MILTON HYDRO DISTRIBUTION INC.

EXHIBIT 1

ADMINISTRATIVE DOCUMENTS

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

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APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, 3 Schedule B, as amended (the "OEB Act");

AND IN THE MATTER OF an Application by Milton Hydro Distribution Inc. under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2023.

MILTON HYDRO DISTRIBUTION INC. (Milton Hydro)

APPLICATION FOR APPROVAL OF 2023 ELECTRICITY DISTRIBUTION RATES

EB-2022-0049

Filed: April 14, 2022

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1.1. APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, 3 Schedule B, as amended (the “OEB Act”).

AND IN THE MATTER OF an Application by Milton Hydro Distribution Inc. ("Milton Hydro" or the "Company") under Section 78 of the OEB Act to the Ontario Energy Board ("OEB") for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of January 1, 2023.

The Applicant is Milton Hydro. The Company is a corporation incorporated pursuant to the Business Corporations Act, R.S.O. 1990, c. B.16 with its head office in the Town of Milton. The Company carries on the business of distributing electricity within the Town of Milton. Milton Hydro’s 2023 Cost of Service Application (EB-2022-0049) (the “Application”) presents evidence demonstrating how Milton Hydro will develop, operate, and maintain its distribution system to ensure it provides safe, reliable, and cost-effective service to its customers.

The period for this Application covers eight years with (i) seven years of historical information for the 2016-2021 period, (ii) 2022 Bridge Year; and (iii) a one-year forward test period – the 2023 Test Year. The Distribution System Plan (“DSP”) covers twelve years, including a five-year forecast period beginning with the 2023 Test Year and ending in 2027. Milton Hydro’s last Cost of Service application and DSP was filed August 28, 2015, for rates effective May 1, 2016.

Milton Hydro has prepared this Application in accordance with the following:

1. The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of the Board dated October 18, 2012 (the “RRFE”).

2. Except where specifically identified in the Application, the Applicant followed Chapter 2 of the OEB’s Filing Requirements for Electricity Distribution Rate Applications last revised on June 24, 2021 (the “Filing Requirements”) in preparing the Application.

3. The Applicant has prepared a consolidated DSP in accordance with Chapter 5 of the OEB's Filing Requirements.

4. Milton Hydro acknowledges that the OEB may publish an update to its cost of capital parameters for applications for 2023 distribution rates and that these matters will affect the Revenue Requirement that the Applicant has requested in this Application.

5. The OEB's Handbook for Utility Rate Applications 1 issued October 13, 2016.

6. Milton Hydro has not deviated from these filing requirements and provides a checklist of the filing requirements as Appendix A, which identifies the specific reference in the Application where relevant information is provided.

1.2. EXECUTIVE SUMMARY AND BUSINESS PLAN

1.2.1. Introduction

Milton Hydro provides a summary of the key elements of its Application in this section. These include the business, capital and operating plans that underpin the Application and the corresponding funding that is required to develop, manage, operate, and maintain its distribution system to provide safe, secure, reliable, efficient, and cost-effective service to its customers.

Up until 2020, Milton Hydro has been operating as a small-sized electricity distributor. Milton Hydro has grown and in 2021 Milton Hydro began to transform itself to a larger-size distributor that the Company is internally referring to as "Milton Hydro 2.0'. Milton Hydro's 2.0 Strategy will focus on delivering a more customer-centric, better, and quicker customer experience, and will be future ready, resilient, digitally modernized, and sustainable given the growth of its customer base. With the implementation of Milton Hydro's 2.0 Strategy, the Company will be prepared for the changes that are coming in society and in the industry and the Company will be forward looking and resilient. Milton Hydro's 2.0 Strategy will enable the Company to meet the increasing demand for electricity and respond to the challenges of climate change.

Milton Hydro's plans are an outcome of its business strategy, business planning efforts, asset management and capital expenditure planning processes, multi-faceted customer engagement, and coordinated planning with third parties. Milton Hydro developed its plans to address and appropriately balance the needs and preferences of its customers, its distribution system requirements, and relevant public policy objectives.

1.2.2. About Milton Hydro

Milton Hydro is a regulated local distribution company responsible for distributing electricity to over 42,000 business and residential customers within the Town of Milton. Milton Hydro is a wholly owned subsidiary of Milton Hydro Holdings Inc., which is 100% owned by the Town of Milton ("Town"). Milton Hydro is one of two subsidiary companies, in addition to an unregulated company – Milton Energy and Generation Solutions Inc. – (MEGS) - wholly owned by the Town through a holding company. Milton Hydro has been providing safe, reliable, and affordable electricity service for over a century. Milton Hydro is committed to providing high value for money service to its customers, and to be the energy partner that its customers can depend on.

Milton Hydro has a unique mixture of high-density urban mixed with a large rural area outside of the urban core. To properly meet the demands of the growth experienced to date, and to adequately position for the future while de-risking key items within the business, Milton Hydro must establish tactical capabilities in the areas of HR, process/efficiency management, distribution system oversight & control as well as supplement its capabilities in other key areas such as safety, finance, distribution services and customer services. Management has determined that there has been underinvestment in these areas throughout the growth experienced to date by Milton Hydro and this growth is forecast to continue for decades. To meet that challenge, Milton Hydro must now embark on a path to modernization and operating maturity.

1.2.3. New SMT Assessment of Milton Hydro

The entire Senior Management Team (SMT) at Milton Hydro has turned over during the 18-month period from Aug 1, 2020, to January 2022. The new SMT brings new discipline and focus to be a more customer-centric utility while continuously driving enhanced efficiencies wherever it can.

Up until recently, Milton Hydro's overarching goal has been to be a low-cost distributor, and Milton Hydro achieved this goal well. Milton Hydro's rates and Operations, Maintenance and Administration ("OM&A") costs per customer are amongst the lowest in the industry. The company has been able to maintain its low-cost distributor position throughout many years of rapid customer growth by minimizing or deferring investments in people, systems, and processes. While initially workable, the compounding effects of community growth against a backdrop of minimal investments into supporting resources now has the Company stretched on

many fronts. Insufficient growth in employees and IT innovations that were set in motion many years ago will be increasingly unsustainable. Considering Milton Hydro's system reliability performance, it had one Major Event in 2018 due to Adverse Weather that had a significant impact to outage duration. Adverse Weather was also the leading contributor to both outage duration and frequency in 2021 due to two windstorms in December 2021. Milton Hydro has no control over the increase in the number of and severity of weather-related events and the damage such events may cause to Milton Hydro's distribution system and to the supply of electricity to its customers. The Company must begin to make the required investments to mitigate the potential for deteriorating measures and operational safety challenges that would negatively impact Milton Hydro's customers. The fundamental goal is to ensure Milton Hydro is well positioned to meet its customer needs for today and is scalable to meet the needs of tomorrow.

Milton Hydro strives to be more productive and efficient but with a consistently growing customer base, from an operational perspective, Milton Hydro needs to initiate its transformation into a larger-sized electricity distributor, with an appropriate level of resources and organizational infrastructure in place. Based on the third-party assessments, Milton Hydro's current level of human resources, and digital systems are inadequate for today's requirements. Milton Hydro needed a strategy so it can continue to operate sustainably given the expected continued growth over the next 10 years and beyond. In response to these challenges, the company developed an integrated strategic plan to transform Milton Hydro into Milton Hydro 2.0. See Attachment 1-1_MHDI_Strategy_Summary

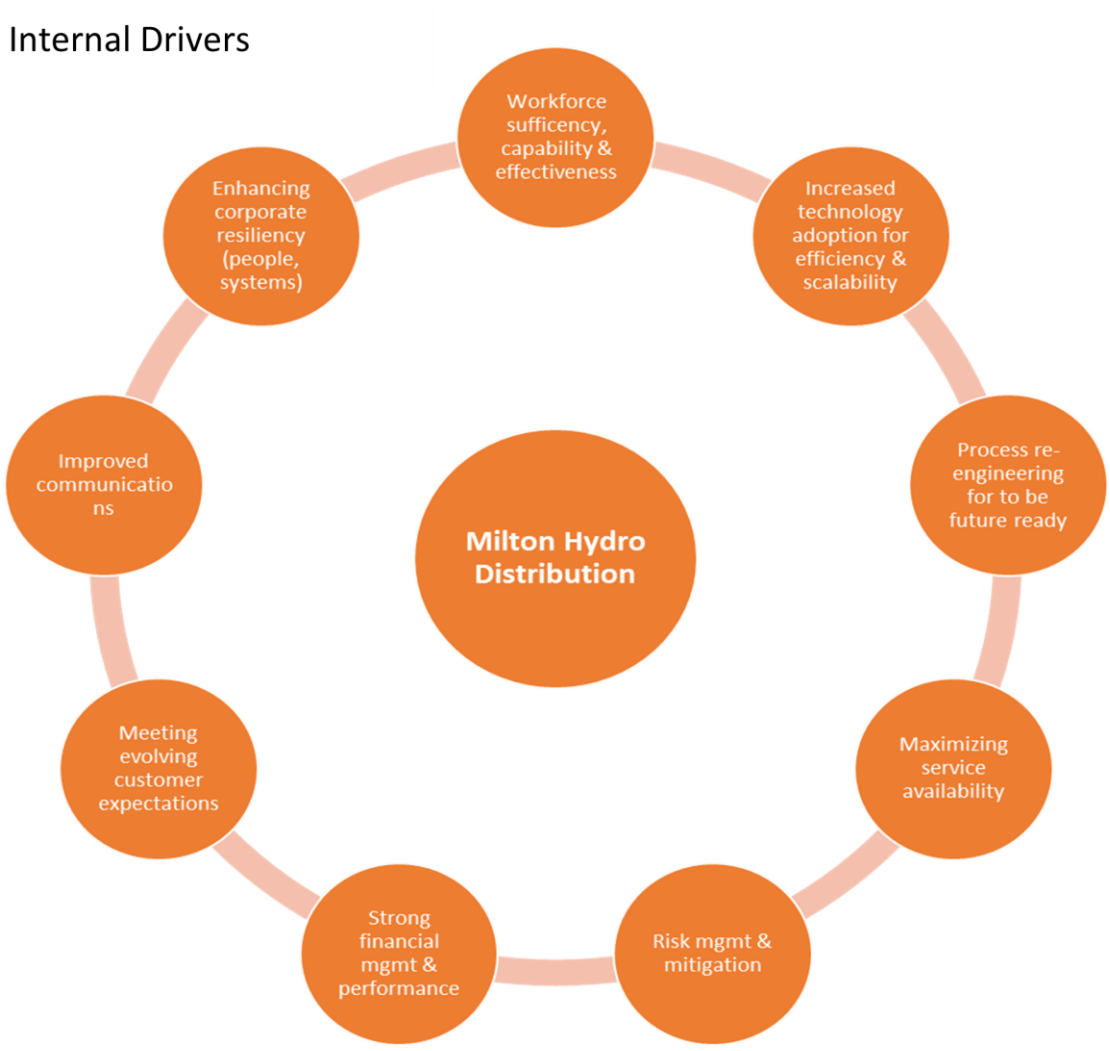
1.2.4. Themes for Milton Hydro's 2.0 Strategy

Due to the pace of growth in its customer base, and the energy related disruptions that are coming in society and in the industry the Company must be transformed and needs to operate as a large-sized electricity distributor. Milton Hydro's vision is that it must be transformed into what it is internally calling itself, Milton Hydro 2.0. This transformation significantly impacts Milton Hydro's operations, and right-sizes its resources requirements.

The strategic vision of Milton Hydro is to be Powered through Innovation to reliably deliver the energy needs of its customers today while enabling a sustainable, and electrified future for tomorrow.

1.2.4.1. Strategy Drivers

As the electricity sector continues to evolve, several factors are increasingly challenging a status quo approach to operating Milton Hydro. Consideration of these factors has driven management to do a fulsome review of its strategy and current capabilities in the context that externalities will challenge the company into the future, including:



External Drivers

Community & Customer Growth

The Town of Milton is one of the fastest growing communities in Ontario, and the fastest growing municipality over 100,000 population in Canada[1]. The population of the Town of Milton grew from 87,000 in 2011, to 132,979 in 2021[2], with an average annual increase in population of 4,598.

[1] Canada's fastest growing and decreasing municipalities from 2016 to 2021

[2] Statistics Canada – Census Profile, 2021 Census of Population datatable

Based on Halton Region's earlier projections from the INTEGRATED GROWTH MANAGEMENT STRATEGY GROWTH SCENARIOS: Halton Region to 2041 report, circa 2019, the annual population growth expected in Milton from 2021 to 2031 is 10,180 people per year[3].

The Growth Study that Milton Hydro commissioned Glen Schnarr & Associates Inc. (GSAI) to conduct and prepare a report with information that it could use to inform its investment decisions and revenue projections in its Application[4]. GSAI estimated that the annual population growth expected from 2021 to 2027 is 6,325, based on sources available to GSAI. Milton Hydro has used the GSAI report to help inform the degree to which growth will occur in the Town of Milton, especially in the more recent years of the GSAI study period.

More recently, based on current data, the Integrated Growth Management Strategy Draft Preferred Growth Concept & Land Needs Assessment, Regional Council Workshop November 17, 2021, the Halton Region's population forecasts appear as though they are going to be downgraded for the period from 2021 to 2031 to an annual population growth of 4,900. This most recent population growth projection from the Halton Region was relied on by Milton Hydro with respect to longer term customer base growth trends.

Milton Hydro however, relied on the GSAI report in this Application for the Test Year number of customers as GSAI state in their report that Beyond 2024 and into 2027, the accuracy of the projections begin to diminish as there are a greater number of factors that can influence the timing of development. Such factors could include changes in political governments, residential housing market fluctuations affecting housing demand and the ongoing and uncertain impact of COVID-19 on the residential housing market through supply chain and labour disruptions. Milton Hydro used GSAI's projection of residential customer growth of 950, plus 50 nonresidential customers to base its System Assess investments i.e. 1,000 new customers per year, during the DSP planning period.

Based on best information available to it at the time of preparing this Application, Milton Hydro expects that population and customer growth from 2021 to 2031 will be very similar to the historical growth experienced from 2011 to 2021.

[3] INTEGRATED GROWTH MANAGEMENT STRATEGTY GROWTH SCENARIOS: Halton Region to 2041 report

[4] Exhibit 2 Attachment 2-2 Distribution System Plan, Appendix G. GSAI Projected Growth Analysis Study (2021).

Table 1-1 compares the population growth forecasted in each of the respective Halton Region municipalities over the next thirty years. The municipality of Milton expects to continue to have the highest % population growth rate relative to the other three municipalities with an increase in population from 2021 to 2031 of 36.85%, and an increase from 2031 to 2051 of 81.33%.

Table 1-1 Population Growth - Halton Region Integrated Growth Plan**

Municipality	2011	2011 - 2021 Growth	2011 - 2021 % Growth	2021*	2021 - 2031 Growth	2021 - 2031 % Growth	2031	2031 - 2051 Growth	2031 - 2051 % Growth	2051
Burlington	181,200	5,748	3.17%	186,948	23,000	12.30%	209,948	47,000	22.39%	256,948
Halton Hills	60,800	2,151	3.54%	62,951	17,000	27.01%	79,951	42,000	52.53%	121,951
Oakville	188,200	25,559	13.58%	213,759	58,000	27.13%	271,759	95,000	34.96%	366,759
Milton	**87,000**	**45,979**	**52.85%**	**132,979**	**49,000**	**36.85%**	**181,979**	**148,000**	**81.33%**	**329,979**
Total Halton Region	517,200	79,437	15.36%	596,637	147,000	24.64%	743,637	332,000	44.65%	1,075,637

* - Statistics Canada

** - Draft Preferred Growth Concept & Land Needs Assessment. Regional Council Workshop November 17, 2021. Regional Official Plan Amendment No. 48

Table 1-2 provides the data on the growth of customer base of the respective utilities in Halton Region. Milton Hydro's customer base has grown from 30,485 in 2011, to 41,221 in 2020, and is estimated to grow to 58,418 by 2031 and forecasted to 105,928 in 2051[5].

Table 1-2 Halton Region Utilities - Customer Base Growth

Electricity Distributor	2011	2011 - 2020 Growth	2011 - 2020 % Growth	2020	2020 - 2031 Growth	2020 - 2031 % Growth	2031	2031 - 2051 Growth	2031 - 2051 % Growth	2051
Burlington Hydro	64,329	4,239	6.59%	68,568	8,736	12.74%	77,304	17,306	22.39%	94,610
Halton Hills Hydro	21,232	1,332	6.27%	22,564	6,257	27.73%	28,821	15,140	52.53%	43,962
Oakville Hydro	63,614	10,387	16.33%	74,001	21,866	29.55%	95,867	33,513	34.96%	129,380
Milton Hydro	**30,485**	**10,736**	**35.22%**	**41,221**	**17,197**	**41.72%**	**58,418**	**47,510**	**81.33%**	**105,928**
Total Halton Region	179,660	26,694	14.86%	206,354	54,057	26.20%	260,411	113,469	43.57%	373,880

Milton Hydro provides electricity distribution services to customers in the municipality of Milton, which is the fastest growing municipality in Halton Region, and the fastest growing community of over 100,000 people in Canada[6]. As shown in the preceding table, Milton Hydro's rate of growth exceeds any of the other Halton Region electricity distributors, with growth in its customer base of 35.2% from 2011 to 2020, as compared to Oakville Hydro, the second fastest growing municipality in Halton Region with 16.3% growth in customer base. The growth of Milton Hydro's customer base from 2020 to 2031 is projected to be 41.7%, and from 2031 to 2051 is projected

[5] Using population growth data from Draft Preferred Growth Concept & Land Needs Assessment. Regional Council Workshop November 17, 2021. Regional Official Plan Amendment No. 48, based on the respective population to customer ratios in each utility.

[6] Canada's fastest growing and decreasing municipalities from 2016 to 2021

to be 81.33%. The projected growth of Milton Hydro's customer base will continue to exceed that of Oakville Hydro with a projected growth of customer base of 29.6% from 2020 to 2031 and 35.0% from 2031 to 2051.

Table 1-3 provides the average annual growth in customer base for the Halton Region electricity distributors. Milton Hydro's average annual growth in customer base from 2011 to 2020 was 1,193[7]. The projected population growth was used to project the average annual growth in customer base for the period from 2020 to 2031 of 1,563 customer, and of the forecasted average annual growth in customer base of 2,376 for the 20-year period from 2031 to 2051. What was once a small town is now grown into a mid-sized city serviced by a utility that is now classified as a large utility.

Table 1-3 Halton Region Utilities - Average Annual Customer Growth

Electricity Distributor	Average Customer Growth per year 2011 to 2020 - 9 Year	Average Customer Growth per year 2020 to 2031 - 11 Year	Average Customer Growth per year 2031 to 2051 - 20 Year
Burlington Hydro	471	794	865
Halton Hills Hydro	148	569	757
Oakville Hydro	1,154	1,988	1,676
Milton Hydro	**1,193**	**1,563**	**2,376**
Total Halton Region	2,966	4,914	5,673

With the projected population growth and subsequent growth in customer base, Milton Hydro has been investing into itself to have an adequate organizational structure with a skilled workforce, and digital systems to deliver high value for money services to its customers. Milton Hydro has been absorbing this additional spending in 2021 and 2022 but this is not a sustainable situation.

