion for CEAP is $-. The Cooperative does not expect any impact to net income arising from the additional funding.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit

Pour gérer le risque de crédit, la Coopérative perçoit des dépôts de garantie auprès des clients conformément aux directives de la CEO.

Le risque de crédit de la Coopérative associé aux débiteurs et des produits de services non facturés est principalement lié aux paiements des clients du secteur de la distribution. La Coopérative compte environ 2 401 clients, dont la majorité sont résidentiels. La Coopérative considère qu'un compte client est en souffrance lorsqu'il est peu probable que le client s'acquitte intégralement de ses obligations de crédit, sans recours de la part de la Coopérative, tel que la constitution d'une sûreté (le cas échéant). Les comptes sont en souffrance (par défaut) lorsque les clients n'ont pas effectué les paiements contractuels prévus à leur échéance, généralement dans les 30 jours suivant la date de facturation.

Le 25 mars 2020, le gouvernement de l'Ontario a annoncé le programme d'aide aux impayées d'énergie en raison de la Covid-19 de 9 millions de dollars [«AIEC»], qui a élargi le soutien financier aux clients résidentiels pendant la pandémie COVID-19. Le 1er juin 2020, le gouvernement de l'Ontario a annoncé un financement supplémentaire de 8 millions de dollars pour le AIEC pour les petites entreprises [«AIEC-PE»], qui a élargi le soutien financier à certains clients commerciaux. Le AIEC-PE offre un crédit ponctuel sur facture aux petites entreprises admissibles et aux clients des organismes de bienfaisance enregistrés pour les aider à rattraper leurs factures d'énergie et à reprendre leurs paiements réguliers. Les clients des petites entreprises et des organismes de bienfaisance enregistrés peuvent être admissibles à un maximum de 850 $ pour couvrir leur facture d'électricité s'ils utilisent principalement l'électricité pour le chauffage, ou jusqu'à 425 $ dans le cas contraire. Les clients des petites entreprises et des organismes de bienfaisance enregistrés pourraient également être admissibles à un maximum de 425 $ pour couvrir leur facture de gaz naturel. Le 31 décembre 2020, la CEO a déterminé que la part de la Coopérative pour le AIEC était de -$. La Coopérative ne prévoit aucun impact sur le revenu net découlant du financement supplémentaire.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk (continued)

The Cooperative considers an account receivable and unbilled service revenues to be credit-impaired when the customer has amounts more than 90 days past the billing date.

The following table provides information about the exposure to credit risk and ECLs for accounts receivable and unbilled service revenue by level of delinquency.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit (suite)

La Coopérative considère que les débiteurs et produits provenant de services non facturés sont dépréciés lorsque le client a des montants supérieurs à 90 jours après la date de facturation.

Le tableau suivant fournit des informations sur l'exposition au risque de crédit et aux PCA pour les produits de comptes clients et de services non facturés, par niveau de défaillance.

	2020			2019			
Past billing date	Gross / Brute	Loss Allowance / Provision de perte	Net	Gross / Brute	Loss Allowance / Provision de perte	Net	
Less than 30 days and unbilled amounts	$ 1,133,800	$ -	$ 1,133,800	$1,007,198	$ -	$1,007,198	Moins que 30 jours et montants non facturés
30-60 days	14,280	-	14,280	8,345	-	8,345	30-60 jours
61-90 days	10,274	-	10,274	4,989	-	4,989	61-90 jours
More than 90 days	22,150	(14,000)	8,150	11,026	(5,758)	5,268	Plus que 90 jours
	$ 1,180,504	$ (14,000)	$ 1,166,504	$1,031,558	$ (5,758)	$1,025,800	

The Cooperative measures the loss allowance at an amount equal to the lifetime ECL for accounts receivables and unbilled service revenue. The lifetime ECL is estimated based on the expected losses over the expected life of the accounts receivable and unbilled service revenue arising from default events occurring in the lifetime of the instrument.

La Coopérative évalue l'indemnité de perte à un montant égal à la durée de vie cumulative des débiteurs et produits provenant de services non facturés. La durée de vie PCA est estimée sur la base des pertes attendues sur la durée de vie attendue des débiteurs et produits provenant de services non facturés découlant d'événements de défaillance survenant au cours de la durée de vie de l'instrument.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk (continued)
The Cooperative uses a provision matrix to measure the lifetime ECL of accounts receivable and unbilled service revenue from individual customers which accounts for exposures in different customer classes. Expected credit loss is measured on the basis of a loss rate approach. The Cooperative develops loss rates based on historical default and loss experiences for its' customers, adjusted for current economic conditions and forecasts of future economic conditions including local unemployment rates, local economic outlook, credit environment and other relevant economic variables impacting subsets of the Cooperative's customers. The same factors are considered when determining whether to write off accounts receivable and unbilled service revenue amounts. This generally occurs when there is no realistic prospect of recovery. However accounts written off could still be subject to enforcement activities. No accounts are written off directly to the provision for credit losses.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit (suite)
La Coopérative utilise une matrice de provision pour mesurer la durée de vie PCA des débiteurs et produits provenant de services non facturés de clients individuels, qui comptabilise les expositions dans différentes catégories de clients. La perte de crédit attendue est mesurée selon une approche du taux de perte. La Coopérative élabore les taux de perte en fonction des expériences passées en matière de défauts et de pertes pour ses clients, ajustés aux conditions économiques actuelles et aux prévisions, y compris les taux de chômage locaux, les perspectives économiques locales, l'environnement du crédit et d'autres variables économiques pertinentes affectant des sous-ensembles de clients de la Coopérative. Les mêmes facteurs sont pris en compte pour déterminer s'il faut radier des montants liés aux débiteurs et aux produits provenant de services non facturés. Cela se produit généralement lorsqu'il n'y a aucune attente réaliste de reprise. Toutefois, les comptes radiés pourraient toujours faire l'objet d'activités de recouvrement. Aucun compte n'est radié directement dans la provision pour pertes sur créances.

6. Accounts Receivable, Unbilled Service Revenue and Customer Deposits (continued)

Credit risk (continued)
As a result of the COVID-19 pandemic and material disruptions to businesses and the economy, the Cooperative's credit risk has increased due to some customers not being able to pay their electricity bills when due, and the Cooperative's security interest or other measures, if any, may also not provide sufficient protection. In addition, certain measures were introduced by governments and regulators which prevented the disconnection of customers for nonpayment, which has also increased the credit risk of the Cooperative. The Cooperative considers the current economic and credit conditions to determine the loss allowance of its accounts receivable. Given the high degree of uncertainty caused by the COVID-19 outbreak, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to a high degree of estimation uncertainty. Based on the Cooperative's current estimates and assumptions, which are based on the recent trend for customer collections and current and forecasted economic and other conditions, the expected credit loss provision has been adjusted to account for the higher level of expected customer defaults. The Cooperative continues to actively monitor its exposure to credit risk.

6. Débiteurs, produits provenant de services non facturés et dépôts de clients (suite)

Risque de crédit (suite)
En raison de la pandémie COVID-19 et des perturbations importantes aux entreprises et à l'économie, le risque de crédit de la Coopérative a augmenté en raison du fait que certains clients ne sont pas en mesure de payer leurs factures d'électricité à l'échéance et de la sûreté de la Coopérative ou d'autres mesures, le cas échéant, pouvant également ne pas offrir une protection suffisante. De plus, certaines mesures ont été introduites par les gouvernements et les régulateurs qui ont empêché la déconnexion des clients pour non-paiement, ce qui a également augmenté le risque de crédit de la Coopérative. La Coopérative tient compte des conditions économiques et de crédit actuelles pour déterminer la provision pour pertes de ses débiteurs. Compte tenu du degré élevé d'incertitude causé par COVID-19, les estimations et les jugements faits par la direction lors de la préparation de la provision pour perte de crédit attendue sont soumis à un degré élevé d'incertitude d'estimation. Sur la base des estimations et hypothèses actuelles de la Coopérative, qui sont fondées sur la tendance récente des recouvrements de clients et sur les conditions économiques et autres actuelles et prévues, la provision pour pertes de crédit attendues a été ajustée pour tenir compte du niveau plus élevé de défauts de paiement attendus des clients. La Coopérative continue de surveiller activement son exposition au risque de crédit.

7. Payments in Lieu of Taxes Receivables (Payable)

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

Under the Electricity Act, 1998, the Cooperative is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"). 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.

PILs expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (See Note 3).

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Cooperative recognizes liabilities for anticipated tax audit issues based on the Cooperative'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.