Due to Milton Hydro's former objective of cost minimization above all else, to the end of 2020, it curtailed hiring needed staff and delayed modernizing its digital systems to achieve its goal. Although Milton Hydro minimized costs and was one of the lowest cost distributors when benchmarked against other utilities, it did not over-earn. In fact, over the past three years Milton Hydro's regulated ROE was on average 222 basis points below its regulated return. In this Application, Milton Hydro's revenue requirement is being adjusted upwards to enable the Company to invest in appropriate resourcing so that its digital systems and workforce are right

[7] Based on change in Milton Hydro's year end metered total active electricity distribution customer accounts.

sized to enable the utility to operate sustainably over the coming years as its customer base continues to grow at a rapid pace.

The current level of revenue does not enable Milton Hydro to grow and develop its capabilities or to be proactive in managing the externalities identified. In a rapidly growing company and changing industry, investments in people, technologies and processes must be made. Prudent investments to support growth in a changing market are necessary while underinvestment has the potential to present risks to safety, services availability, resiliency, and efficiency. To do that Milton Hydro must get in front of the growth curve and minimize the risks that come from managing from behind the curve.

The integrated strategic plan is based on the following key themes:

A. Build a Future Ready Company that is Scalable and Sustainable

Why this is important to Milton Hydro

Milton Hydro must be prepared to manage the customer growth that is predicted to materialize in the coming decades which in and of itself will require incremental investments into Milton Hydro, however this is further exacerbated by the changes coming in the sector which Milton Hydro must also prepare itself for.

The energy market, specifically electricity is undergoing rapid transformation. Market factors such as climate policies, net zero emissions, sustainable energy trends, Environmental, Social, and Governance (ESG) trends, technology innovation, and energy policy changes are spurring change. Modernization is required to better manage the current business and to meet future demand & growth. The sector will experience accelerating disruption to the status quo through initiatives that range from distributed generation, energy storage to the mass electrification of transportation within the coming decade which will put pressures on Milton Hydro's electrical network that weren’t contemplated at the time of system design and capacity planning. Improved agility is needed to meet the transformational & disruptive changes to the LDC industry on the horizon. Milton Hydro must be ready to operate its distribution system as a distribution system operator (DSO) as the electricity landscape changes with more Distributed Energy Resources ("DERs") coming online. The Company’s classic electricity distribution

business will need to adapt and be ready to service its customer base no matter what changes happen.

While this is a trend that will be felt by all communities, this will be particularly acute within Milton in that its recent population explosion has created a municipality that is a commuter community consisting largely of very dense and large housing subdivisions whose residents rely heavily on automobiles. Simply put, there are lot of large houses with two cars in the garage in a very small geographic area.

Electrification of Transportation

There is little doubt that there is a worldwide trend towards the electrification of transportation. Canada has announced that it will banning the sales of fuel burning new cars and light trucks by 2035[8]. This represents a significant shift in technology that exclusively relies on the distribution grid. Simply put, Milton Hydro will be the source of fuel in the future of vehicles within Milton. According to PWC, Canada has goals of 40% of new vehicles as electric by 2030. The same study indicated that in the area of Kitchener-Waterloo, this could represent a peak demand increase of up to 25%.

Given Milton's unique demographics, it's not unreasonable to assume that the transition may occur faster.

Unique demographic characteristics of the population of Milton:

a. Higher than average median income than provincial average[9]

b. As the Town of Milton is largely a commuter community, there aren't a lot of large employers within Milton, and people must access transportation to get to their jobs i.e.: cars are required to commute.

c. Young demographic (largest age group is 35-39) – median age is 35[10] (a demographic that is more in touch with climate related initiatives and electric vehicles (EV)), i.e.: willing to invest in EVs.

[8] Building a green economy: Government of Canada to require 100% of car and passenger truck sales be zero-emission by 2035 in Canada
[9] https://townfolio.co/on/milton/demographics
[10] Ibid 9

d. Most community growth has come recently, meaning larger homes with higher panel capacity (to support EV's) in very dense subdivisions. Some communities have pockets of this type of density, Milton is mostly comprised of these types of subdivisions i.e.: larger load density.

The community will continue to see both rapid growth of population with a demographic profile that will continue to put pressure on the electrical infrastructure. Milton Hydro needs to mitigate functional and operating risks associated with the complement of staff to run its organization, and the digital systems used in its business.

To compound matters, Milton has staked its main industry in warehousing and logistics. Given its proximity to the 401 and national rail lines as well as ample greenfield space for construction, Milton has become a hub for transportation and logistics industries. CN has recognized Milton's infrastructure characteristics for the logistics and has announced a proposal for a significant inter-modal logistics hub planned for Milton[11]. As part of CN's long term plan of zero emissions, it has recently announced the purchase of 50 electric trucks from The Lion Electric Company[12]. It is a safe assumption that any construction of a major CN hub would include elements of electrifying segments of their fleet within their final design.

The confluence of Milton's demographics and vehicle electrification will challenge Milton Hydro from a capacity and operating management perspective and may eclipse other communities in terms of timing and adoption. To manage this transition, Milton Hydro needs to be proactive and ensure that its systems and capabilities are modernized and effective. The transition to EV will require increased knowledge, agility, investments in smart grid, adaptive & network capacity and real-time capacity management delivered through a combination of operational excellence, smart grid technologies and a dedicated control room.

The combination of community growth and impending transformation of the industry has compelled management to review its business and embedded practices to ensure they are both **scalable** and **sustainable** to meet its long-term demands.

Scalability within the strategy means that the business has developed and embedded sufficient financial capability, technology, and processes that it can continue to grow and effectively

[11] The Milton Logistics Hub was approved by the federal government on January 21, 2021, following an extensive environmental assessment under the Canadian Environmental Assessment Act, 2012.
[12] The Lion Electric Co. Receives Largest Order to Date

navigate the changing market while continuing to recognize the economies of scale that come with growth (not just by adding headcount to solve the problem which drives up costs).

Sustainability has two meanings within the strategy:

1. It means that longevity can be created within the Company's business through financial, technology, and operational capabilities; and

2. As an organization Milton Hydro must also move towards the trends of electrification and carbon neutrality and create a positive environment within the Milton Hydro footprint to do the same via DER's, Energy Storage etc.

Unfortunately, Milton Hydro must play catch up. While there was significant growth happening within the customer base, Milton Hydro did not invest enough into people, systems, and processes to enhance its capability and operating sophistication for future readiness. Milton Hydro's strategic pillar of **scalability and sustainability** represents the Company's efforts and initiatives to ensure that the business is being optimized and ensuring that its services are resilient, effective, and secure both now and into the future.

Increasing adverse weather frequency and severity will increasingly challenge Milton Hydro's distribution network's robustness. According to the Ontario Climate Change and Health Study, the number of Heat Waves are predicted to increase by almost 6 times over the next 25 years and 14 times into the 2080's vs the period between 1973 and 2000[13]. The continued rapid growth of Milton, coupled with increased loading would be exacerbated by climate events and weather instability.

Milton Hydro views a dedicated control room as a necessary function so it can best manage its distribution network to ensure the increased loading and acceleration of weather-related events are managed with a view to ensuring that Milton Hydro customers are top priority with a minimization of outages duration and frequency and to ensure the capacity is available for customer to fuel their electric vehicles.

Outcomes as a result of this strategic initiative:

a. Ensure that the Company can continue to meet the growth demands as they are currently understood

[13] ONTARIO CLIMATE CHANGE AND HEALTH MODELLING STUDY Report

b. Engineer and operate an electrical network that is able to adapt to and keep pace with the changing demand dynamics

c. Ensure that Milton Hydro has sound business practices that are optimized around efficiency and effectiveness

d. Reduce carbon emissions in the Company's business and enable technologies (internal and external) that can provide the same

e. Develop accurate and actionable data to better manage the business (finance to capacity engineering to warehouse)

f. Optimize the business through technology and process innovation to reduce costs, improve accuracy and improve network capabilities

Current/Planned Initiatives:

a. Create and follow a digital transformation roadmap that enhances Milton Hydro's technical capabilities through investments in:

    a. Enterprise Resource Planning system (ERP)

    b. Distribution automation (DA)

    c. Internal automation (human resource information system (HRIS), Payroll, and robotic process automation (RPA)) to create more scalability and less reliance on adding headcount

a. Establish and drive process innovation to ensure that business practices have been optimized through Lean and Six Sigma practices

b. Electrification of the fleet where it is practical

c. Build a robust control room and system control platform where Milton Hydro can better support its distribution customers and DSO requirements to continue to ensure uptime and network resiliency in the face of increasing customer reliance, load growth, weather related challenges and an increasingly complicated business.

d. Right sizing the headcount to enable the Company to operate more effectively and to create some resource capacity to implement the above initiatives (ERP, DA, RPA, etc)

e. Establishing the right culture to create a motivated and more effective workforce

Using Milton Hydro's 2.0 Strategy will enable the Company to be prepared for the changes that are coming in society and to the industry, and the Company will be forward looking and resilient. Milton Hydro will be able to meet the increasing demand for electricity, embrace emerging technological changes and respond to the challenges of climate change. Milton Hydro's 2.0 Strategy will enable the company to be future ready, resilient, and digitally modernized.

B. Build a Customer-Centric Organization

Why this is important to Milton Hydro

Milton Hydro has in excess of 42,000 customers that rely on Milton Hydro to heat their homes, refrigerate their food, power their internet (and some of their vehicles) and light their lives. Electricity is one of the most important services that residents and businesses use. Customer's expectations of their service providers is growing increasingly sophisticated, on-demand with the outcomes being delivered in real-time (think Amazon). These trends will continue to shape customer expectations going forward. Again, the demographics of Milton (generally younger and professional) will only continue to heighten these expectations of customer service. While the utility business is somewhat different from the retail business, there has to be movement towards these customer service capabilities to modernize the business and maintain trust in the Milton Hydro brand.

While not all customers may enjoy paying their hydro bills, the Company can make sure the experience with Milton Hydro is a good one. Milton Hydro's goal is to ensure that service availability is as high as possible, that dealing with Milton Hydro is a positive experience and that Milton Hydro understands and can enable/support the evolving grid applications that its customers may require. Milton Hydro will need to be able to respond to trends towards increased electrification and reliance on the grid for new applications. As Milton Hydro engages with its customers the Company must be proactive, available when needed by customers and ensure a quick resolution to their issues over communications platforms and methods that they use as not everyone's go-to method of communication is the phone or email, so Milton Hydro

will continue to build customer loyalty, satisfaction, and trust in its brand. Milton Hydro will also work to understand what is important to its customers so the business can evolve to match their requirements. Through an enhanced customer experience, high reliability and improved communications, Milton Hydro will evolve its processes and technologies to continue to match customer expectations.

Milton Hydro has one product that it delivers to its customers – electricity. Milton Hydro's customers rely on this product to power their lives and lifestyles. There are number of activities that come together to deliver and support that product but first and foremost, the service must be safe and reliable which are underpinned by a strong operating and control room capability. It has been the experience of Milton Hydro that outsourcing the control room activities as it has continued to grow has produced a substandard customer experience in many circumstances. In significant events that are driven by weather and loading, it has been Milton Hydro's experience that its needs (and therefore the needs of its customers) generally take secondary position to the LDC that hosts the control room. Dedicated resources within the outsourced control room model require a significant investment in people that would be paid for by Milton Hydro, while most other utilities of Milton Hydro's size have established control room capability. Milton Hydro does not have control room capabilities[14]. Given the factors that have been outlined by Milton Hydro, this initiative represents a significant cornerstone to enhancing the customer experience at Milton Hydro to ensure that outages are better managed through dedicated, accountable resources. This will minimize disruptions and downtime and ensure that Milton Hydro is operating at peak capability.

Milton Hydro has had a very traditional approach to customer services up until recently which is largely phone and email oriented and its approach to customer service is now being modernized. The customer journey will be optimized to better meet the customer requirements to get connected, to have their power restored, to have questions answered or to receive updates and communications on the electricity related items that are important to them. There are many platforms on which Milton Hydro can communicate with its customers; Milton Hydro will engage, communicate, and educate customers on a level never before available. By proactively communicating with customers there is the opportunity to reduce inquiries into the call centre and the resourcing required with that. By improving Milton Hydro's platforms and

[14] Based on information gathered by Milton Hydro, only three other large distributors besides Milton Hydro do not have their own in-house system control room. Two of the distributors have a smaller customer base than Milton Hydro.

processes it will provide customers a better experience and reduce redundancy or unnecessary effort.

Grid defection may or may not be a reality in the coming years, however one of Milton Hydro's goals is position itself to be Milton's electricity provider of choice in the minds of its customers should they someday have a choice to go off grid or derive power from some other method. Through excellence in customer service and a positive customer journey with Milton Hydro, the business is reinforcing its reputation to stave off potential customer loss. This ensures that there is a sufficient customer base to support Milton Hydro as a healthy business which leads upstream to the electricity sector overall. Disruptive technologies can impact the way Milton Hydro does business, excellent customer service is one of the strategies that Milton Hydro will employ to stave off customer loss and stranding of assets as has happened in the wireline telecommunications business.

Outcomes as a result of this strategic initiative:

a. Improved service availability for customers and enhanced network visibility and knowledge to the organization

b. Improved customer engagements and satisfaction

c. Ensure that Milton Hydro understands and delivers against evolving customer needs

d. Educate and engage with customers through more modern social media platforms

e. To have the brand be the trusted advisor and provider of choice should defection or competition become a reality

f. To establish additional baseline information for customer satisfaction and improve upon this score over time

g. Improved communications for both general information and outage information

h. Through communications and technology, reduce load on call centre while still providing key information to customers

Current/Planned Initiatives:

a. Developing a Milton Hydro control room that is focused specifically on Milton Hydro's services ensuring that outage extent, duration and frequency are minimized ensuring employees and the public are safe

b. Distribution automation and segmentation via remote switching capabilities for quicker service restoration

c. TextPower to provide more granularity on power outage notifications and customer confirmation and feedback to enhance the customer experience and reduce outage times[15]

d. Omni-channel customer engagements – engaging with customers on the communication platform of their choice and having a much better record of the details and engagement along with specific service level measurement & reporting

e. Implement customer survey's after interactions; establish customer sentiment for Milton Hydro through a net promoter score (NPS) or similar measure and develop voice of the customer (VoC) initiatives to continue to refine the business

f. Establish reliable and consistent communications on social media platforms for customer communications

g. Better technology with field crews to ensure they are enabled with real time and actionable information

h. Improvement of processes around customer services move towards a real-time/24/7 capability (i.e. Pre-authorization)

Milton Hydro will give better tools to customer service representatives to communicate with customers. In addition, Milton Hydro will develop automated ways to communicate with customers about power outages and will set higher standards for itself for customer service and system reliability. Milton Hydro's 2.0 Strategy is to be customer-centric.

[15] An outage notification service that provides text messages to customers who are experiencing an outage with following information: regarding the time of the outage, number of customers affected, cause of outage (if known), a link to outage map showing impacted area, and a follow up text when the outage has been restored.

C. Maximize Value using an Enterprise Approach

Why this is important to Milton Hydro

The Enterprise Approach to running a business is an effective approach which leverages continuous improvement, teamwork, and focuses on the customer. Milton Hydro needs to achieve the following elements to operate with a competitive business mindset, even though it is a rate-regulated business.

1. Key components of the Enterprise Approach that Milton Hydro aims to transform so it can operate based on an enterprise approach.

People – Milton Hydro established a new Manager, People and Culture to assist and develop a cohesive corporate culture embodying a one-team culture as a first step to being an agile organization. A one-team culture is one that shares 1) passion for achieving the corporate goals, and 2) the beliefs and 3) values within the organization, to collectively come together to achieve the corporate goals. A cross functional collaborative approach as a team enables the enterprise perspective

Process – As Milton Hydro undertakes process innovations through the Lean Six Sigma methodology, it will need to look at each process as it impacts the entire organization. All impacted departments will work together collaboratively through cross functional teams, to develop processes that ensure quality is checked each step of the way, and that controls exist to ensure no element of the process is missed. This enterprise approach needs to be engrained into Milton Hydro's way of process innovation to maximize the customer experience through a high-quality seamless experience using an enterprise perspective.

Technology - The Information Technology side of the Enterprise Approach relates to the resources, relating to the systems used, the management of information throughout its life cycle, the governance of information, the provision of resources, tools, and technologies, and to streamline solutions for better tools. By supplementing and updating the digital technology requirements in a clear, concise, well architected fashion Milton Hydro will be able to achieve enterprise-wide solutions. It will utilize mobile digital services and other applications that meet both internal and external requirements, and will delivery data, content, policy and programs more effectively. This is an opportunity to orient management and governance processes,

standards, culture, and technologies toward the future, a future that is agile, lean, information-centric, and enterprise oriented.

2. Information Technology Requirements

Software Requirements - Milton Hydro requires new and improved software and the ability to deploy new internally focussed applications and externally focussed applications such as omni-channel communications with customers in order to increase efficiency and respond to the growth in user demand for digital services. Milton Hydro faces continued pressure for increased digital services to customers while reducing costs. Technology change is happening at a rate of change faster than ever before, and Milton Hydro is continually challenged to assess new technologies and then implement those technologies that will benefit its business and customers.

Digital Investments - Milton Hydro must balance its digital investments in its software infrastructure with investments in future technology opportunities. From an enterprise perspective to respond to the challenge of innovating with fewer resources, increasing business requirements, rising customer expectations, and the ever-evolving landscape of information technology, Milton Hydro must do the following:

i. Utilize technologies customers need while expending fewer resources.

ii. Utilize future-ready business and technology solutions.

iii. Utilize evolving technologies, methodologies, and best practices.

3. Industry Best Practices to Follow for Enterprise Approach

To respond to these challenges, Milton Hydro needs to adopt industry best practices and sharing lessons learned internally and through its peers through industry association groups. Some enterprise perspective best practices that Milton Hydro needs to utilize are as follows:

a. Decision Making Driven by Actionable Data – One best practice is to use data to drive decisions at every stage of a process to measure how well the services are working for others. This includes how well a system performs and how well people are interacting with it in real-time. Milton Hydro's teams and leadership will establish metrics and monitor processes to find issues and identify which

changes and improvements to prioritize, along with having monitoring tools, and a feedback mechanism for staff to report issues directly.

b. Democratization of Data – Utilizing an enterprise information management approach and structuring, describing, and governing information assets, provides a set of enabling practices, frameworks, and roadmaps. Democratization requires that staff are provided with an easy way to understand the data. It requires sharing information in a form that everyone can read and understand. Through collaborative leadership Milton Hydro can leverage this as an enabler to transform the organization into an information driven company.

c. Open Data – Open data is another best practice. Collaboration in the open and publish data openly within the organization can improve organic growth. Sharing lessons learned and experience more openly, will simplify access to services and information, allowing users to contribute easily and enable reuse. Platforms like Sharepoint can enable this, and software like WDesk and Monday.com can be used for collaboration.

d. Shared-First - is a transformational business model that removes waste and duplication across the software portfolio. It is a compelling approach in the face of growing mission requirements in an environment of declining resources. Shared-First will drive the provision of service delivery of equal or higher quality at equal or lower costs. Identifying and pursuing opportunities for shared services is one method to reduce operating costs by leveraging shared platforms and service delivery.

e. Agile –build business processes and systems by viewing them as an ecosystem of interdependent services where each service contributes to the final customer value delivery. There is an established connection, and visibility across all of them, allowing a faster stream of communication top-down, bottom-up, or sideways. This will enable the visualization of the flow of solutions across all structures and thus focus on optimizing the entire value delivery stream. An Agile team responsible for each program delivered by the company will continuously aim to evolve their work processes to make them more "fit for purpose". They are empowered to make local decisions, freely share ideas, and

experiment with new things. This way, by being agile, Milton Hydro will aim to create an engaged workforce that delivers more quality services to the customers.

Outcomes as a result of this strategic initiative:

I. Improved overall end-to-end customer interaction/journey from an enterprise journey perspective.

II. Cohesively connected business processes and intra-company communications enabling the identification of issues along the way to ensure they are addressed adequately.

III. Develop innovative business processes to improve operational responses.

IV. Centralized storage of data so that it can be used as the single source of truth.

V. Reduced siloed decision making, and ensure clear accountability and sound decision making.

VI. Minimize errors or issues to improve overall customer experience through operational excellence.

Current/Planned Initiatives:

I. Establish a One-Team approach. Break down silos, share knowledge and encourage cross-skilled work to yield demonstrable benefits in quality and speed of delivery through collaboration.

II. Centralize the approach for end-to-end process planning via process innovation group.

III. Using Lean 6 Sigma, develop accountability and processes to improve operational response.

IV. Implementation of applications to ensure sharing of accurate and timely information (Sharepoint, Wdesk, Monday.com).

V. Improving cross department communication through internal newsletters, information and dashboards so all know what each are working on providing progress updates and through encouragement of cross-department communications.

VI. Through the new ERP system and data warehouses, enable central data sources where there will be a single source of data, so it can be stored and used companywide to create efficient and consistent outcomes.

Milton Hydro's 2.0 Strategy is to invest in its people, digital systems, and processes across the organization to maximize its enterprise approach to running its business.

D. Drive Profitable and Sustainable Growth

Why this is important to Milton Hydro

Milton Hydro has the opportunity for bottom line benefits through improved financial insight and management while ensuring that the risk universe is adequately identified and addressed. Milton Hydro needs to maximize its financial capability/efficiency to increase value for ratepayers and the shareholder. Risks to safety, financial loss, service quality risks or any material risk factors need to be understood and minimized.

As a regulated electricity distribution company, Milton Hydro has the opportunity to earn the OEB approved regulated return on equity every year. Over the past three years Milton Hydro has under-earned on average by 222 basis points each year. Part of the goal of this strategic theme is for Milton Hydro to earn its approved regulatory return on equity each year. Through improved financial insights and more strict financial management, and efficiency improvement, Milton Hydro will aim to achieve its regulated return on equity every year. Milton Hydro has made improvements to its processes for business planning and financial reporting, with more data available to analyze and explain budget variances. Through more analysis and data provision to accountable departments, Milton Hydro will have more actionable data to enable better cost control and cost discipline. Milton Hydro will obtain a bond rating and develop best in class treasury and cash management processes and will look to refinancing its debt through debt consolidation to achieve savings where possible. In addition, Milton Hydro will develop a formalized risk management policy to take a more disciplined approach to risk management and will use the tools that are available to mitigate potential business risks. An important element of this strategic theme is continuous improvement. Milton Hydro will set efficiency goals and adhere to the Lean Six Sigma methodology to drive efficiency into its business and pull all waste out of the business.

Milton Hydro's strategy to enable it to earn the approved regulatory return on equity is dependent on establishing a sustainable organizational structure, having the right skilled workforce, adequately scalable modernized digital resources, and through continuous improvement. Milton Hydro has grown to the size of a large distributor; however, its systems and organization have been scaled at the level of a small distributor. Once Milton Hydro resets its financial revenue requirements through the 2023 cost of service rate application, then Milton Hydro will be positioned for continued sustainable growth, and will be able to scale its systems and staff requirements to enable Milton Hydro to provide the level of service required to its customers as the customer base grows into the future. Through Lean 6 Sigma, and appropriately scaled digital systems Milton Hydro will be innovative and will improve its business processes to become more efficient so that it does not need to rely solely on adding headcount in the future to address resource shortfalls.

Outcomes as a result of this strategic initiative:

a. Maximized financial capability/efficiency

b. Improved planning and analytics process

c. Managed enterprise risk management

Current/Planned Initiatives:

a. Treasury and cash management initiatives

b. Debt consolidation and refinancing

c. Improved insight and timeliness to financial measures

d. Improved planning and analytics process

e. Enterprise risk management review and initiatives to mitigate identified items

The Company, through Milton Hydro's 2.0 Strategy will be a financially capable/efficient business that manages its risk. The goal is to identify new risk exposures and put mitigation plans in place. Milton Hydro will be vigilant on risk related items and adjusting its posture as required.

1.2.5. Milton Hydro's 2.0 Strategy to Address Resource Requirements

Milton Hydro's 2.0 Strategy is to address its shortfalls in resources through a three-pronged approach:

a. Workforce Optimization –To achieve Milton Hydro's 2.0 Strategy, the utility retained a third-party expert to review Milton Hydro's current organization structure against its needs and recommend resources required to affirm the continued effective and efficient operations of the business[16]. The review concluded that Milton Hydro has maintained a workforce 'well-below' the average of its other large-sized LDC peers for the past number of years. The review identified where staffing needed to be increased to meet the rapid and sustained growth of the Town of Milton.

As a result, in 2021 the Company initiated, the "right sizing" and "right skilling" of its workforce and began to make investments in staffing.

b. Digital Modernization - Based on the outcomes of a third-party report that was commissioned to review Milton Hydro's digital systems, the company is investing in digital modernization to possess the computer systems needed. The IT Strategy & Roadmap[17] laid out the IT Strategic Objectives, some of which are noted below:

   i. Optimize existing processes and enable automation to eliminate manual and repetitive tasks so that employees may refocus on higher-value tasks and meaningful engagements with customers.

   ii. Build for growth and agility through a holistic approach of people, process, and technology in order to satisfy the population growth in Milton and to respond to regulatory changes and technology disruptions.

   iii. Focus on end customers and establishing a 360 view of customer interactions so that employees can engage in meaningful conversations with customers.

   iv. Streamline customer interactions with an omni-channel view.

[16] Exhibit 4 Attachment 4-3 Resource Optimization Review Report
[17] Exhibit 2 Attachment 2-2 Distribution System Plan, Appendix F. PwC IT Roadmap

Milton Hydro started making investments in digital modernization in 2021, and incorporated investments in digital modernization into the business plans for 2022 and 2023 and its Distribution System Plan for 2023.

c. Productivity Improvements – Using the Lean Six Sigma approach to process improvement Milton Hydro will reduce its reliance on increasing its workforce by removing non-value-added activities within respective work environments, through low effort/cost/tech/risk solutions. Lean Six Sigma is a methodology that relies on a collaborative team effort to improve performance by systematically removing waste and reducing variation. It combines lean manufacturing/lean enterprise and Six Sigma to eliminate eight kinds of waste. See Exhibit 1 sub-section 1.9 Facilitating Innovation for more on Lean Six Sigma.

Milton Hydro's 2.0 Strategy is to strive to be more efficient and productive thereby positioning the company in the future to rely less on increases in the workforce that may be required to meet the demands on the Company, resulting from the continued growth in the customer base.

1.2.6. Milton Hydro's Business Plan

1.2.6.1. Summary of Milton Hydro Business Planning Objectives

Milton Hydro's specific goals associated with this Application are as follows:

a. Make investments to improve system reliability through reducing outage duration by making investments to increase system automation, through having more remotely controlled overhead/underground switches and faulted circuit indicators in the distribution system, to enable greater visibility of the distribution system, to isolate faulted lines to restore power more quickly. Customer preferences clearly revealed that customers expect higher reliability in this new digital world. Milton Hydro listened to customers and updated its Distribution System Plan. See Exhibit 1 sub-section 1.7 Customer Engagement.

b. Investing in an in-house system control room, to have better 24x7 coverage of the system to enable reconnecting the power grid faster, and position Milton Hydro to be ready to act as a Distribution System Operator (DSO) as the electric grid becomes more complex due to added automation, DERs, etc.

Milton Hydro will need to deploy more sophisticated tools, which will require a flexible and capable work force. Dedicated Milton Hydro operators will be able to spend more time learning and perfecting their use of these tools without having to divide their time between Milton Hydro and other utilities systems as outsourced operators would need to do and should therefore provide greater benefits to Milton Hydro and their customers in the long run.

Milton Hydro contracted AESI to complete a study of the costs and benefits of implementing an in-house control room as compared to the costs and benefits of various outsourcing models. Based on a comparison of the size, complexity, and age of Milton Hydro's electrical system to similar utilities in Ontario, Milton Hydro is at the stage where a 24x7 control room will provide significant benefits to the Company and their customers. Milton Hydro provides its business case to establish an in-house control room[18].

c. Maintain safety and service quality.

d. Address key pressures to the business, including:

   i. Growth in customer base. The Town of Milton is fastest growing community of over 100,000 people in Canada[19]. and Milton Hydro has grown to a large-size electricity distributor based on customer counts, but its systems and workforce are scaled for a small-size electricity distributor.

   ii. The effects of severe weather events.

e. Make prudent investments in critical business systems, and human resources to enhance service offerings and provide high value for money services to customers, including:

   I. Make investments to right size the workforce based on recommendations received in a third-party Resource Optimization Review report to achieve the Company's Strategic Plan[20].

[18] See Exhibit 4 sub-section 4.4.2.4 Network Control Room Operations for business case for establishing an in-house control room.
[19] Ibid 6
[20] Ibid 16

II. Make investments in new digital processes according to the recommendations received in a third-party IT Strategy and Roadmap report[21] to enable Milton Hydro to have the right systems to achieve its strategic goals including:

i. Invest in process automation, through Artificial Intelligence, new software reporting tools, data warehouses, and other automation software platforms.

ii. Continue to invest in communications software platforms to interact with customers to provide an omni-channel approach to communicate with customers so Milton Hydro can communicate with customers how they want to be communicated with, and when they want to be communicated with.

iii. Invest in a new ERP system, to become more customer-centric and future-ready through investing in a system to enable better scalability.

iv. Make targeted IT investments to improve business processes using the Lean Six Sigma approach to improve processes, enabling improvements to productivity.

III. Overhaul Milton Hydro's business processes through innovation using Lean Six Sigma making customer central to how Milton Hydro runs its business, ensuring an adequate feedback loop established to maintain high service quality[22].

f. Renovate the Milton Hydro Office and Operations Building to construct a control room, add needed workspace for Milton Hydro's growing workforce, and move the Customer Service Department to facilitate better accessibility to Milton Hydro's customers[23].

g. Pace the level of investments in the DSP, to help smooth bill impacts.

Milton Hydro provides further details in Exhibit 1 sub-section 1.6 Application Summary of this Exhibit.

[21] Ibid 17
[22] For more information regarding Milton Hydro;s progress regarding process innovations achieved see Exhibit 1, 1.9 - Facilitating Innovation below.
[23] Exhibit 2 Attachment 2-2 DSP Appendix I: Cresa Strategic Facility Plan report

1.2.6.2. Overview of Budget Process and Methodology

Milton Hydro's annual business planning cycle typically includes a forecast of the current year, plus 5 proposed forward-looking years that are presented to the Board of Directors for approval. The first year of the forward-looking years is the budget year and the other 4 years are the forecast years.

The business planning cycle is initiated by a goal setting meeting and budget planning session with Finance, the Executive Team, and the Board of Directors. The intent of the session is to identify the needs of the organization, ensuring the delivery of reliable electricity to customers, and the overall strategic direction of Milton Hydro. At the onset of each business planning cycle, the Finance team sets goals and objectives for the organization that align to the Milton Hydro strategy pillars.

Business unit leaders develop a 'bottom up' budget incorporating the needs, key priorities, and initiatives, along with supporting rationale. A preliminary budget is submitted to the Finance team for compilation. All business unit leaders are asked to justify their planned capital and operating expenditures, revenues (if applicable), and staffing levels baselined from the inputs approved in the prior approved planning cycle. Any increases to the budget year relative to the prior year budget are scrutinized and supported by business cases outlining the benefit to Milton Hydro and its customers. After the Chief Financial Officer's review and approval, the proposed budget is compiled and submitted to the Chief Executive Officer for review and approval and subsequently to the Board of Directors for consideration and approval.

Due to the preparation of the 2023 rate application, Milton Hydro needed to work on both the 2022 and 2023 business planning cycles concurrently. Milton Hydro completed its 2022 business planning cycle in November 2021 and received Board of Director approval of its 2022 business plan on December 13, 2021, and Milton Hydro completed its 2023 business planning cycle in February 2022 and received Board of Director approval of its 2023 business plan on March 28, 2022.

As part of the 2023 business planning cycle, Milton Hydro undertook additional consultations with its customers to verify whether its draft plans were consistent with customer preferences. Exhibit 1, Section 1.7 - Customer Engagement, further outlines the methodology and feedback from this consultation. Based on the responses from customers during customer engagement, it was identified that customers supported the original plan; however, customers preferred that

Milton Hydro invests more to improve service. Based on customer feedback and preferences, Milton Hydro made changes and re-prioritized some of its investments during the DSP period, with a goal to improving service without increasing its total capital budgets.

The 2023 business plan underpins the 2023 Cost of Service rate application. The following components of the 2023 Business Plan were used in the Application:

- The 2022 forecast is being used for the 2022 Bridge Year;
- The 2023 budget is being used for the 2023 Test Year; and
- The Capital Expenditures from 2023 to 2027 are being used in the DSP.

The Board of Directors approved the 2023 Business Plan on March 28, 2022. In addition, Milton Hydro's 2021 actual financial results were audited prior to completing this rate application and were incorporated into the Application as well.

1.2.6.3. Milton Hydro's 2023 Business Plan

Milton Hydro received approval of its 2023 Business Plan from its Board of Directors on March 28, 2022.

Milton Hydro has included a copy of its 2023 Business Plan as Attachment 1-2 2023 BUDGET AND 2024-2027 FORECAST.

1.2.7. Alignment with Renewed Regulatory Framework

Milton Hydro's Mission, Values and Strategic Objectives align with the OEB's Renewed Regulatory Framework and the achievement of performance outcomes as documented in the OEB's report titled, "*Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*" (the "RRFE Report"), released October 18, 2012. The RRFE framework is a comprehensive performance-based approach to regulation that is based on the achievement of outcomes that ensure that Ontario's electricity system provides value for money for customers.

The four RRFE outcomes are as follows:

Customer Focus: services are provided in a manner that responds to identified customer preferences;

Operational Effectiveness: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;

Public Policy Responsiveness: utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and

Financial Performance: financial viability is maintained; and savings from operational effectiveness are sustainable.

Milton Hydro's Strategic objectives are aligned with the four categories of performance outcomes under the RRFE, as shown in the table below.

Table 1-4 Alignment of Strategic Objectives to RRFE

#	RRFE Performance Outcomes	Strategic Theme	Strategic Objectives
1	Customer Focus	Build a customer-centric organization	• Meet evolving customer needs and expectations to drive higher customer satisfaction through enhanced customer interactions based on timely information. • Ensure that service quality (availability/reliability) is maximized.
2	Operational Effectiveness	Build a future ready company that is scalable and sustainable	• Establish sound business practices and optimize processes for efficiency to effectively service the growth requirements of customers • Use technology to modernize and enhance business practices to make data driven decision. • Possess motivated, agile and capable workforce for effective execution with sufficient depth to de-risk employee loss. • Demonstrate leadership in electrification of assets and fleet (Net Zero)
		Maximize our value using an enterprise approach	• Understand customer experiences from an enterprise journey perspective and improve the overall experience from end-to-end. • Reduce errors or issues associated with undefined accountability and improve customer experience and operational excellence. • Reduce siloed decision-making and shift to a sound, overall decision-making approach.
3	Public Policy Responsiveness	Drive profitable and sustainable growth	• Minimize risks to safety, financial loss, service quality risks or any material risk factors
		Build a future ready company that is scalable and sustainable	• Quickly meet evolving market dynamics (technology, energy transition, regulatory)
4	Financial Performance	Drive profitable and sustainable growth	• Maximize the financial capability and efficiency of the company to increase value for ratepayers and the shareholder. • Minimize risks to safety, financial loss, service quality risks or any material risk factors.

Milton Hydro's asset management objectives also align with the RRFE performance outcomes as shown in the table below.

Table 1-5 Alignment of Asset Management Objectives to RRFE

#	RRFE Outcomes	Asset Management Goal	Asset Management Objectives
1	Customer Focus	Stakeholder consultation	• Promotion of open discussion with MHDI stakeholders about their needs and the service MHDI provides to ensure asset management plans align with stakeholder expectations
2	Operational Effectiveness	Safety	• Construct, maintain and operate all assets in a safe manner to meet a goal of zero injuries, illness and incidents
		Reliability in electricity delivery	• Design, build, operate and maintain all MHDI facilities and transportation equipment so they are reliable, safe, and acceptable to local communities.
3	Public Policy Responsiveness	Regulatory Compliance	• Ensure responsiveness to public policy requirements and objectives; facilitation of new renewable generation; facilitation of the smart grid
4	Financial Performance	Financial integrity and accountability	• Timely completion of annual planning, inspecting, reporting and implementation activities

1.3. CUSTOMER SUMMARY

In accordance with the Chapter 2 Filing Requirements, Milton Hydro provides a brief summary of its Application to be posted as a stand-alone document on the OEB's website for review by the general public and has been made available to customers on Milton Hydro's website. The customer summary is provided below as Attachment 1-3. The Customer Summary is also attached as a stand-alone document 2023_Application_Customer_Summary_Milton_Hydro.

1.4. ADMINISTRATION

In accordance with the OEB's *Filing Requirements* this section of the application provides information relating to the administration of this application.

1.4.1. Certification of Evidence

Milton Hydro provides certification of the evidence filed in this Application in Exhibit 1 as Attachment 1-4 Certification of Evidence - 2023 Application.

1.4.2. Primary Contact Information

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1.4.3. Legal Representation

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1.4.4. Internet Address and Social Media Accounts

The Application and related materials will be posted on the Milton Hydro website and on social media and will be available for viewing at the following internet address: www.miltonhydro.com

Social media accounts used by the Applicant to communicate with customers:

Milton Hydro (@MiltonHydro) Twitter account: twitter.com/MiltonHydro

Milton Hydro Facebook account: www.facebook.com/MiltonHydroDistributionInc/

Milton Hydro LinkedIn account: https://ca.linkedin.com/company/milton-hydro-distribution-inc.

1.4.5. Statement of Publication

Milton Hydro will follow the OEB's instructions regarding the publication of Notice in relation to this Application. Milton Hydro proposes to publish the Notice of Application in the Milton Canadian Champion, a free weekly publication.

1.4.6. Material Impacts on Customers

The proposals set forth in this Application will change the rates for all customer classes; however, there are no proposed changes that will result in bill impacts which exceed the 10% total bill impact threshold and which would consequently have a material impact on customers.