7. Paiement tenant lieu d'impôts à recevoir (à payer)

Aux fins du régime de paiements tenant lieu d'impôts dans la Loi de 1998 sur l'électricité, la Coopérative est considérée comme un service municipal d'électricité. À ce titre, elle est exonérée des impôts exigibles en vertu de Loi de l'impôt sur le revenu (Canada) et de la Loi sur l'imposition des corporations (Ontario).

En vertu de la Loi de 1998 sur l'électricité, la Coopérative doit verser des paiements tenant lieu d'impôts à la Société financière de l'industrie de l'électricité de l'Ontario (la « SFIEO ») pour chaque exercice. Le calcul de ces paiements est déterminé par les règlements sur le calcul du revenu imposable, du capital imposable et de tout autre montant pertinent prévus par la Loi de l'impôt sur le revenu (Canada) et la Loi sur l'impôt des corporations (Ontario), et peut être modifié par la Loi de 1998 sur l'électricité et ses règlements d'application.

Les paiements tenant lieu d'impôts comprennent l'impôt exigible et l'impôt différé. Ces impôts sont comptabilisés en résultat net, sauf s'ils sont liés à des éléments comptabilisés directement en capitaux propres ou en soldes de comptes de report réglementaires (voir la Note 3).

La détermination de la provision pour paiements tenant lieu d'impôts repose largement sur le jugement. Dans le cours normal des activités, il existe un nombre élevé de transactions et de calculs pour lesquels la détermination finale des impôts est incertaine. Advenant une vérification fiscale, la Coopérative comptabilise des provisions pour impôts selon son interprétation actuelle des lois fiscales. Toute différence entre le résultat final de cette vérification et les montants initialement comptabilisés aura une influence sur la provision pour impôt exigible et impôt différé au cours de la période où cette différence est déterminée.

7. Payments in Lieu of Taxes Receivables (Payable) (continued)

Significant components of the payments in lieu of taxes expense are as follows:

	2020	2019
Current tax		
Based on current year taxable income	$ 20,363	$ 17,511
Adjustments for over provision in prior periods	5,479	-
Total provision for payment in lieu of taxes	$ 25,842	$ 17,511

The income tax expense varies from amounts which would be computed by applying the Cooperative's combined statutory income tax rate as follows:

	2020	2019
Basic rate applied to profit before provision for payments in lieu of taxes	$ 146,666	$ 128,017
Increase (decrease) in income tax resulting from:		
Small business deduction	(45,567)	(37,823)
Abatement of federal income tax	(16,691)	(14,008)
Temporary differences	(64,045)	(60,346)
Other	5,479	1,671
Provision for payments in lieu of taxes	$ 25,842	$ 17,511
Effective rate applied to profit before provision for payments in lieu of taxes	49.50 %	49.50 %

7. Paiement tenant lieu d'impôts à recevoir (à payer) (suite)

Les composantes importantes des paiements tenant lieu d'impôts de la Coopérative s'établissent comme suit :

	2020	2019
Impôts exigibles		
Basé sur le revenu imposable pour l'exercice en cours	$ 20,363	$ 17,511
Ajustements pour provisions excédentaires des périodes précédentes	5,479	-
Total de la provision pour paiement tenant lieu d'impôts	$ 25,842	$ 17,511

La charge d'impôt sur le revenu diffère des montants qui seraient obtenus en appliquant le taux d'imposition combiné prévu par la loi :

	2020	2019
Taux de base appliqué aux bénéfices avant provision pour paiements tenant lieu d'impôts	$ 146,666	$ 128,017
Augmentation (diminution) de l'impôt sur le revenu découlant de :		
Déduction accordée aux petites entreprises	(45,567)	(37,823)
Abattement d'impôt fédéral	(16,691)	(14,008)
Écarts temporels	(64,045)	(60,346)
Autres	5,479	1,671
Provision pour paiements tenant lieu d'impôts	$ 25,842	$ 17,511
Taux effectif appliqué aux bénéfices avant provision pour paiements tenant lieu d'impôts	49.50 %	49.50 %

8. Long-term debt

	2020	2019
Caisse Populaire Nouvel-Horizon		
Loan, 2.9%, renewable in February 2033, payable by monthly instalments of $4,898, principal and interest, secured by a general security agreement covering all assets.	$ 273,264	$ 430,127
Loan from the Canada Emergency Business Account, no interest, due in December 2022, no specified terms of repayment.	30,000	-
	303,264	430,127
Less: current portion	(51,535)	(46,925)
	$ 251,729	$ 383,202

The principal repayments to be made during the next five years are as follows: 2021, $51,535; 2022, $83,049; 2023, $54,608; 2024, $56,213; 2025, $57,859. These payments have been calculated under the assumption that the repayment plan will be successfully renewed, based on the present payment terms and interest rates.

8. Dette à long terme

Caisse Populaire Nouvel-Horizon

Emprunt, 2,9%, renouvelable en février 2033, remboursable par versements mensuels de 4 898$, capital et intérêt, garanti par une sûreté générale grevant tous les actifs.

Emprunt du compte d'urgence pour les entreprises canadiennes, sans intérêt, échéant en décembre 2022, sans modalité de remboursement.

Moins: tranche échéant à moins d'un an

Les versements en capital à effectuer au cours des cinq prochains exercices sont les suivants: 2021, 51 535 $; 2022, 83 049 $; 2023, 54 608 $; 2024, 56 213 $; 2025, 57 859 $. Ces versements ont été calculés en fonction des conditions de paiements et taux d'intérêts actuels, en partant de l'hypothèse que le renouvellement de la dette à long terme sera effectué aux conditions existantes.

9. Employee Future Benefits

Defined contribution plan

The employees of the Cooperative participate in a defined contribution pension plan. The contributions are established by a percentage of the employee's salary. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to the plan during the year was $12,323 (2019 - $11,224). The contributions were made for current service and these have been recognized in net income in the "Salaries and benefits - Employees" account.

9. Avantages sociaux futurs

Régime à cotisations définies

Les employés de la Coopérative participent à un régime de retraite à cotisations définies. Les cotisations sont établies en fonction d'un pourcentage du salaire de l'employé(e). La cotisation, qui est payable contre les services rendus durant la période, est comptabilisée en charges au cours de celle-ci. La part de l'employeur des montants payés au régime au cours de l'exercice était de 12 323 $ (2019 –11 224 $). Les cotisations ont été faites pour des services courants au cours de la période et elles ont été comptabilisées au résultat net au poste "Salaires et avantages sociaux - Employés".

10. Share Capital

An unlimited number of common shares at $10 are authorized for issue. There are no preference shares.

10. Capital-actions

Un nombre illimité d'actions ordinaires de 10$ peut être émis. Il n'y a pas d'actions privilégiées.

	2020	2019	
Issued			Émis
1,568 shares (2019 - 1,542)	$ 15,680	$ 15,420	1 568 actions (2019 - 1 542)

All shares are ranked equally with regards to the Cooperative's residual assets.

Toutes les actions sont classées sur un pied d'égalité en ce qui a trait aux actifs résiduels de la Coopérative.

11. Other Revenues

11. Autres produits

	2020	2019	
Pole rentals	$ 6,935	$ 6,665	Location des poteaux
Amortization of contributions in aid of construction (Note 5)	47,077	43,936	Amortissement des apports affectés à la construction (Note 5)
Retaillers' revenue	2,455	2,749	Produits des détaillants
Forgivable portion of the loan from the Canada Emergency Business Account	10,000	-	Portion radiée du prêt provenant du Compte d'urgence pour les entreprises canadiennes
Other revenue	8,227	12,774	Autres produits
Programs	51,510	90,288	Programmes
	$ 126,204	$ 156,412	

12. Capital Management

The Cooperative's objective with respect to capital management is to maintain a sufficient capital base to ensure sound and prudent management.

The Cooperative considers its capital to include share capital, contributed surplus and retained earnings, as stated on the statement of financial position. There have been no changes in what the Cooperative considers to be capital since the previous year.

Capital management is the responsibility of the Cooperative's board of directors.

12. Gestion du capital

L'objectif de la Coopérative en matière de gestion du capital est d'assurer le maintien d'un capital de base suffisant pour assurer une gestion saine et prudente.

La Coopérative considère le capital action, le surplus d'apport et les bénéfices non répartis, tel que figurant à l'état de la situation financière, comme son capital. Il n'y a eu aucun changement dans ce que la Coopérative considère comme capital depuis l'exercice précédente.

La gestion du capital est sous la responsabilité du conseil d'administration de la Coopérative.

13. Commitments

The Cooperative signed a contract with Ottawa River Energy Solutions Inc. sub-contracting their customer invoicing. The contract expires August 31, 2021. The annual payment is based on the number of invoices produced in the year and the cost per invoice is increased by 2.85% annually.