1.4.7. Materiality Threshold

Section 2.0.8 – Materiality Thresholds of the Chapter 2 Filing Requirements states that the materiality threshold relates to the revenue requirement impact of the expenditure. Milton Hydro's applicable materiality threshold is defined as 0.5% of distribution revenue requirement for a distributor since its distribution revenue requirement is greater than $10 million and less than or equal to $200 million. Milton Hydro's distribution service revenue requirement for 2023 in this Application is $24,771,346 which equates to a materiality threshold of $123,857. Milton Hydro provides its materiality threshold used in its Application in Table 1-6 below. Milton Hydro has applied the materiality threshold of $125,000 in its analysis throughout this Application. Milton Hydro notes that throughout in some sections, it has chosen to provide explanations for variances below its materiality threshold, where these explanations were necessary for meaningful analysis.

Table 1-6 Materiality Threshold for 2023 Test Year

Description		2023 Test Year
Distribution Revenue Requirement	$	24,771,346
Materiality Threshold 0.5%	$	123,857
Materiality Used	**$**	**125,000**

1.4.8. Bill Impacts for Notice of Application

Milton Hydro provides Table 1-7 which includes Bill impacts (the bill impacts that result only from distribution cost changes per sub-total A of Tariff Schedule and Bill Impacts spreadsheet model) to be used for the notice of application.

Table 1-7 Bill Impacts resulting from 2023 Rate Application

	Total Bill Impact		
Rate Class	kWh usage	$	%
Residential	750	5.32	4.18%
GS < 50 kW	2,000	3.92	1.22%

1.4.9. Form of Hearing

Milton Hydro requests that this Application be disposed of by way of a written hearing.

1.4.10. Proposed Effective Date of Rate Order

Milton Hydro requests that the OEB make its Rate Order Effective January 1, 2023. In the event that the OEB is not able to provide a Decision and Rate Order in time for Milton Hydro to implement its rates effective January 1, 2023, Milton Hydro requests that the OEB declare Milton Hydro's current rates interim effective January 1, 2023 and approve rate riders to recover the incremental revenue between the implementation date of the OEB's 2023 Rate Order and January 1, 2023.

1.4.11. Changes to Methodologies used in Previous Applications

The methodologies used in this Application are generally consistent with those applied in Milton Hydro's 2016 Cost of Service application. Milton Hydro has made changes as required as the Filing Requirements have evolved since those used in the 2016 Application.

Milton Hydro has made some changes to its methodology for load forecasting in order to address the cessation of the Conservation First Framework for Conservation and Demand Side Management (CDM) and has changed the approach used to adjust the load forecast relating to CDM based on the latest OEB CDM Guidelines. In addition, Milton Hydro has made adjustments to its load forecasting approach to address changes in customer load patterns resulting from the COVID- 19 Pandemic. Please refer to Exhibit 3 for a discussion of these items.

Consistent with Article 410 of the Accounting Procedures Handbook, Milton Hydro has identified major spare parts and standby equipment (MSP&SE) to be included with its capital assets used for rate-setting purposes. The associated details are outlined in Exhibit 2. In it's 2016 Application Milton Hydro did not previously include MSP&SE as part of its Rate Base.

Milton Hydro prepared the pro-forma projections for the 2023 Test Year in accordance with the same approach that was used when it prepared its 2016 Cost of Service rate application, except that rates for distribution and sales of electricity are now constant for the entire 2023 Test Year, since Milton Hydro's rate year is now aligned with its fiscal year. In Milton Hydro's 2022 IRM proceeding, the OEB approved Milton Hydro's request to align its rate year with its fiscal year.

1.4.12. OEB Directions from Previous Decisions and/or Orders

Below is a summary of directives from previous decisions and/or orders and a description of how such directives have been addressed by Milton Hydro in this Application.

1.4.12.1. Accounting Guidance - OEB Cost Assessment

The OEB revised its Cost Assessment Model effective April 1, 2016, which materially changed the amount charged to LDCs for the OEB Annual Assessment[24]. The OEB established a sub account of Account 1508 - OEB Cost Assessment Variance - for LDCs to record any material differences between the OEB Annual Assessment currently built into rates, and Annual

[24] OEB Letter re Revisions to the Ontario Energy Board Cost Assessment Model, February 9, 2016

Assessments that resulted from the application of the new cost assessment model effective April 1, 2016. Milton Hydro proposes to dispose of the projected balance in this account to December 31, 2022. This disposal is detailed in Exhibit 9, sub-section 9.5.2. Request for Disposal of Group 2 DVAs.

1.4.12.2. Accounting Guidance – Wireline Pole Attachment Charges

The OEB set a new province-wide wireline pole attachment charge for carriers of $43.63 per pole per year effective January 1, 2019, in its Report of the Ontario Energy Board – Wireline Pole Attachment Charges dated March 22, 2018[25]. The new charge applied to all local distribution companies (LDCs) that had not received OEB approval for a distributor-specific pole attachment charge. As a transitional measure, to help mitigate the impact of the increase from the previous charge of $22.35 to the new charge of $43.63, LDCs without a distributor-specific charge were directed to charge a province-wide pole attachment charge of $28.09 per pole per year effective from September 1, 2018, until December 31, 2018. Distributors were directed to charge $43.63 from January 1, 2019, to December 31, 2019 and the OEB stated that thereafter the OEB would adjust the change annually by the OEB approved inflation factor commencing January 1, 2020. Distributors were directed to increase the charge to $44.50 from January 1, 2020, to December 31, 2020 as a result of the inflationary adjustment for January 1, 2020. Effective January 1, 2021, the OEB suspended the inflationary adjustment until further notice, and decided that the province wide pole attachment charge will remain at $44.50, on an interim basis[26].

Milton Hydro's last rebasing application was in 2016 at which time it was charging the province wide pole attachment charge of $22.35 per pole per year. The specific service charge revenues associated with this pole attachment charge were recorded as a revenue offset. As such, with the increase in the province-wide wireline pole attachment charge for carriers effective September 1, 2018, Milton Hydro would be collecting incremental revenue as compared to that which was approved in rates. In a letter issued March 22, 2018, the OEB instructed distributors to record the excess incremental revenue as of September 1, 2018, until the effective date of its rebased rates in a new variance account related to pole attachment charges. It also directed distributors to refund the closing balance in the distributor's next cost of service application. The OEB provided accounting guidance in its letter Accounting Guidance on Wireline Pole

[25] OEB Letter - Updated Pole Attachment Charge for Wireline Pole Attachments OEB File Number: EB-2015-0304, March 22, 2018
[26] EB-2020-0288 Wireline Pole Attachment Charge Decision dated December 10, 2020.

Attachment Charges, dated July 20, 2018; and created a new variance account, Account 1508 – Sub Account – Pole Attachment Revenue Variance to record the incremental revenue arising from the changes to the pole attachment charge. Milton Hydro adhered to this accounting guidance and is proposing to dispose of the projected balance in this account to December 31, 2022.This disposal is detailed in Exhibit 9, sub-section 9.5.2. Request for Disposal of Group 2 DVAs.

1.4.12.3. EB-2015-0089 Milton Hydro 2016 Cost of Service Decision

In Milton Hydro's 2016 Cost of Service there were a number of items that carry forward and impact the 2023 Cost of Service proceeding the following summarizes the matters that affect this Application, and are discussed in more detail below:

- Disposition of Group 2 Deferral and Variance Accounts
  - Account 1576 - Accounting Changes under CGAAP - True-up of 2015 estimated account balance.
  - Account 1508 - Deferred IFRS Transition Costs - True-up of residual balance of account for difference between costs and recovery.
- Disallowed costs relating to new building acquired in 2015.

Account 1576 - Accounting Changes under CGAAP

In its 2016 Cost of Service rate application, Milton Hydro rebased under revised CGAAP under the new capitalization, and depreciation policies consistent with the OEB letter dated July 17, 2012[27]. As such, Milton Hydro disposed of its balances related to new capitalization and depreciation policies, as forecasted to the end of December 31, 2015 in Account 1576 - Accounting Changes under CGAAP. At the time that Milton Hydro determined the December 31, 2015, balance of account 1576, it was prior to year-end and not all information was available to calculate the final balance of this account. Milton Hydro therefore forecasted the balance of this account based on an estimate, and now in this Application the account balance as at December 31, 2015 has been trued up to actual. The adjusted balance of this account has been audited as at December 31, 2021. In this rate application Milton Hydro brings forward a request to dispose

[27] OEB Letter: Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013, July 17, 2012

of the remaining balance in this account, which is made up of the difference between the final actual pre-disposition account balance and the projected pre-disposition account balance as at December 31, 2015. Milton Hydro requests for approval to dispose of account balance and transfer the balance to the current period sub-account of Account 1595 2023 Principal Balances approved for disposal. This disposal is detailed in Exhibit 9, sub-section 9.5.2. Request for Disposal of Group 2 DVAs.

Account 1508 - Deferred IFRS Transition Costs

In its 2016 Cost of Service rate application, Milton Hydro disposed of the balance of this account. In this Application Milton Hydro requests to dispose of the residual balance of this account and transfer the balance to the current period sub-account of Account 1595 2023 Principal Balances approved for disposal. This disposal is detailed in Exhibit 9, sub-section 9.5.2. Request for Disposal of Group 2 DVAs.

Disallowed Costs Relating to Building Costs

In the OEB Decision on the Motion to review and vary the Decision and Order dated July 28, 2016, on Milton Hydro's electricity distribution rates and charges beginning May 1, 2016 (EB-2015-0089)[28] the disallowed costs relating to the building at 200 Chisholm Dr. were determined as follows:

a. Costs related to un-renovated space of 5,160 sq. ft.was disallowed from fixed assets

b. Costs related to renovated space of 1,640 sq. ft. was disallowed from fixed assets

c. Costs related to storage space of 36,000 sq. ft. was disallowed from fixed assets

d. Costs related to OM&A were disallowed in relation to the disallowed building space

In the current proceeding, Milton Hydro has brought the respective disallowed capital costs back into rate base and the disallowed OM&A costs back into the determination of Revenue Requirement for 2023. Milton Hydro explains the reasons for doing this in Exhibit 2, sub-section 2.2.2. Bringing Disallowed Space into Rate Base Attachment 2-1 Bringing Disallowed Space into Rate Base Justification, and Exhibit 4.3.5.1.1, relating to fixed assets and OM&A respectively.

[28] EB-2016-0255

1.4.12.4. EB-2020-0133 Consultation on the Deferral Account – Impacts Arising from the COVID-19 Emergency

On June 17, 2021, the OEB issued the Report of the OEB: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency. As indicated in the report, claims for recovery of amounts recorded to account 1509 would ideally be filed in a utility's next cost-based proceeding. Milton Hydro has complied with the rules and operations of the account and has met the means test. Milton Hydro is requesting the recovery of amounts recorded as the result of Milton Hydro's compliance with government or OEB-initiated programs aimed at providing relief to customers which is referred to as the Exceptional Pool. Milton Hydro has met the means tests for eligibility for recovery of the exceptional pool sub-account. This disposal is detailed in Exhibit 9, sub-section 9.5.2. Request for Disposal of Group 2 DVAs.

1.4.13. Conditions of Service

Milton Hydro's current Conditions of Service are available for viewing on its website, at link.

Milton Hydro has reviewed and updated its Conditions of Service effective January 1, 2020, to include the following items:

- Various "housekeeping" changes.
- Added "Customer Owned Poles"
- Added "Water/Wastewater Billing and Move Out Notice"
- Added "Late Payment Charges, Payment Allocation and Water/Wastewater"

Milton Hydro confirms that there are no rates or charges listed in the Conditions of Service that are not on the Tariff of Rates and Charges.

1.4.14. Corporate and Utility Organizational Structure

Corporate Organizational Structure

Milton Hydro Holdings Inc., incorporated on August 30, 2000, under the *Business Corporations Act* (Ontario), is the parent holding company of three wholly owned subsidiary companies, a regulated "wires" company, Milton Hydro Distribution Inc., and two unregulated companies,

Milton Energy & Generation Solutions Inc., and Milton Hydro Services Inc.. The Town of Milton has 100% ownership interest in Milton Hydro Holdings Inc.

The municipal Shareholder appoints up to five (5) directors to the Board of Directors for Milton Hydro Holdings Inc. The Holding Corporation Board appoints the directors to Milton Hydro Distribution Inc. Board of Directors. The Board of Milton Hydro Distribution Inc. consist of eight (8) directors appointed annually. The appointment of members to the Milton Hydro Distribution Inc. Board is based on a recommendation from the Town of Milton.

The Board of Directors oversees the management of the business affairs of Milton Hydro Distribution Inc.

Figure 1-1 sets out the reporting relationships between Milton Hydro Distribution Inc. and Milton Hydro Holdings Inc.. Figure 1-2 sets out the reporting relationship within Milton Hydro Distribution Inc. effective 2022.

Figure 1-1 Milton Hydro Ownership Structure

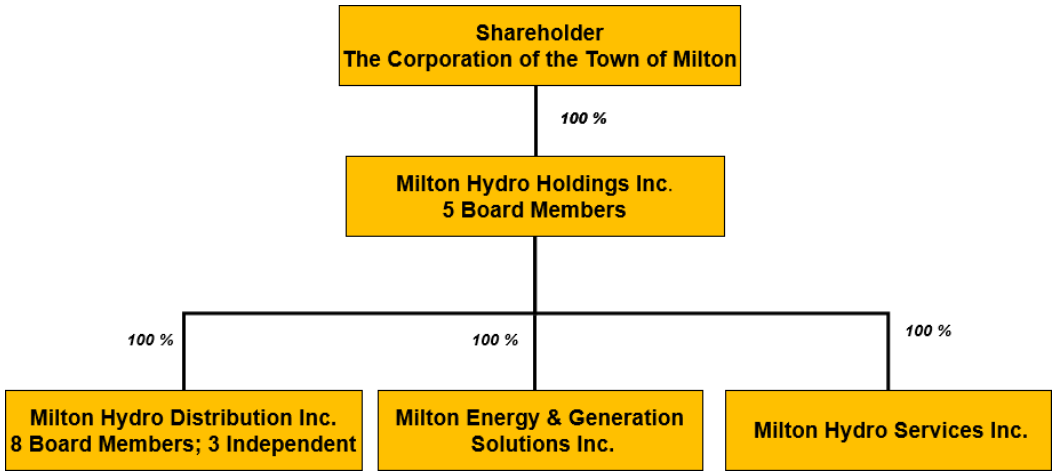
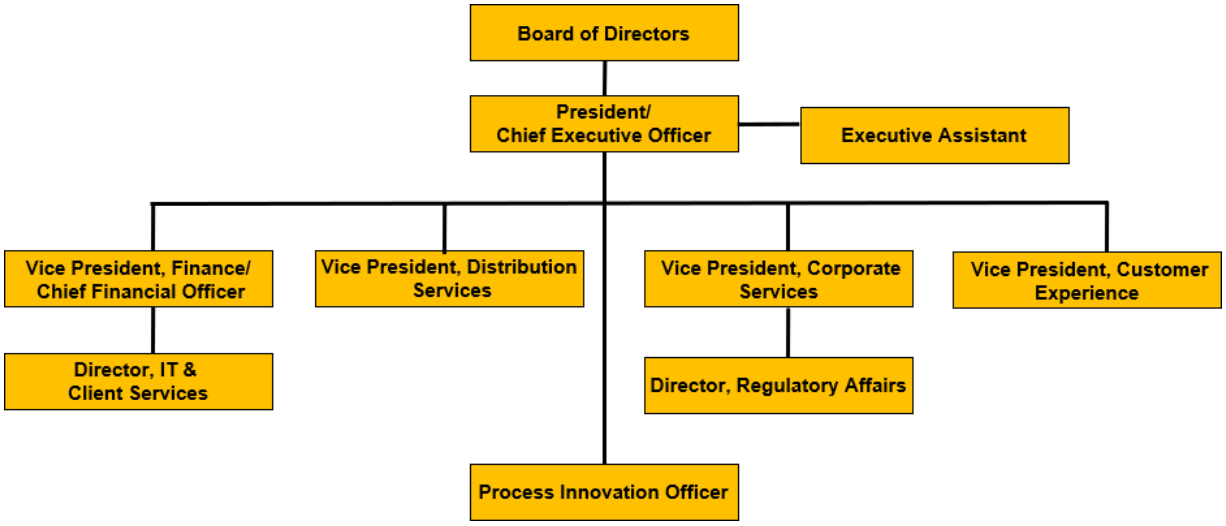


Figure 1-2 Executive and Board Organization Chart



1.4.15. List of Specific Approvals Requested

In this proceeding, Milton Hydro is requesting the following approvals:

Table 1-8 List of Specific Approvals Requested

Appendix 2-A
List of Requested Approvals

The distributor must fill out the following sheet with the complete list of specific approvals requested and relevant section(s) of the legislation must be provided. All approvals, including accounting orders (deferral and variance accounts) new rate classes, revised specific service charges or retail service charges which the applicant is seeking, must be separately identified, as well being clearly documented in the appropriate sections of the application.

Additional requests may be added by copying and pasting blank input rows, as needed. If additional requests arise, or requested approvals are removed, during the processing of the application, the distributor should update this list.

Milton Hydro Distribution Inc. is seeking the following approvals in this application:

1		Approval of the 2023 Test Year rate base as proposed in Exhibit 2 - Rate Base.
1	a	Approval of Milton Hydro's average net book value of fixed assets and working capital allowance as proposed in Exhibit 2 - Rate Base.
1	b	Approval to incorporate costs related to disallowed building fixed assets, from the 2016 rate proceeding, into the determination of 2023 rate base as documented in Exhibit 2 - Rate Base sub-section 2.2.2. Bringing Disallowed Space into Rate Base
2		Approval of the 2023 Test Year revenue requirement as proposed in Exhibit 6 - Calculation of Revenue Deficiency or Sufficiency as follows:
2	a	Approval of the capital structure, cost of capital parameters, and deemed return on equity and debt proposed in Exhibit 5 - Cost of Capital and Capital Structure.
2	b	Approval of test year Operations, Maintenance and Administration expenses, property taxes & payments in lieu of taxes (PILs) in Exhibit 4 - Operating Expenses.
2	c	Approval of the 2023 Test Year Service Revenue Requirement of $26,972,710 as proposed in Exhibit 6 - Calculation of Revenue Deficiency or Sufficiency.
2	d	Approval of the 2023 Test Year Base Revenue Requirement of $24,771,346 as proposed in Exhibit 6 - Calculation of Revenue Deficiency or Sufficiency.
2	e	Approval of the 2023 Revenue Offsets of $2,201,364 as proposed in Exhibit 3 - Operating Revenue.
3		Approval of Cost Allocation as filed in Exhibit 7 - Cost Allocation.
4		Approval of 2023 distribution rates and charges, effective January 1, 2023, as proposed in Attachment 8-3 - Proposed Tariff of Rates and Charges of Exhibit 8 - Rate Design.
5		Approval of the 2023 load forecast as documented in Exhibit 3 - Operating Revenue, sub-section 3.2. Summary of Load and Customer/Connection Forecast
6		Approval of a revised loss factor as identified in Section 8.9 of Exhibit 8 - Rate Design.
7		Approval of updated Retail Transmission Service Rates (“RTSRs”), as identified in Section 8.3 of Exhibit 8 - Rate Design.
8		Approvals for the clearance related to the December 31, 2021 audited balances of $1,860,501 for Group 1 DVA accounts, and associated class specific rate riders and manual adjustments effective January 1, 2023 as set out in Exhibit 9 - Deferral and Variance Accounts.
9		Approvals for the clearance related to December 31, 2022 forecast balances of ($843,483) for Group 2 DVA accounts, and associated class specific rate riders and manual adjustments effective January 1, 2023 as set out in Exhibit 9 - Deferral and Variance Accounts.

10		Approval for the clearance of the balance in its Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") of $533,341, resulting from its Conservation and Demand Management ("CDM") activities up to December 31, 2022 as identified 9.5.3. Request for Disposal of Account 1568 LRAMVA
11		Other items or amounts that may be requested by Milton Hydro during the course of this proceeding, and as may be granted by the OEB.

1.5. DISTRIBUTION SYSTEM OVERVIEW

Milton Hydro operates under distribution license [ED-2003-0014] and is wholly owned by the Town of Milton. Milton Hydro service the community of the Town of Milton, a map of Milton Hydro's Service Area with Neighbouring LDC's is provided in Attachment 1-5.

Community Served	Town of Milton
Community Population	132,979
Business and Residential Customers	>42,000
Overhead Lines	784 kilometers
Underground Lines	2,030 kilometers
Municipal Distribution Stations	4 MS plus 1 Regulator facility
Number of Poles	9,903
Rural Service Area	285 square kilometers
Urban Service Area	83 square kilometers
Supplied by	Palermo TS (HONI) Tremaine TS (HONI) Halton TS (HONI) Fergus (HONI) Glenorchy (Oakville Hydro)
Voltage Levels	44kV, 27.6kV, 13.8kV, and 8.32kV

The Town of Milton is located in the Halton Region, immediately adjacent to the Golden Horseshoe and is part of Ontario's Greenbelt area. Milton is centrally located on Highway 401 and Highways 407 and 403 traverse or border its boundaries. Both CN and CP have direct rail access and GO Transit provides commuter rail service to Downtown Toronto.

Milton Hydro is responsible for providing all regulated distribution services within its service area. Milton Hydro does not have any other LDCs embedded within its distribution system, and it is not a host utility to other distributors. Milton Hydro's neighbouring electricity distribution utilities are:

a. Burlington Hydro Inc.

b. Alectra Utilities

c. Halton Hills Hydro Inc.

d. Hydro One Networks Inc.

e. Oakville Hydro Electricity Distribution Inc.

Milton Hydro does not own or operate assets that operate at voltages greater than 50 kV. MHDI owns 18 distribution feeders egressing from transformer stations (four stations are owned and operated by Hydro One Networks Inc. and one is owned and operated by Oakville Hydro). The 18 TS feeders operate at mix of 44kV and 27.6 kV. Most customers are served from 27.6kV distribution transformers, while a few are served from 13.8kV and 8.32kV distribution feeders emanating from Milton Hydro owned Municipal Substations.

Milton Hydro does not have any transmission or high voltage asset (>50kV) deemed previously by the Board as distribution assets and does not have any such assets for which Milton Hydro is seeking OEB approval to be deemed as distribution assets in this Application.

Figure 1-3: Town of Milton within Halton Region

The Town of Milton is considered one of the fastest growing communities in Canada. In 2001, Milton's population was 32,800; 15 years later, the population had more than tripled to 113,500. In 2021, the population was 132,979. The community's projected population in 2031 is 181,979, which is a 36.9% increase over 2021[29]. Looking beyond 2031, this growth rate is expected to more than double.

1.6. APPLICATION SUMMARY

1.6.1. Revenue Requirement

Milton Hydro is requesting the approval of its proposed service revenue requirement in the amount of $26,972,710, an increase of 47.6% over the 2016 OEB approved service revenue requirement as shown in Table 1-9 below.

[29] Exhibit 1 Table 1-1 Population Growth - Halton Region Integrated Growth Plan

Table 1-9 Service Revenue Requirement

Description	2016 OEB Approved	2023 Test Year	Change	Percent
OM&A	$9,452,499	$14,933,345	$5,480,846	58.0 %
Depreciation	$3,150,579	$4,916,957	$1,766,378	56.1 %
Return on Equity	$3,255,776	$3,934,446	$678,670	20.8 %
Interest	$2,043,299	$2,303,653	$260,354	12.7 %
Property Taxes	$119,949	$200,193	$80,243	66.9 %
PILs	$254,201	$684,115	$429,914	169.1 %
Service Revenue Requirement	$18,276,303	$26,972,710	$8,696,407	47.6 %
Revenue Offsets	**$(1,930,835)**	**$(2,201,364)**	**$(270,529)**	**14.0 %**
Base Revenue Requirement	$16,345,468	$24,771,346	$8,425,878	51.5 %
Rate Base	**$88,568,442**	**$113,581,019**	**$25,012,577**	**28.2 %**

The OEB approved $9,572,448 of OM&A in Milton Hydro's 2016 rebasing application; this amount included property taxes ($9,452,499 + $119,949). In this rate application Milton Hydro breaks out the property taxes and incorporates it separately in the Revenue Requirement Workform ("RRWF"). In the table above, Milton Hydro shows the amounts consistent with how the RRWF was populated; however, in Exhibit 4 Milton Hydro's analysis combines the OM&A and property taxes for the 2016 OEB Approved, 2016 to 2021 historical actual, 2022 Bridge Year, and 2023 Test Year so all operating costs are incorporated into the analysis.

The main drivers for the increase of $8,696,407 in service revenue requirement are:

- An increase in OM&A of $5,480,846 is primarily attributable to labour cost increases totaling $4,434,715 due to the implementation of the workforce plan at a cost of $3,447,418, and the establishment of an in-house system control room with incremental costs of $987,297. Detailed explanations are provided in EXHIBIT 4 – Operating Expenses.

- An increase in depreciation expense of $1,766,378 is primarily due to the increase in in-service fixed asset additions as a result of Milton Hydro's distribution system infrastructure expansion, resulting from the continued growth of Milton Hydro's customer base.

- As the result of Milton Hydro's Rate Base growing by $25,012,577 there has been an increase in the return on Rate Base from annual in-service capital additions since Milton Hydro’s last Cost of Service Application.

- Payments in Lieu of Taxes has increased by $429,914, in part due to higher taxable income, in addition to change in quantum of differences between CCA and Depreciation Expense.

- Revenue Offsets increased by $270,529 mainly attributable to the change in treatment of Amortization of Deferred Revenue Related to Capital Contributions for IFRS purposes, previously all amortization of capital contributions was offset against depreciation expense, now it is included as a component of other revenue.

- The resulting impact of preceding changes is that Base Revenue Requirement has increased by $8,425,878.

1.6.2. Budgeting and Accounting Assumptions

In managing its distribution system assets, Milton Hydro's main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. Milton Hydro is committed to providing its customers with high value for money services, and a reliable supply of electricity.

The accounting standard used for Milton Hydro's budgets for the 2022 Bridge Year and 2023 Test Year is based on MIFRS. This is consistent with the accounting standard Milton Hydro used in its last rebasing application in 2016.

Milton Hydro uses an integrated planning approach for its Capital Budget process to ensure that appropriate resources are available to maintain and grow its capital infrastructure. It is the responsibility of each department to contribute in the preparation of the Capital and Operating budget

On an annual basis, Milton Hydro reviews capital projects identified for potential implementation.

In addition to the capital needs of the distribution system, Milton Hydro plans for the required maintenance of its assets considering both performance and safety. Milton Hydro's maintenance programs are addressed in greater detail in Exhibit 4 – Operating Expenses.

Milton Hydro compiles budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budget forecast. This budget information was compiled for both the 2022 Bridge Year and the 2023 Test Year and presented in this Application.

Material and Fleet Equipment hours are charged to maintenance and capital Work Orders when material is issued, or vehicles/equipment is used. These costs are charged to Operating, Maintenance and Administration, Recoverable and Capital Work Orders as directly attributable charges.

Inflation Assumptions

Milton Hydro notes that the inflation rates used in this application are lower than the 3.3% inflation factor approved by the OEB on November 18, 2021, for use in 2022 IRM applications. Furthermore, Canada's annual inflation rate in February 2022 was 5.7%, the highest level seen since 1991. The full impact and duration of this emerging trend is not yet known; however it is expected that Milton Hydro's operating and capital expenditure costs will be higher than what is currently in proposed 2023 rates. For example, there has been a 32% increase in the price of gasoline costs, and this impacts Milton Hydro's fleet costs. As a result of the recent volatility in inflation, and as this is an evolving situation, Milton Hydro notes the issue and will provide further assessment during the proceeding as the situation evolves.

Revenue Forecast

Milton Hydro’s revenue forecast is based on the forecasted kWh, kW and customer counts for the 2023 Test Year. Milton Hydro prepared its 2023 weather normalized load forecast by customer class and monthly customer class data for the weather sensitive customer classes using the regression analysis and based on average usage by customer and forecasted customer growth for the non-weather sensitive customer classes. The forecast results were then used to calculate the 2023 Test Year revenues at existing rates and proposed rates. A detailed explanation of the forecast methodology and distribution revenue is provided in EXHIBIT 3 – Operating Revenue.

Miscellaneous revenue forecasts are based on historical information and future expectations.

Operations, Maintenance and Administration (OM&A Forecast)

Milton Hydro’s OM&A expenses for the 2022 Bridge Year and the 2023 Test Year are based on an in-depth review of planned distribution system maintenance, system inspection results and prior years’ experience. Milton Hydro allocates available workforce hours to the capital work that will be done in-house with the remaining hours allocated to identified O&M projects. Contract

work is determined based on the level of expertise required and staffing availability. Milton Hydro reviews each item in detail and establishes the budget amount based on historical trends and known factors. Labour costs are in accordance with the Collective Agreement, which expires on December 31, 2023. Details are provided in Exhibit 4 – Operating Expense.

Capital Budget

Milton Hydro's Distribution System Plan/Asset Management Plan identifies the capital projects required and projected to be required over a 5-year period based on the best available information for each year. A large component of the capital budget forecast is influenced significantly by growth and the conversion of aging infrastructure. As provided in Exhibit 2 Table 2-36 2023 to 2027 Forecast and Trend, based on the average of the planned investments over the next five years 47.1% of Milton Hydro's gross capital investments, before capital contributions, are System Access projects driven by customers in the Town of Milton or by the Region of Halton projects within the Town of Milton and are not within the discretion or control of Milton Hydro. The remainder of capital investment categories, System Renewal, System Service and General Plant are driven by business requirements, are within the discretion and control of Milton Hydro, and are managed through Milton Hydro's Asset Management Plan, as provided in the DSP. All proposed capital projects for the 2022 Bridge Year and 2023 Test Year are expected to be completed and in service in the respective year. Details of Milton Hydro's capital budget are provided in Exhibit 2 – Rate Base, subsection 2.10.0 Appendix A - Distribution System Plan. Milton Hydro acknowledges that, where the priority of projects changes, Milton Hydro may be required to re-evaluate the future year's capital project forecast.

1.6.3. Load Forecast Summary

Milton Hydro's load forecast has been prepared using the same methodology approved by the OEB in its 2016 Cost of Service proceeding. Milton Hydro prepared its Application based on a weather normalized load forecast by customer class and monthly customer class actual consumption for the weather sensitive customer classes, being the Residential, General Service < 50 kW and General Service 50-999 kW customer classes, using the regression analysis and by average usage and forecasted customer growth for the non-weather sensitive customer classes. The consumption of the metered customer classes was adjusted for conservation and demand management results for both persistent and new programs. The following Table 1-10

provides a comparison between the 2016 OEB Approved forecast and the proposed 2023 Test Year forecast.

The Residential Class customer count growth for 2023 of 950 new residential customers is based on the growth study that Milton Hydro had prepared by Glen Schnarr & Associates, this is consistent with the average annual growth of this customer class over the past 10 years[30].

[30] Exhibit 2 Attachment 2-2 DSP, Appendix G - GSAI Projected Growth Analysis Study (2021)

Table 1-10 Comparison of Load Forecast 2016 OEB Approved & 2023 Test Year

Description	2016 OEB Approved	2023 Test Year	Change
Rebasing Year Totals			
Billed kWh	871,840,466	903,810,994	31,970,528
By Class			
Residential			
Customers	34,501	40,088	5,587
kWh	311,504,507	353,525,758	42,021,251
General Service < 50 kW			
Customers	2,642	2,990	348
kWh	91,412,832	87,960,137	(3,452,695)
General Service > 50 to 999 kW			
Customers	302	344	42
kWh	206,918,158	221,296,244	14,378,086
kW	555,651	595,236	39,585
General Service > 1000 to 4999 kW			
Customers	13	12	(1)
kWh	116,570,267	103,617,411	(12,952,856)
kw	245,808	225,594	(20,214)
Large User > 4999 kW			
Customers	3	3	—
kWh	135,893,889	131,131,300	(4,762,589)
kW	260,162	260,034	(128)
Streetlights			
Connections	3,234	2,919	(315)
kWh	8,298,679	5,077,522	(3,221,157)
kw	23,291	14,179	(9,112)
Sentinel Lights			
Connections	242	231	(11)
kWh	145,711	134,831	(10,880)
kw	404	378	(26)
Unmetered Loads			
Connections	178	223	45
kWh	1,096,423	1,067,791	(28,632)
Total of Above			
Customer/Connections	41,115	46,810	5,695
kWh	871,840,466	903,810,994	31,970,528
kw	1,085,316	1,095,421	10,105

1.6.4. Rate Base and Distribution System Plan

1.6.4.1 Rate Base

The 2023 Rate Base calculated in Exhibit 2 of this Application is $113,581,019, which is an increase of $25,012,578 or 28.24% compared to the Rate Base of $88,568,441 approved in Milton Hydro's 2016 Cost of Service Application. Table 1-11 below provides a comparison of the 2016 Rate Base and the 2023 Rate Base.

Table 1-11 2016 OEB Approved vs. Proposed 2023 Rate Base

Rate Base Calculation for 2016		Rate Base Calculation for 2023		$ Variance	% Variance
Fixed Asset opening balance 2016	$77,348,581	Fixed Asset opening balance 2023	$102,306,088	$24,957,507	32.27 %
Fixed Asset closing balance 2016	$81,330,615	Fixed Asset closing balance 2023	$106,522,568	$25,191,953	30.97 %
Average Fixed Asset balance for 2016	$79,339,598	Average Fixed Asset balance for 2023	$104,414,328	$25,074,730	31.60 %
Major Spares	$0	Major Spares	$610,000	$610,000	
Working capital allowance	$9,228,843	Working capital allowance	$8,556,691	$(672,152)	(7.28)%
Rate Base	**$88,568,441**	**Rate Base**	**$113,581,019**	**$25,012,578**	**28.24 %**

1.6.4.2 Distribution System Plan Summary

Major Drivers of the DSP

Milton Hydro's DSP, filed as Appendix A in Exhibit 2, was developed to address, and appropriately balance the needs and preferences of its customers, its distribution system requirements, and relevant public policy objectives. Milton Hydro's investment plans are the outcome of its business planning efforts, enhanced asset management and capital expenditure planning processes, multi-faceted customer engagement, and coordinated planning with third parties. The major drivers of the level and mix of capital investment are as follows and discussed in further detail in the DSP:

a. Customer Service Request - keeping up with the community growth

b. Failure Risk - deteriorating condition of distribution infrastructure and some assets reaching end-of-life

c. Operation Efficiency and Reliability - customer expectations and preferences

d. Business Operations Efficiency – automation and enterprise software development

Gross Capital Expenditures proposed for the 2023 Test Year are $12,406 thousand (excluding capital contributions) per Table 1-12 below. This represents an increase of $449 thousand or 3.8% over the 2016 DSP Capital Expenditures (excluding unallocated envelope adjustment) of $11,957 thousand as per Table 1-12 below. In addition, capital contributions have dropped by $1,269 attributable to less System Access spending as capital contributions mainly relate to the System Access capital category of capital expenditures. Capital expenditures net of capital contributions increased by $1,718 or 21.1%.

Table 1-12 2016 OEB-Approved vs. 2023 Test Year Capital Expenditures

CATEGORY	2016 OEB Approved ($,000)	2023 Test Year ($000)	Variance ($,000)	Variance %
System Access	$7,068	$5,612	$(1,456)	(20.6)%
System Renewal	$2,473	$2,670	$197	8.0 %
System Service	$1,520	$1,711	$191	12.6 %
General Plant	$896	$2,413	$1,517	169.3 %
Total Expenditure	**$11,957**	**$12,406**	**$449**	**3.8 %**
Capital Contributions	$(3,808)	$(2,539)	$1,269	(33.3)%
Net Capital Expenditure	**$8,149**	**$9,867**	**$1,718**	**21.1 %**

The reduction in System Access capital expenditures of $1,456 in 2023 is the result of the leveling of community growth. Hyper growth in customer connections was expected in 2016, with about 1,500 new residential customers planned to be connected in 2016. In 2023, there is continued high growth in connections expected albeit at a lower pace, with about 1,000 new residential customers planned to be connected. The difference between the customer connections planned in 2016 as compared to those planned in 2023 is the main driver of reductions in System Access capital expenditures net of capital contributions.

System Renewal expenditures increases of $197,000 in the 2023 Test Year are driven mainly by increased renewal of assets in Very Poor or Poor condition, based on the results of Milton Hydro's Asset Condition Assessment (ACA). This is as a result of Milton Hydro's distribution system gradually starting to age with older elements of the system now in need of replacement. This includes a more focused approach to pole replacement.

Increased investments of $191,000 in System Service are mainly in response to customer feedback indicating a preference in investments that will reduce the number of outages and shorten outage duration, as well as support Milton Hydro’s distribution system as being ‘future

ready'. System Service investments are in automation and communications. Milton Hydro has included in its DSP Forecast Period the following projects which take advantage of the advancements in smart grid technology and communications:

- Fault Indicators;
- Automated reclosers; and
- Outage Management System.

Additionally, the increased control room monitoring proposed in Exhibit 4 will enhance the usage and applicability of the projects listed above.

The main reason for the increase in Net Capital Expenditures of $1,718,000 relates to General Plant which increased by $1,517,000 or 169.3%. The higher General Plant expenditures in the 2023 Test Year are the result of multiple strategic investments including the following:

- $721,593 of IT investments in automation and a new enterprise resource planning (ERP) system will achieve operational efficiencies and timelier customer communications, and replaces software that is out of date and is no longer properly supported by its developer. The investment, which is the cost of part of the new ERP System is planned to be expended in 2023 but not expected to be put into service until 2024. As such this investment is not part of rate base in 2023. Milton Hydro has included the ERP System in the DSP but is not requesting Advanced Capital Module funding for this investment at this time. Milton Hydro may consider alternative funding options, such as ICM, in future rate applications.
- Investment in building upgrade costs for the control room and for a grey water system building upgrade totaling $519,000.
- Increase in computer software capital for improved efficiency, automation, and other licenses totaling $471,440.
- The above-mentioned increases are partially offset by the decrease of $194,000 in transportation equipment related investment.

Milton Hydro expects to connect four renewable energy generators in the 2023 -2027 period for a total of 1,050 kW. It is expected that any other renewable energy generator connections will be at the micro-generation during this period.

The Milton Hydro distribution system (MS stations, feeders) has capacity in excess of the upstream Hydro One Networks Inc. ("HONI") capacity allocations. Milton Hydro has available capacity for Renewable Energy Generation ("REG") connections at several feeders and is not proposing any investments over the forecast period of its DSP to facilitate REG connections.