The minimum annual contract payments for the next year are as follows:

13. Engagements

La Coopérative a signé un contrat avec Ottawa River Energy Solutions Inc. pour que cette corporation s'occupe de la facturation. Le contrat vient à échéance le 31 août 2021. Le paiement annuel est basé sur le nombre de factures produites pendant l'année et le coût par facture est augmenté de 2,85% annuellement.

Les paiements minimaux des engagements pour la prochaine année sont les suivants :

2021	$	18,453

14. Financial Instruments

Liquidity risk

The liquidity risk is the risk associated with the ability of the Cooperative to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation, whether or not on the statement of financial position.

The following tables present financial assets and financial liabilities on the statement of financial at book value and broken down by their remaining contractual maturities.

There have not been any changes in the risk from prior year.

14. Instruments financiers

Risque de liquidité

Le risque de liquidité correspond au risque lié à la capacité de la Coopérative de réunir les fonds nécessaires (par augmentation du passif ou conversion de l'actif) pour faire face à une obligation financière, figurant ou non à l'état de la situation financière.

Les tableaux suivants présentent les actifs financiers et les passifs financiers inscrits à l'état de la situation financière à la valeur comptable et répartis selon leurs échéances contractuelles résiduelles.

Il n'y a eu aucune variation du risque par rapport à l'exercice précédent.

14. Financial Instruments (continued)

14. Instruments financiers (suite)

	2020					
	Less than 1 year / Moins de 1 an	From 1 to 5 years / De 1 à 5 ans	More than 5 years / Plus de 5 ans	No deadline / Sans échéance précise	Total / Total	
Asset						Actif
Cash	$ -	$ -	$ -	$ 1,645,999	$ 1,645,999	Encaisse
Accounts receivable	603,617	-	-	-	603,617	Débiteurs
Unbilled service revenue	562,887	-	-	-	562,887	Produits provenant de services non facturés
	$ 1,166,504	$ -	$ -	$ 1,645,999	$ 2,812,503	
Liabilities						Passifs
Accounts payable and accrued liabilities	$ 1,253,334	$ -	$ -	$ -	$ 1,253,334	Créditeurs et frais courus
Patronage payable	-	-	-	50,000	50,000	Ristournes à payer
Long-term debt	51,535	251,729	-	-	303,264	Dette à long terme
	$ 1,304,869	$ 251,729	$ -	$ 50,000	$ 1,606,598	

	2019					
	Less than 1 year / Moins de 1 an	From 1 to 5 years / De 1 à 5 ans	More than 5 years / Plus de 5 ans	No deadline / Sans échéance précise	Total / Total	
Asset						Actif
Cash	$ -	$ -	$ -	$ 1,193,488	$ 1,193,488	Encaisse
Accounts receivable	502,060	-	-	-	502,060	Débiteurs
Unbilled service revenue	523,740	-	-	-	523,740	Produits provenant de services non facturés
Total of assets	$ 1,025,800	$ -	$ -	$ 1,193,488	$ 2,219,288	Total de l'actif
Liabilities						Passifs
Accounts payable and accrued liabilities	$ 962,903	$ -	$ -	$ -	$ 962,903	Créditeurs et frais courus
Patronage payable	-	-	-	45,415	45,415	Ristournes à payer
Long-term debt	46,925	201,901	181,301	-	430,127	Dette à long terme
	$ 1,009,828	$ 201,901	$ 181,301	$ 45,415	$ 1,438,445	

15. Standards, Amendments and Interpretations Not Yet Effective

There are no other standards, interpretations or amendments issued, but not yet effective that the Cooperative anticipates may have a material effect on the financial statements once adopted.

15. Normes, modifications et interprétations publiées, mais non encore entrées en vigueur

Il n'y a pas d'autres normes, interprétations ou modifications publiées, mais pas encore en vigueur qui, selon la coopérative, pourraient avoir une incidence importante sur les états financiers une fois adoptés.

APPENDICES 1C

https://hydroembrun.ca/content/user_files/2021/05/annual-report-2020.pdfis

APPENDICES 1D

Communiqué

Ce que vous devez savoir.

Renseignez-vous. Donnez votre avis.

La Coopérative Hydro Embrun Inc. a déposé une requête auprès de la Commission de l'énergie de l'Ontario en vue d'obtenir une diminution de ses tarifs de distribution d'électricité entrants en vigueur le 1er janvier 2023.