1.6.5. Cost of Capital

Milton Hydro has prepared its Application in accordance with the OEB Staff Report *Review of the Cost of Capital for Ontario's Regulated Utilities*, issued January 14, 2016. Milton Hydro has used the most recent cost of capital parameters issued by the OEB on October 28, 2021, for 2022 Cost-Based Rates.

The deemed long term debt rate of 3.49% has been used by Milton Hydro for all forecasted new debt issuances. Milton Hydro confirms it no longer has any affiliated party debt. Milton Hydro acknowledges that the OEB will update the cost of capital parameters for 2023 Cost-Based Rates before the OEB renders a decision on Milton Hydro's 2023 Application. Once the OEB issues the new cost of capital parameters for 2023 Cost-Based Rates, Milton Hydro will update its Application accordingly.

Table 1-13 is a summary of the Cost of Capital parameters that Milton Hydro used to calculate Revenue Requirement in this Application.

Table 1-13 2023 Rate Application - Cost of Capital Parameters

Description	Deemed Portion	Effective Rate	Calculation Method
Long-Term Debt	56.00 %	3.54 %	Weighted average actual 3rd party long-term-debt costs.
Short-Term Debt	4.00 %	1.17 %	OEB Cost of Capital parameters from October 2021 Report
Return on Equity	40.00 %	8.66 %	
Weighted Debt Rate		**3.38 %**	Calculation
Regulated Rate of Return		**5.49 %**	Calculation

There are no deviations from the OEB's cost of capital methodology.

1.6.6. Operations, Maintenance and Administration Expense

Milton Hydro is proposing recovery through distribution rates of $15,133,538 in OM&A costs for the 2023 Test Year as detailed in Exhibit 4 Operating Expenses.

The following Table 1-13 sets out the cost drivers for the increase in OM&A for the period from the 2016 OEB Approved OM&A of $9,572,448 to the 2023 Test Year.

The increase in the 2023 proposed OM&A as compared to the 2016 OEB Approved OM&A is $5,561,090. The main cost drivers for the total increase of $5,156,861 or 95% of the total increase in OM&A from the 2016 OEB Approved OM&A are as follows:

Wages, Salaries, Progressions and Benefits	$3,447,418
Computer Services/Software Maintenance	$345,775
Control Room	$987,297
Building Maintenance/taxes	$176,899
Consulting	$199,472
Total	$5,156,861

Wages, Salaries, Progressions and Benefits increased due to Milton Hydro's implementation of its workforce plan. The increase of FTE's from 2016 to 2023 is the main cost driver. The 2023 Full Time Equivalent (FTE) count has increased by 16.2 FTEs from the 2016 OEB Approved FTEs. The increase in FTEs was required to address the right-sizing of Milton Hydro's workforce which did not grow at the pace of the growth in the Customer Base. In fact, Milton Hydro's Customer to Employee ratio at the end of 2021 was higher, at 749 customers per employee, than it had been previously. To achieve Milton Hydro's 2.0 Strategy, the utility retained a third-party expert to review Milton Hydro’s current organization structure against its needs and recommend resources required to affirm the continued effective and efficient operations of the business. As a result of the resourcing issues identified in 2021, Milton Hydro began to address the resourcing shortfalls in part by adding FTEs.

Milton Hydro's resourcing issues are not only being addressed by adding FTE's. Milton Hydro also began making investments in digital modernization and process innovation starting in 2021.

The increase in Computer Services/Software Maintenance costs are a component of Milton Hydro's investment in digital modernization; the Company is also making capital expenditures in 2022 & 2023 for new software systems including a new ERP System in which is expected to be in service in 2024. In 2021, based on the outcomes of a third-party report that was commissioned, Milton Hydro began to invest in digital modernization to possess the computer systems it needs to achieve Milton Hydro's 2.0 Strategic Objectives. The ***IT Strategy & Roadmap*** lays out the IT Strategic Objectives that Milton Hydro's 2.0 Strategy needs to achieve.

In the 4th quarter of 2021, Milton Hydro hired a *Process Improvement Officer* (PIO), adding a new role and discipline to the organization. As a Lean Six Sigma black belt certified professional, the incumbent's focus is to deliver process innovation and continuous improvement initiatives across the organization.

Milton Hydro also made a business case for a new in-house system control room to improve system reliability and enable better service to customers in the event of system power outages. The OM&A costs increased as the result of creating a new in-house system control room; in addition, there are also capital investments related to the system control room as well. This investment will enable Milton Hydro to be ready for the future as a DSO and will manage and control its grid appropriately, with the advent of the electrification of transportation and the connection of DERs.

Table 1-14 OM&A Cost Drivers

Item	$ Amount
2016 Board Approved OM&A	**$9,572,448**
Wages, Salaries, Progressions and Benefits	$3,447,418
Incentive Plan & Director Remuneration	$(167,007)
Management Fee	$80,658
Bad Debts	$27,487
Collections	$(39,379)
Community Relations	$96,516
Conventions/Meetings	$(14,178)
Customer Premise Maintenance	$—
Meter Reading	$24,774
Monthly Billing	$(10,788)
Postage/ Mail Service/ Stationary	$(41,223)
Service Locates	$63,788
Telephone	$66,014
Training	$54,835
Audit/ Legal/ Insurance	$56,362
Bank Charges	$60,917
Building Maintenance/taxes	$176,899
Computer Services/Software Maintenance	$345,775
Consulting	$199,472
Control Room	$987,297
Maintenance of Line Transformers	$(994)
Maintenance of OH & UG conductors	$53,323
Meter Maintenance	$(71,322)
Moving Expenses	$—
Pole Maintenance	$6,350
Stores / Inventory Adjustments	$11,553
Transformer Station Maintenance	$37,217
Tree Trimming	$(79,550)
Miscellaneous	$78,152
Regulatory Costs	$110,723
2023 Test Year OM&A	**$15,133,538**

1.6.7. Cost Allocation and Rate Design

In preparing its Cost Allocation and Rate Design, Milton Hydro has not deviated from the Filing Requirements.

1.6.7.1. Cost Allocation

The data used in the updated cost allocation study is consistent with Milton Hydro's cost data that supports the proposed 2023 revenue requirement outlined in this Application. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories was developed from the best data available to Milton Hydro, its engineering records, and its customer service and financial information systems.

Milton Hydro has completed the OEB updated cost allocation model which takes into consideration the new cost allocation policy for the Street Lighting rate class as set out in the OEB's *Review of Cost Allocation Policy for Unmetered Loads*, EB-2012-0383, issued June 12, 2015.

The 2023 cost allocation results, the current revenue to cost ratios as approved by the OEB in Milton Hydro's 2018 IRM Application[31] and Milton Hydro's proposed changes to the class specific revenue to cost ratios for the 2023 Test Year are set out in Table 1-15 below.

Table 1-15 Revenue to Cost Ratios

Customer Class	Current Rev-Cost Ratios 2018 IRM	2023 Cost Allocation Model	2023 Proposed Rev-Cost	OEB Min Target	OEB Max Targets
Residential	97.8%	101.7%	101.7%	85.0%	115.0%
General Service Less	109.5%	98.1%	98.1%	80.0%	120.0%
General Service 50 to	97.8%	89.0%	89.0%	80.0%	120.0%
General Service 1,000	120.0%	119.0%	118.7%	80.0%	120.0%
Large Use	115.0%	98.4%	98.4%	85.0%	115.0%
Sentinel Lighting	80.0%	80.0%	80.0%	80.0%	120.0%
Street Lighting	97.8%	109.2%	109.2%	80.0%	120.0%
Unmetered Scattered	104.4%	100.9%	100.9%	80.0%	120.0%

1.6.7.2. Rate Design

Milton Hydro is proposing to increase the fixed monthly charge for the Residential class by 21.3%. The variable kWh charge for the Residential class was phased out completely by 2019. Milton Hydro proposes to maintain the same proportion of fixed and variable revenues for the remaining customer classes that will be used to calculate the 2016 Test Year fixed monthly charge and the volumetric charge.

[31] EB-2017-0061

Milton Hydro has not proposed rate mitigation as total bill impacts remain at less than 10%.

The following Table 1-16 provides a comparison of Milton Hydro's current 2022 distribution rates and the proposed 2023 distribution rates.

Table 1-16 Distribution Charges

Customer Class	Monthly Fixed Charge			Unit of Measure	Distribution Volumetric Charge Transformer Allowance Including Transformer Allowance		
	2022 Current	2023 Proposed	% Difference		2022 Current	2023 Proposed	% Difference
Residential	$29.88	$36.25	21.3%	$/kWh	N/A	N/A	—%
General Service Less Than 50 kW	$18.38	$22.30	21.3%	$/kWh	$0.0194	$0.0235	21.1%
General Service 50 to 999 kW	$86.74	$105.22	21.3%	$/kW	$3.3568	$4.0566	20.8%
General Service 1,000 to 4,999 kW	$682.42	$825.46	21.0%	$/kW	$2.3534	$2.7364	16.3%
Large Use	$2,725.12	$3,305.66	21.3%	$/kW	$1.6315	$1.9791	21.3%
Sentinel Lighting	$5.63	$7.14	26.8%	$/kW	$42.6426	$54.0718	26.8%
Street Lighting	$2.68	$3.25	21.3%	$/kW	$11.7399	$14.2372	21.3%
Unmetered Scattered Load	$8.76	$10.63	21.3%	$/kWh	$0.0186	$0.0226	21.5%
Transformer Allowance	N/A	N/A	—%	$/kW	($0.6000)	($0.6000)	—%

1.6.8. Deferral and Variance Accounts

As outlined in EXHIBIT 9, Milton Hydro is requesting approval for the disposition of Group 1 Accounts (excluding Global Adjustment) totaling debit amount of $2,396,863, Global Adjustment credit amount of $536,362, Group 2 Accounts totaling credit amount of $843,483, and LRAMVA of a debit amount of $533,342, totaling a debit amount of $1,550,360 being receivable by Milton Hydro. Milton Hydro is proposing a 24-month disposal period for Group 1 DVA balances, 12 month disposal period for Group 2 DVA balances, and 24 months for Account 1568 LRAMVA and is not requesting any New Deferral and Variance Accounts.

See Exhibit 9 Table 9-1 for details by USoA account.

1.6.9. Bill Impacts

In preparing this application, Milton Hydro has considered the impacts on its customers, with a goal of minimizing those impacts. Milton Hydro has done some rate impact mitigation for the Sentinel Light Class since total bill impact was initially greater than 10%, Table 1-17 presented below is after distribution rate mitigation for the Sentinel Light Class, Milton Hydro is not

proposing further rate mitigation now that all customer classes total bill impacts are less than 10%. See Exhibit 8 sub-section 8.13. Rate mitigation for more details.

The Consumption Levels highlighted in each rate class is for a Typical Customer and this displays their bill impacts of the rate changes.

Milton Hydro consulted the customers on the preliminary estimated rate impacts of this Application; details are provided in Exhibit 1 sub-section 1.7 Customer Engagement.

The following Table 1-17 sets out the bill impacts for all customer classes.

Table 1-17 Total Bill Impacts

Rate Class	kWh	kW	# Connections	2022 Bill $	2023 Bill $	$ Difference	Total Bill Impact %	Distribution Bill Impact %
Residential	750			$122.14	$130.71	$8.57	7.01 %	4.18 %
GS <50 kW	2,000			$307.68	$320.08	$12.40	4.02 %	1.22 %
GS > 50 999 kW	50,000	150		$8,228.85	$8,597.37	$368.52	4.48 %	1.07 %
GS > 1,000-4,999 kW	1.265.000	1,800		$180,834.25	$184,866.55	$4,032.30	2.23 %	0.29 %
Large Use	2,400,000	5,400		$326,477.19	$334,255.12	$7,777.93	2.38 %	0.34 %
Unmetered	405			$64.93	$69.79	$4.86	7.49 %	4.80 %
Sentinel	50	1		$17.91	$19.65	$1.74	9.74 %	8.59 %
Streetlighting	440,624	1,185		$93,317.44	$97,901.18	$4,583.74	4.91 %	3.13 %

1.7. CUSTOMER ENGAGEMENT

1.7.1. Overview

The Town of Milton is one of the fastest growing municipalities in Ontario with diverse demographics, a mix of industries and both urban and rural landscapes. As the community expands and evolves, Milton Hydro has identified opportunities to change alongside the community, so customers continue to feel listened to and supported. To provide customers with efficient, reliable, and safe electricity Milton Hydro has developed Milton Hydro's 2.0 Strategic plan, and adopted a customer-centric, future-ready approach to ensure it continues to engage meaningfully with customers. By modernizing and automating systems, and implementing process innovations to be an efficient organization, Milton Hydro will be in a position to meet customers growing and constantly evolving needs and priorities.

1.7.2. Customer-Centric Communications

Milton Hydro is committed to:

a. Promoting transparent, two-way communication with customers and stakeholders

b. Informing and educating the business of the utility and the industry to customers and stakeholders

c. Providing proactive, outbound updates through an omni-channel approach that's consistent, timely, and informative (this includes website updates, social media posts, press release services, e-blasts, bill inserts/onserts[32], phone calls, letters, door hangers etc.)

d. Effectively promoting energy conservation, rate changes, environmental awareness, electrical safety tips, and government support programs

1.7.3. Ongoing Omni-Channel Communications

With a dynamic, technologically savvy customer base, Milton Hydro has expanded its communication outlets to evolve with the community's ongoing digital transformation. 70% of Milton Hydro's customers have chosen paperless e-billing, so the Company has implemented a plan for improved online communications, as well as "TextPower" messaging[33], while continuing to support those who prefer more traditional outreach. The following sections outlines a mix of the various communication channels that Milton Hydro has implemented to best service its customers.

1.7.3.1. Social Media

To start, Milton Hydro has implemented a social media strategy for Twitter, LinkedIn, and Facebook. Prescheduled, relevant, and branded posts are being deployed and monthly analytics reports are being conducted to evaluate customer preferences. A program called Hootsuite has recently been utilized to efficiently communicate detailed outage updates to customers. When a planned or unexpected outage occurs a minimum of three messages will be sent out across platforms. The first is board casting awareness of an outage. The second is an

[32] Bill 'onserts' - a recently coined term in the communications field to describe the few lines of text where distributors can incorporate on-bill messaging.
[33] Ibid 15

outage update with location details and an estimated restoration time (with its own control room, Milton Hydro will be able to add the number of customers impacted by the outage). The third communication will inform customers when electricity is restored, and the issue has been safely resolved.

Additionally, customer messages and inquiries are responded to in a timely manner between Milton Hydro's Communications Coordinator and Customer Service Representatives. Customers showed a significant increase in activity with Milton Hydro during the beginning stages of rolling out a social media plan and continue to show growth in activity, and number of customers, month after month.

1. Twitter has been helpful in communicating outages and restorations with customers;

2. LinkedIn has supported Milton Hydro's workforce expansion and developed company culture and industry exposure; and

3. Facebook has opened conversation with community influencers.

Twitter

Month	Profile Visits	Impressions	Mentions	New Followers
May	662	10,100	1	(25)
June	10,700	51,600	63	60
July	3,107	34,900	4	(8)
August	3,552	30,000	8	22
September	7,022	39,400	29	27
October	3,319	30,000	17	2
November	5,714	43,000	35	15
December	42,000	110,000	119	154
January	5,734	25,300	6	29

Linkedin

Month	Total Followers	Page Views	Clicks on Website
May	15	246	—
June	19	285	12
July	15	243	—
August	654	450	34
September	757	454	13
October	859	524	2
November	916	500	10
December	946	316	7
January	977	299	14

Facebook

Month	Page Views	Page Likes/ Followers	Post Reach	Post Engagement
May	—	—	—	1
June	36	3	102	25
July	—	2	296	51
August	139	6	308	53
September	337	13	69	60
October	194	8	141	79
November	451	11	1,351	248
December	38	5	164	42
January	44	8	95	65

1.7.3.2. Email

Through the platform, Constant Contact, Milton Hydro has also effectively established a consistent branded email presence that customers now recognize and trust. Specific email distribution lists have been developed to target customer groups such as residential customers, commercial/industrial customers, customers with hydro poles on their property, and customers in an isolated power outage area etc.. Communications, IT, and Engineering have also streamlined a process of quickly extracting specific customer email lists when needed. For example, if a designated area will be experiencing a planned outage, only those customers will be notified via email and a robocall to alleviate stress on Milton Hydro's call system and Customer Service Team. With a new Control Room and a team supporting it, outage updates will be more detailed, and customers will be able to understand how they can plan accordingly. Milton Hydro currently has email addresses for 76% of its customers.

1.7.3.3. Website

Milton Hydro is in the process of developing a user-friendly, mobile-optimized website that includes a live chat feature connected to customer service, and easy access to information on outages, billings, conservation, government programs and electrical safety. The website will also continue to link to Milton Hydro's Operating Management System Twitter notifications to the homepage to inform customers of outages and restorations in real-time. Moreover, an industry blog and video series are in development to further educate customers of Milton Hydro's latest innovations and electricity tips.

1.7.3.4. Press Releases

Another new communication channel for Milton Hydro is a GlobeNewsWire press release service. When Milton Hydro needs to communicate an important message to customers, stakeholders, and the industry, updates are ready to be shared to targeted audiences.

1.7.3.5. Phone/Mail

In addition to the digital communications outlined above, Milton Hydro continues to provide customers with options that suit their lifestyles. This includes outreach to customers via Customer Service phone calls, customized Northern outage greetings, personalized letters, bill inserts/onserts, and door hangers. TextPower messaging is being developed to offer another channel for customers to receive outage updates.

While Milton Hydro aims to digitally transform its processes and communications and reduce their environmental impact, the utility understands that customers want choice and accommodates for individual needs and preferences.

1.7.3.6. Municipal Governments

Milton Hydro meets with the Town of Milton and the Region of Halton on a regular basis to share planning and development information that will provide timely and coordinated planning and the effective delivery of services. The value of shared information allows Milton Hydro to plan for immediate work that must be considered in current plans for design and construction or longer-term planning that may be budgeted in following years.

1.7.3.7. Community Outreach

Connecting with the community is an important aspect of Milton Hydro's customer engagement strategy. Significant efforts have been made to get Milton Hydro employees out into the community and volunteer their time to give back to customers that need it most. Recently in 2021, employees:

- volunteered their time to run a local food drive during the weeks leading up to Thanksgiving;
- participated in the town's Santa Clause Parade to distribute safety colouring books and pencils to children; and
- partnered with the Halton Regional Police and the Tiger Jeet Singh Foundation to donate toys and essential items as part of the Miracle on Main initiative.

Milton Hydro also re-established a connection with the Fire Department, the Halton Catholic District School Board, and the Halton District School Board to find ways to effectively communicate electrical safety tips to customers and their loved ones.

A new Diversity and Inclusion Committee was created in the fall of 2021 and is continuing to be developed so that Milton Hydro can celebrate and support important days. Moving forward, Milton Hydro plans to increase its support for youth and senior programs through the township and local charities/programs.