Le but de cet exercice est d'expliquer les couts des cinq dernières années pour s'assurer que les dépenses prévues pour 2023 sont raisonnables. Le conseil d'administration de votre Coopérative a bien établi ses priorités en dépenses capitales et en frais d'exploitation pour 2023.

Si la demande est approuvée, la facture d'un client résidentiel type et d'un client de services généraux type de la Coopérative Hydro Embrun sera modifiée de la manière suivante :

Clients résidentiels (750 kWh)	**(-3,44 $)**
Clients de services généraux dont la demande est inférieure à 50 kW	**(-2,15 $)**

Voici les prévisions des dépenses en capital et en frais d'exploitation pour 2023 :

Dépenses en capital

Accès au système

Depuis 2021, deux projets d'envergure se sont concrétisés. 108 nouveaux clients se sont branchés au système de distribution de la Coopérative et nous prévoyons 45 nouveaux services pour 2023 totalisant une dépense de 20 000,00 $. Un montant totalisant 20 000,00 $ est prévu pour maintenir le nombre de compteurs et de transformateurs.

Renouvèlement du système

Suivant l'inspection des poteaux, nous prévoyons en remplacer trois. Cette dépense coutera 23 650,00 $. C'en est de même pour les transformateurs aériens en service. Douze d'entre eux devront être remplacés. Cela coutera 73 400,00 $. De plus, un budget de 10 000,00 $ a été prévu pour remplacer les interrupteurs du système de distribution.

Service au système

En accord avec la règlementation, la Coopérative Hydro inc. doit disposer de ses transformateurs qui contiennent des produits contaminés. Tous les transformateurs

datant avant 1985 devront être vérifiés. À cet effet, un montant de 6 000,00 $ a été budgété.

Plan général

Pour que nos employées et employés travaillent avec efficacité dans leurs milieux de travail, la Coopérative se procurera de l'équipement de bureau, divers logiciels et du mobilier au cout de 5 700,00 $.

Dépenses d'exploitation

Dans sa requête, la Coopérative Hydro Embrun inc. fera la demande pour une augmentation de 71 186,00 $ afin de couvrir les dépenses d'exploitation prévues en 2023.

Description	2018	2023	Différence
Exploitation	36 569,00 $	47 439,00 $	10 870,00 $
Entretien	53 115,00 $	49 486,00 $	(-3 629,00) $
Facturation	199 982,00 $	244 306,00 $	44 324,00 $
Relation communautaire	5 150,00 $	3 521,00 $	(-1 629 $)
Administration	387 155,00 $	408 405,00 $	21,250,00 $
Total	**681 971,00 $**	**753 157,00 $**	**71 186,00 $**

Les couts d'exploitation ont augmenté de 10,44 % sur une période de cinq ans.

L'augmentation de l'exploitation et de l'administration est de 10,44 % sur une période de cinq ans. La plupart des écarts d'exploitation, d'entretien et d'administration entre le conseil d'administration approuvé de 2018 et l'année d'essai 2023 peuvent être attribués à une augmentation de la facturation et de la perception et des couts administratifs pour un total de 63 946,00 $. Le principal facteur qui contribue à l'augmentation des couts de facturation et de perception est la rectification des salaires et l'augmentation des frais de facturation des fournisseurs. L'augmentation des frais administratifs est liée à une rectification de la rémunération du conseil d'administration et à un paiement unique à un employé au lieu de vacances.

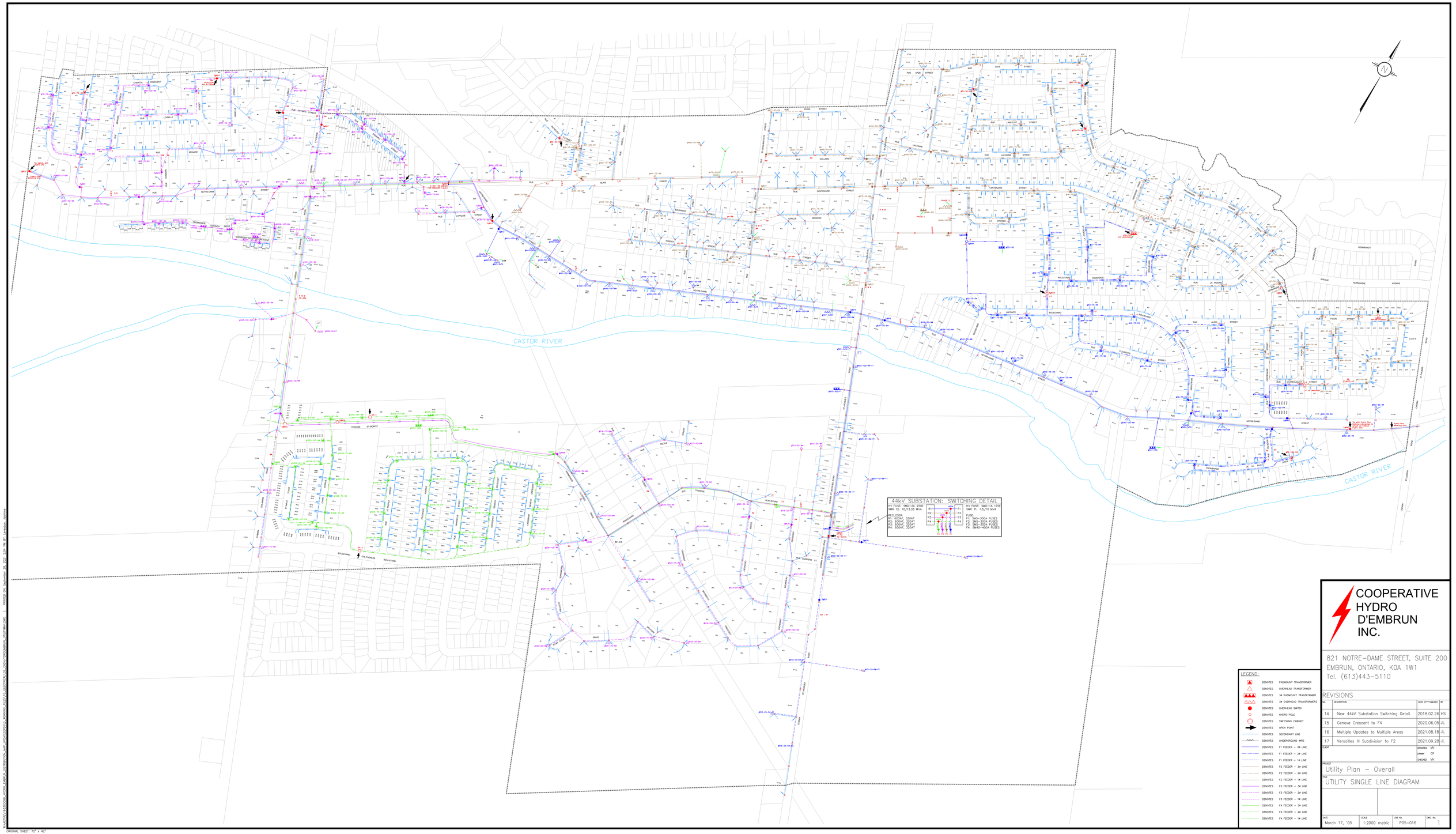
La Coopérative Hydro Embrun désire obtenir votre opinion sur les dépenses en capital et d'exploitation pour l'année 2023. Vous pouvez émettre vos commentaires par :

Courriel : info@hydroembrun.ca

Téléphone : 613 443-5110

Courrier :
Coopérative Hydro Embrun inc.
821, rue Notre-Dame, bureau 200
Embrun (Ontario) K0A 1W1

APPENDICES 1E



COOPERATIVE HYDRO D'EMBRUN INC.

821 NOTRE–DAME STREET, SUITE 200
EMBRUN, ONTARIO, K0A 1W1
Tel. (613)443–5110

REVISIONS

No.	DESCRIPTION	DATE (YYYY.MM.DD)	BY
14	New 44kV Substation Switching Detail	2018.02.26	HS
15	Geneva Crescent to F4	2020.06.05	JL
16	Multiple Updates to Multiple Areas	2021.08.18	JL
17	Versailles III Subdivision to F2	2021.09.28	JL

CLIENT

DESIGNED MV
DRAWN CP
CHECKED MV

PROJECT
Utility Plan – Overall

TITLE
UTILITY SINGLE LINE DIAGRAM

DATE	SCALE	JOB No.	DWG. No.
March 17, '05	1:2000 metric	P05–016	1

ORIGINAL SHEET: 72" x 42"