1.7.4. Customer Surveys

Through regular customer engagement surveys Milton Hydro has been able to evaluate the value added through Milton Hydro's 2.0 Strategy and identify areas for improving communications and services for all customers. Since Milton Hydro's last cost of service Application filing, it has engaged customers in the following surveys:

1. Decision Partners two-phase research program
2. UtilityPULSE Customer Satisfaction Survey (2017,2019,2021)

1.7.4.1. Decision Partners Two-Phase Research Program

Milton Hydro engaged Decision Partners to conduct a two-phase program to educate customers of the organization's business plans and to solicit input to ensure those plans were aligned with their needs and priorities. The entire program was conducted between May 1, 2021, to November 3, 2021, engaging more than 4,100 residential and commercial/industrial customers. The two-phase program included: Phase I – Foundational Customer Research with a smaller number of customers but in an open, in-depth process designed to discover customers' needs, values, interests, and priorities; and Phase II – Broader Customer Engagement, designed to broaden the engagement to include all customers. Decision Partners used an evidence-based method referred to as Mental Modeling Insight™ (MMI™) when conducting the survey and evaluating results on behalf of Milton Hydro.

1.7.4.1.1. Phase I – Foundational Customer Research

On behalf of Milton Hydro, Decision Partners conducted in-depth, confidential telephone interviews with a small group of residential and commercial/industrial customers to develop a foundation for a larger online survey and a virtual meeting with commercial/industrial customers. The objective of the phone interviews was to support Milton Hydro in redefining its relationship with its customers and their energy needs so it can evolve its business appropriately and sustainably. The interviews were conducted in a conversational manner that encouraged participants to elaborate on their perspectives and to raise any additional topics that customers may had.

1.7.4.1.2. Phase II – Broader Customer Engagement

Phase II was conducted in two parts: open web survey primarily designed to engage residential customers and a customer webinar for commercial/industrial customers from all classes above GS<50. Both the online survey and webinar presented information about proposed capital planning and OM&A spending, presenting projects and information most relevant to each audience. Over 30,000 customers were emailed to complete the online survey, with two additional reminder emails sent thereafter. Out of that group, 4,178 customers engaged with the survey and 2,845 completed the survey through to the final demographic questions. For the commercial/industrial webinar, 366 customers were invited to to participate. Out of that group, there were 17 participants, representing 11 different companies. From the 17 participants, 8

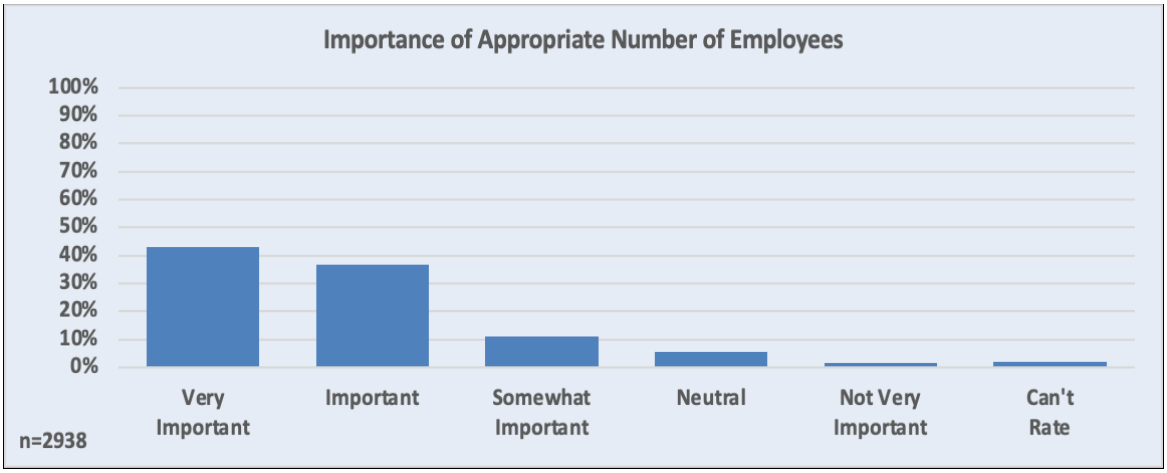
completed the online survey in addition to attending the webinar. In general, customer feedback reinforced Milton Hydro's Business Planning priorities derived from Milton Hydro's 2.0 Strategy.

1.7.4.1.3. Phase III - Customer Engagement Summary Report

The results of Phase I and Phase II provided Milton Hydro with insight to better serve customers and supported the organization's investment planning. Exhibit 2 Attachment 2-2 DSP, Appendix J - Customer Engagement Summary Report on Milton Hydro's Investment Planning. Customers are aware of the growth in the community and the need to prepare for greater electricity demand and evolving energy needs and priorities. Milton Hydro is supported by customers to become future-ready through people, technology, and processes. Based off the foundational telephone interviews, the online survey, and the commercial/industrial webinar it is clear that Milton Hydro needs to:

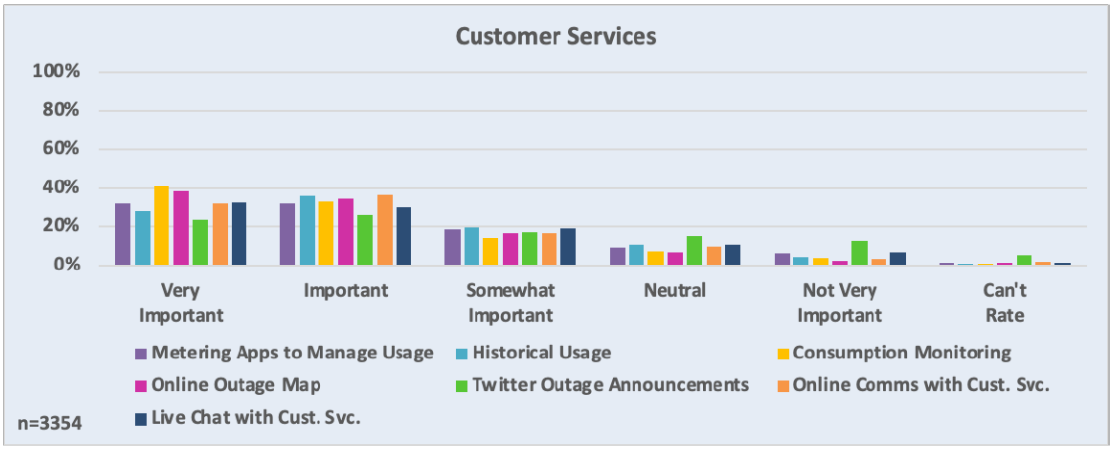
1. Enhance digitization through modernizing systems and processes (I.e., new control room, TextPower outage messaging, Northern automated outage phone messaging, new website, easy online account management, automated email communications and social media).

2. Ensure resilient services and infrastructure (i.e., hire a skilled workforce to provide adequate services, build a control room, proactively replace wood poles and switch gears, switch from porcelain to polymer insulators, and prepare for extreme weather events). On OM&A Spending, nearly all Customers in the Web Survey (79.6%) rated ensuring that "Milton Hydro have an appropriate number of employees to effectively and efficiently manage the distribution system as the Milton community continues to grow" as 'Very Important' or 'Important'.



3. Communicate outages and educate customers on electricity consumption monitoring through an omni-channel approach (I.e., website/outage map, email, text messaging, press releases, account managers, letters, door hangers, bill inserts and onserts, social media, and community events/programs). The graph below displays this, highlighting 41% of customers who feel consumption monitoring is 'very important' and 38% who would like more information surrounding the outage map.

What is Important to Customers

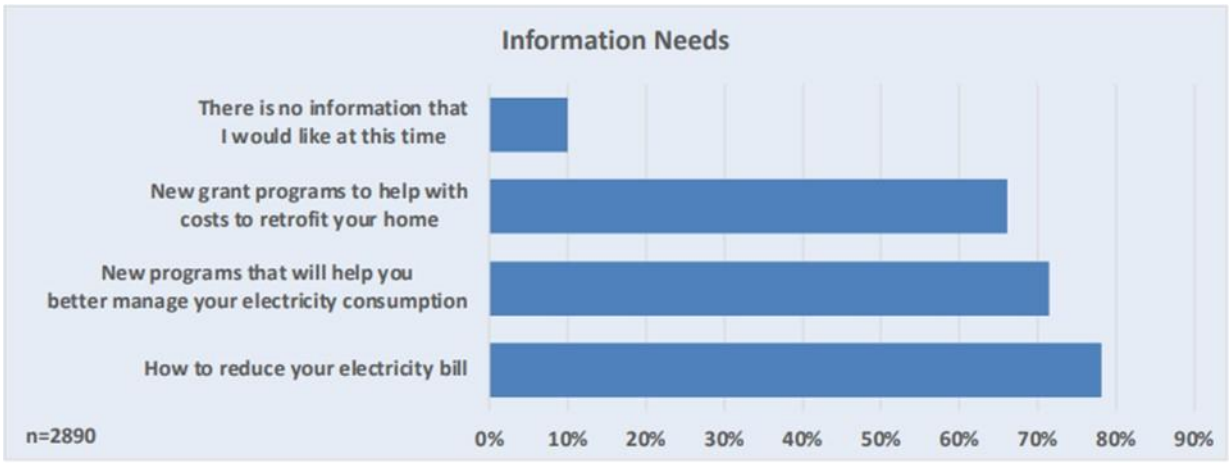


4. Increase resources to serve commercial/industrial consumers with expanding electricity demand as well and interest in electrification and energy storage. The graph below shows most commercial/industrial customers expected an expansion of operations, none expected a reduction in operations and many anticipated EV fleet charging and electricity storage in the next 5 to 10 years.

Commercial/Industrial Customer Consumption over the new 5 years

5. Inform and connect customers to programs that can reduce electricity bills and provide information on energy conservation. Below is a chart depicting nearly 80% of customers want information on how to reduce their electricity bills; over 70% of customers want more awareness of programs to reduce electricity consumption; and almost 70% of customers want to learn about residential retrofit grant programs.

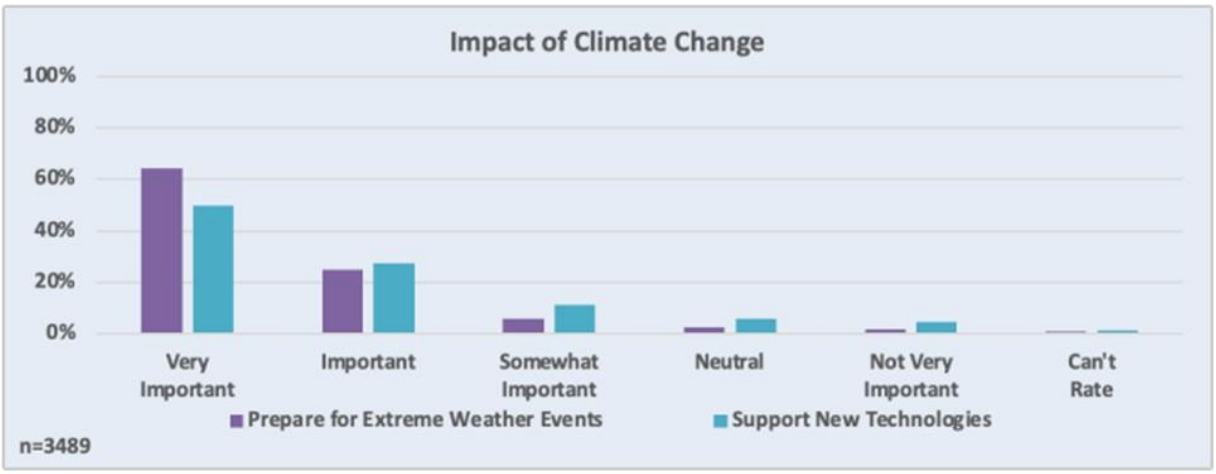
Information Needs



6. Manage the impact of climate change and reduce carbon emissions through new technologies like solar panels and electric vehicles, as well as minimize service disruptions due to extreme weather events. The graph below shows majority of

customers feel it is 'very important and important' for Milton Hydro to address these areas of concern.

Impact of Climate Change



Appropriateness of Spending Plans

The results of the online survey showed that customers are supportive of Milton Hydro's spending plans.

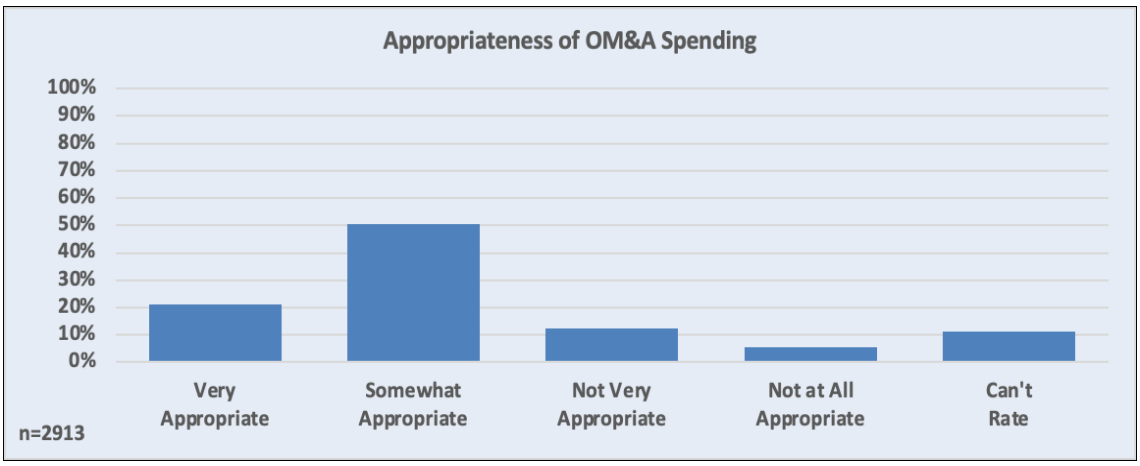
1. Appropriateness of Capital Spending Plans

   In the web survey, over 75% of all customers rated that Milton Hydro's level of appropriateness of spending in all categories were very appropriate, or somewhat appropriate.

Summary of Customer Web Survey Ratings of Appropriateness of Capital Spending					
% Rating As:	Very Appropriate	Somewhat Appropriate	Not Very Appropriate	Not at All Appropriate	Can't Rate
System Access (n=3142)	20.5%	55.2%	8.3%	2.9%	13.2%
System Renewal (n=3079)	22.6%	54.1%	8.1%	3.1%	12.1%
System Service (n=3014)	27.0%	53.2%	6.6%	2.1%	11.2%
General Plant (n=2961)	22.2%	53.7%	9.4%	3.7%	11.0%

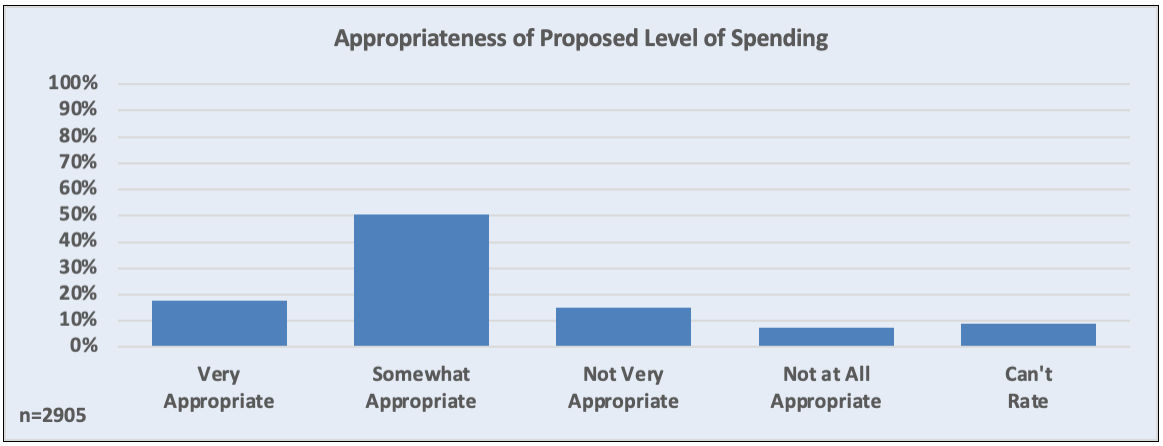
2. Appropriateness of OM&A Spending Plans

When asked to what degree the level of OM&A spending is appropriate, Most Respondents (71.4%) rated it as Very or Somewhat Appropriate.



3. Overall Impact of Spending Plans

When asked, given everything that was presented, how appropriate they think the proposed level of spending is, most Respondents rated it as Very (17.7%) or Somewhat Appropriate (50.7%).



1.7.4.2. UtilityPULSE Customer Satisfaction Survey

Milton Hydro conducted its biennial Customer Satisfaction Survey with UtilityPulse between August 16, 2021, to September 12, 2021. During this period, 402 customers were chosen from a random sample to complete an in-depth, one-on-one telephone interview regarding their satisfaction with the utility. The survey represented 85% residential and 15% commercial, providing a confidence level of 95% (+/- 4.9%).

Each customer response/score in the annual survey was carefully analyzed and is an important indicator/influencer of what needs to be reviewed in MH processes and/or services.

Over the past three Customer Satisfaction surveys, Milton Hydro has maintained an overall A rating on the UtilityPULSE scorecard. Customers consistently count on Milton Hydro to deliver reliable electricity at an appropriate cost, provide resourceful customer service, proactively communicate updates, and resolve issues quickly and efficiently

From these interviews customers expressed a need for the following:

a. Digitization of services;

b. Outbound and proactive communications;

c. Reliable and safe electricity;

d. Continued improvements to ensure reliability, reduce outages and duration of outages, especially during extreme weather events;

e. Enhanced cyber security; and

f. Education on incentive programs, conservation and understanding their bills.

Table 1-18 further outlines ‘very high and high’ customer priorities.

Table 1-18 Top 5 Customer Planning Priorities

Priority No.	Priority Description	'very high + high' priority
1.	Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	94%
2.	Investing to ensure that more frequent and severe weather events will cause less damage to distribution system	88%
3.	Preventing data breaches and system disruptions due to cyber attack	88%
4.	Investing more in the electricity grid to reduce outages	86%
5.	Reducing response times to outages	86%

These priorities support Milton Hydro's plan to modernize technology and invest in sustainable infrastructure that will improve the flow of communications, provide reliability of services, and reduce outage duration and frequency.

As customer needs and priorities evolve along with technology and the growing community, Milton Hydro will need to adapt how it engages with customers. In the 2019 survey 26% of customers expressed they wanted unexpected outage updates communicated by email and 31% by text messaging. The 2021 survey data shows a substantive change with 38% of customers desiring email updates and 49% wanting text message alerts. Communication channels for planned outages reflect a similar growth in outbound, proactive communications through email and text messaging. Based on these results, Milton Hydro plans to implement more detailed automated emails and TextPower messaging. Automated updates on social media, the website and telephone will also become more advanced as Milton Hydro modernizes its systems/processes and builds a control room. Details such as location, number of customers impacted, and estimated restoration times will be able to be communicated to customers.

Over the years, Customer Engagement surveys have also provided Milton Hydro with feedback on how well they are meeting customer expectations and shined light on areas that can be improved. Table 1-19 below highlights Key Performance Indicators (KPI) from 2017, 2019 and 2021.

Table 1-19 KPI Statistics For Meeting Customer Expectations

KPI	% in 2017	% in 2019	% in 2021
Overall Customer Satisfaction	88%	93%	93%
Customer Experience Performance Rating	82%	88%	96%
Customer Centric Engagement Index	82%	87%	85%
Credibility and Trust Index	83%	88%	86%
Customer Focused Index	82%	83%	86%
In support of upgrading equipment for reliability	Not Asked	88%	94%
The time it took someone to deal with a customer problem *'very + fairly satisfied'*	69%	77%	79%

The results demonstrate that in most areas Milton Hydro is continually progressing to become a customer-centric organization. The growth in Overall Customer Satisfaction, Customer Experience Performance Rating, and Customer Focused Index is positive; however, to maintain such high ratings, Milton Hydro must continue to modernize systems/processes and ensure its workforce can support future growth. The increase in support for upgrading equipment for reliability shows customers support Milton Hydro's 2.0 Strategy and its investment plans. While the Customer Centric Engagement Index is still above the provincial average of 82% and the national average of 83%, it has slightly decreased over the years. At 86%, the Credibility and Trust Index is also above the 84% provincial and national averages but has decreased slightly. These two KPIs are opportunities for Milton Hydro. With a larger workforce and investments in things such as a control room and automated communications, Milton Hydro can provide the level of reliability that customers desire.

1.7.5. Summary of Surveys

Input from customers is positive and above provincial and national standards. Customers have provided Milton Hydro with positive, consistent feedback that supports Milton Hydro's 2.0 Strategy. Survey results were consistent, showing that customers felt like they could trust and rely on Milton Hydro to provide safe and reliable electricity distribution services. Customers were supportive of Milton Hydro's plans to digitize operations, improve its infrastructure, expand its workforce, and develop omni-channel communications that will help keep them informed of outages/ restorations, industry updates, government assistance programs, and safety/ conservation tips.

The bottom line is that customers expect to receive reliable electricity that they are paying for and be informed of unplanned or unexpected outages. Both residential and commercial/

industrial customers strongly support outage reductions (time, duration, and frequency), increasing reliability, and Milton Hydro being 'future-ready' to support their needs.

1.7.6. Response to Customer Preferences: Future Activities

Many steps have been taken to create the foundation for future customer engagement particularly on the role of Milton Hydro serving its customers and the broader community. Milton Hydro has adopted a customer-centric approach that will continue to build trust with customers and provide services based on customer needs and priorities. The utility adopted a "One Team" cultural mindset that unifies departments and streamlines decision making. Milton Hydro has also begun celebrating small and large successes within the organization. This shift in corporate culture is helping boost employees' motivation and efficiency, and in-turn is improving customer engagement at every level and across all departments.

Through multiple customer engagement methods, Milton Hydro has provided customers opportunities to share their priorities. Milton Hydro will continue these engagements and listen to customers preferences as the company evolves. Based on customer feedback, Milton Hydro will provide outbound, proactive communications to customers through email, account representatives, bill inserts and a new website. Milton Hydro will focus its communications on outages and restorations; electrical safety; energy conservation; and education on understanding bills and electricity support programs available. Milton Hydro will also continue to develop its communication channels by exploring texting services and customized Northstar greetings to proactively inform customers of power outages and restorations.

During the customer engagement activities, the Milton Hydro engineering team heard the feedback received from customers during the customer engagement phase of the DSP planning work. Part of the message received from customers related to the desire for reducing the duration of outages and for being 'future ready'. The Milton Hydro engineering team reviewed its initial pre-customer engagement DSP, and its capital budget plans, and the team identified budget amounts that were initially planned to be spent in the System Renewal capital category related to switchgear replacement and pole replacement projects that could be re-prioritized and allocated to the System Service capital category.

Milton Hydro identified two new spending projects that it could complete during the 2023 to 2027 DSP planning horizon that would enable improvements to system reliability metrics for

customers consistent with customers preferences during the customer engagement process as follows:

a. Additional Overhead and Pad Mounted Switch Automation; and

b. Implementation of a Supervisory Control and Data Acquisition ("SCADA") based Fault Location, Isolation and Services Restoration ("FLISR") system.

The additional switch automation will enable swift identification of faults on FLISR enabled feeders, which will allow Milton Hydro staff to quickly isolate and sectionalize faulted line sections and restore power to unfaulted line sections. The implementation of a SCADA based FLISR system enhances visibility into the real time or near real time operating status of the distribution system and allows Milton Hydro to respond more quickly to outages. The installation of FLISR is an example of Milton Hydro moving towards grid modernization and increasing its ability to connect DERs. The new automation investments will work in tandem with Milton Hydro's new system control room to build on remote control capabilities in the distribution system.

Funds allocated to the pole replacement program remain sufficient to address poles in "very poor" and "poor" condition. Budget allocation for Switchgear Replacement was wholly shifted from System Renewal to System Service. As per Table 1-20 below in response to customer feedback, the grand total Capital Budget investment that has been re-allocated from System Renewal to System Service during the period from 2023 to 2027 is planned to be $3,345,974.

Table 1-20 Capital Budget Moved from System Renewal to System Service

Description	2023	2024	2025	2026	2027	Total
From Wood Pole Replacement	$325,189	$525,000	$525,000	$525,000	$525,000	$2,425,189
From Switchgear Replacement	$254,768	$254,768	$137,083	$137,083	$137,083	$920,785
Total Budget Moved to System Service	**$579,957**	**$779,768**	**$662,083**	**$662,083**	**$662,083**	**$3,345,974**

Milton Hydro will continue its on-going customer engagement initiatives while taking customer preferences into consideration in its business planning.

1.8. PERFORMANCE MEASUREMENT

Table 1-21 below provides Milton Hydro's 2016 to 2020 performance on its Scorecard metrics as reported to the OEB in the annual RRR filings. For the 2021 performance Milton Hydro has

populated the table with preliminary metrics data since Milton Hydro has not finalized or filed the 2021 RRR information with the OEB as of the date of filing this Application. The 2021 performance metrics data included below should therefore be considered draft rather than final and is subject to change. If any of the 2021 metrics data changes once finalized and filed with the OEB in the RRR, Milton Hydro will update the information during this proceeding.

Table 1-21 Milton Hydro Scorecard 2016 to 2021

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Projection 2021
Customer Focus	Service Quality	New Residential/Small Business Services Connected on Time	99.60%	96.76%	99.61%	99.88%	100.00%	100.00%
		Scheduled Appointments Met on Time	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
		Telephone Calls Answered on Time	96.70%	96.52%	93.87%	84.44%	73.17%	76.20%
	Customer Satisfaction	First Contact Resolution	90%	94.20%	99.20%	100%	Compliant	Compilant
		Billing Accuracy	99.99%	99.96%	99.99%	100.00%	100.00%	100%
		Customer Satisfaction Survey Results	A	A	A	A	A	A
Operational Effectiveness	Safety	Public Safety	82.00%	84.00%	84.00%	84.00%	82.00%	80.00%
	System Reliability	Average # of Hours that Power to a Customer is Interrupted	0.74	0.61	0.74	0.33	1.52	0.75
		Average # of Times that Power to a Customer is Interrupted	0.59	0.49	0.83	0.58	1.15	0.57
	Asset Management	Distribution System Plan Implementation Progress	on track	on track	on track	on track	on track	N/A
	Cost Control	Efficiency Assessment	3	3	2	2	2	2
		Total Cost per Customer	$723	$667	$683	$700	$682	$703
		Total Cost per KM of Line	$25,334	$9,673	$10,195	$10,390	$10,157	$10,534
Public Policy Responsiveness	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Complemented on Time	100.00%	100.00%	N/A	N/A	100.00%	100.00%
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%	N/A	N/A	N/A
Financial Performance	Financial Ratios	Liquidity : Current Ratio (current assets/current liabilities)	2.01	1.72	1.65	1.56	1.65	0.80
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.33	1.25	1.24	1.28	1.37	1.27
		Profitability: Deemed ROE	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
		Profitability: Achieved ROE	9.87%	9.45%	10.45%	6.74%	6.86%	7.30%

1.8.1. Customer Focus

SERVICE QUALITY

For the measures for New Residential/Small Business Services Connected on Time and Scheduled Appointments Met on Time, Milton Hydro has consistently provided excellent results to customers, exceeding the OEB's industry targets each year. This level of performance is attributed to the diligent coordination of Milton Hydro's engineering, construction, and operations teams with the local municipality, developers, and contractors. Milton Hydro's target is to maintain the same level of service as prior years, surpassing the industry target of 90%.

Milton Hydro has exceeded the industry target for Telephone Calls Answered on Time. From 2019 to 2020 there was a decline in the performance in this area. Higher call volumes experienced in 2020 as compared to the previous year's calls were related to the advent of the COVID-19 pandemic. Higher call volumes were due to the government of Ontario initiated programs to provide electricity rate relief and financial assistance to customers. Also, the government of Ontario instituted customer choice with respect to giving low volume customers the option to choose between Time-of-Use Rates and Tiered Rates for electricity billing. The preceding contributed significantly to increasing the call volumes in 2020, which impacted performance in this metric. In addition, there have been some technological challenges impacting the performance of the call-center as the Customer Service Representatives worked from home in 2020 and 2021, during much of the pandemic, and then worked from home and the office on a rotational basis. Although a combination of unprecedented challenges was experienced, Milton Hydro continued to exceed its OEB target of answering more than 65% of the calls within 30 seconds or less by continuing to address the technological challenges, and through hiring of co-op and summer students during peak times in the year. Milton Hydro's target is to improve continually improve its performance and continue to surpass the industry target of 65%. Milton Hydro will be assessing its scorecard to determine appropriate targets for internal metrics.

Milton Hydro worked to address technological challenges by installing a new internet based private branch exchange to help address issues. There was limited improvement, but not enough to achieve the level of connectivity needed. Milton Hydro is investing in a new omni-channel software platform to provide many other features that will enable Milton Hydro's customer service staff to communicate with customers through many more channels.

CUSTOMER SATISFACTION

Milton Hydro's performance in First Contact Resolution in 2016 to 2021 indicates the majority of customers responded favorably when asked whether their specific question or issue was resolved during their initial call to Milton Hydro's customer service group. Milton Hydro tracks customer calls through its Customer Information System and if the call needs to be escalated or a second call is made then a separate tracking code is used. Milton Hydro was compliant with respect to this metric. Milton Hydro's target is to maintain the levels experienced in prior recent years.

Milton Hydro's performance regarding billing accuracy from 2016 to 2021 has exceeded the OEB's prescribed target of 98%. Milton Hydro runs consumption and dollar exception reports to identify bills to customers that may require reviewing before issuing to customers which helps ensure a high degree of billing accuracy. These checks for billing accuracy help ensure that customer bills are near 100% accurate. Milton Hydro's Billing Accuracy target is to maintain the levels experienced in prior recent years.

The last Customer Satisfaction Survey was undertaken in the fall of 2021. The survey reviewed responses from households, small and large businesses that pay or look after the electricity bills from Milton Hydro. Milton Hydro achieved an "A" rating in customer satisfaction.

Milton Hydro engaged with a leading market research organization to implement and administer its bi-annual customer satisfaction survey, with questions focused on key areas identified by both the OEB and the distributor, including: power quality and reliability, price, billing and payment, communications, customer service experience, and brand image. The market research organization performs Milton Hydro's Customer Satisfaction Survey to obtain actionable and measurable feedback from Milton Hydro customers. This information is incorporated into Milton Hydro's planning process and forms the basis of plans to improve customer communication and satisfaction to meet the needs of customers.

The surveys have proven valuable in identifying both customer preferences and opportunities for improvement, many of which have been incorporated into Milton Hydro's distribution system planning activities. Milton Hydro's target is to maintain the customer satisfaction levels from prior years on its biannual survey and to take action annually to continue to improve and work to addressing customer preferences communicated by customers.

Respondents for the most recent customer satisfaction survey identified the following projects/ initiatives as top items which Milton Hydro should focus attention and resources.

Table 1-22 Customer Priority Projects/Initiatives

Priority Projects/Initiatives	% of Respondents
Maintaining and upgrading equipment to ensure a safe and reliable electricity supply	94.0%
Investing to ensure that more frequent and severe weather events will cause less damage to distribution system	88.0%
Preventing data breaches and system disruptions due to cyberattack	88.0%
Investing more in the electricity grid to reduce outages	86.0%
Reducing response times to outages	86.0%
Investing in projects to reduce the environmental impact of Milton Hydro's operations	77.0%

In addition, survey respondents' responses regarding developing a smart phone app have grown in priority from 46% to 52%. Also providing more self-serve options has grown from 37% to 45%.

Milton Hydro strategic goals align with these customer preferences. Milton Hydro's plans include work to continuously improve in these areas and strive to address these customer priorities.

1.8.2. Operational Effectiveness

SAFETY

This measure looks at safety from a customers' point of view as safety of the distribution system is a high priority. Safety is first on its list of commitments to customers, employees, and the shareholder. The Safety measure is generated by the Electrical Safety Authority ("ESA") and includes three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. Residents of Milton Hydro's service area scored 80% on their awareness of electrical safety for 2021 (Component A).

Some activities Milton Hydro is doing to improve safety awareness includes the following:

- Communicate with the fire department to educate them on how to keep their team and the community safe during electrical emergencies.

- Promote Lucky the Squirrel safety information and provided children with safety colouring books during the Santa Clause Parade

- Regularly post electrical safety tips on social media

Over the past five years, Milton Hydro was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety, "Component B"). This was achieved through a strong commitment to safety, and adherence to company procedures and policies. Ontario Regulation 22/04 establishes objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. Milton Hydro's target is to continue to achieve full compliance in this area.

Over the past six years, Milton Hydro has recorded zero serious electrical incidents ("Component C"). Milton Hydro's target is to continue to achieve full compliance and to have zero serious electrical incidents.

System Reliability

Milton Hydro's scorecard results are shown without any Loss of Supply or Major Event related outages. With the exception of 2020 Milton Hydro's historic trending has been relatively consistent, with a SAIDI (duration index) of less than one hour per customer per year, and a SAIFI (frequency index) of less than one outage per customer per year. In 2020 Milton Hydro's indices were at the least favorable performance level than any of the other years. In this Application Milton Hydro is making investments in its DSP and Operating Programs to reduce duration of outages and improve system reliability in general. A message that Milton Hydro has heard from its customers through various forms of customer engagement is that system reliability is very important to customers. Milton Hydro is taking action to automate its system more, monitor the system more closely with its own system control room, and Milton Hydro is proposing capital programs which will allow Milton Hydro to improve current levels of reliability performance.

Asset Management

Distribution System Plan Implementation Progress

From 2016 to 2020, Milton Hydro measured its Asset Management performance by comparing its actual capital expenditures to its planned capital expenditures per its 2016 Distribution

System Plan. Milton Hydro reported that it was "on track" when its capital expenditures were consistent with what was planned. From 2016 to 2020, Milton Hydro's gross capital expenditures excluding capital contributions were about 1% greater than the investment plans from its Distribution System Plan. During the DSP period, Milton Hydro also recovered about $2.8 Million less in capital contributions than what was originally planned. Milton Hydro's net capital expenditures (gross capital expenditures fewer capital contributions) were about $3.3 Million more than originally planned, mainly attributable to spending in General Plant.

Cost Control

Efficiency Assessment

Table 1-23 details the efficiency rankings for cost performance based on the percentage difference between the actual total cost as compared to predicted total costs, as computed by the PEG econometric benchmarking model. This ranking is for all regulated electricity distributors in the province from 2016 to 2020. In addition, Milton Hydro's annual efficiency evaluation rank in the province for 2016 to 2020, is highlighted in the table below. Other than in 2016; from 2017 to 2020 Milton Hydro's has averaged at about rank 17, i.e., 17th rank in the province related to efficiency evaluation for cost performance out of 59 distributors in the Province.

Table 1-23 Benchmarking Analysis from 2016 to 2020 - Utility Efficiency Ranking Comparison[34]

Distributor	2016 Efficiency Ranking	2017 Efficiency Ranking	2018 Efficiency Ranking	2019 Efficiency Ranking	2020 Efficiency Ranking
Alectra Utilities Corporation	34	39	35	38	38
Algoma Power Inc.	59	59	59	59	59
Atikokan Hydro Inc.	48	53	51	51	50
Bluewater Power Distribution Corporation	37	38	43	39	37
Brantford Power Inc.	27	26	25	25	36
Burlington Hydro Inc.	20	21	21	23	26
Canadian Niagara Power Inc.	52	50	55	54	54
Centre Wellington Hydro Ltd.	35	35	37	36	29
Chapleau Public Utilities Corporation	57	56	57	57	56
Cooperative Hydro Embrun Inc.	5	4	4	2	3
E.L.K. Energy Inc.	3	3	2	3	2

[34] Efficiency rankings are based on annual % efficiency on cost performance. Not rolling multi-year averaged.

1

Distributor	2016 Efficiency Ranking	2017 Efficiency Ranking	2018 Efficiency Ranking	2019 Efficiency Ranking	2020 Efficiency Ranking
Elexicon Energy Inc.	32	31	31	37	39
Energy+ Inc.	22	22	22	21	25
Entegrus Powerlines Inc.	15	15	18	13	14
ENWIN Utilities Ltd.	43	42	33	26	24
EPCOR Electricity Distribution Ontario Inc.	16	14	14	34	31
ERTH Power Corporation	49	51	45	43	44
Espanola Regional Hydro Distribution Corporation	8	9	8	19	13
Essex Powerlines Corporation	14	20	23	15	16
Festival Hydro Inc.	51	47	53	49	49
Fort Frances Power Corporation	41	36	36	33	28
Greater Sudbury Hydro Inc.	44	44	48	47	52
Grimsby Power Incorporated	17	7	7	6	6
Halton Hills Hydro Inc.	6	6	6	7	7
Hearst Power Distribution Company Limited	7	11	11	8	8
Hydro 2000 Inc.	10	10	19	11	19
Hydro Hawkesbury Inc.	1	1	1	1	1
Hydro One Networks Inc.	54	57	54	55	55
Hydro Ottawa Limited	55	55	56	56	57
Innpower Corporation	42	40	34	32	32
Kingston Hydro Corporation	29	33	39	35	33
Kitchener-Wilmot Hydro Inc.	9	12	15	12	18
Lakefront Utilities Inc.	11	8	12	10	11
Lakeland Power Distribution Ltd.	19	17	27	20	20
London Hydro Inc.	25	28	29	31	34
Milton Hydro Distribution Inc.	33	18	16	18	17
Newmarket-Tay Power Distribution Ltd.	18	25	24	27	22
Niagara Peninsula Energy Inc.	39	41	40	41	41
Niagara-on-the-Lake Hydro Inc.	26	24	32	28	27
North Bay Hydro Distribution Limited	38	43	42	46	48
Northern Ontario Wires Inc.	4	5	5	5	5
Oakville Hydro Electricity Distribution Inc.	40	37	38	40	40
Orangeville Hydro Limited	21	19	13	14	10
Orillia Power Distribution Corporation	31	30	30	30	43
Oshawa PUC Networks Inc.	13	16	20	22	21
Ottawa River Power Corporation	23	23	10	17	15
Peterborough Distribution Incorporated	50	46	44	44	45
PUC Distribution Inc.	53	52	49	48	47
Renfrew Hydro Inc.	47	45	46	42	42
Rideau St. Lawrence Distribution Inc.	24	29	26	24	23
Sioux Lookout Hydro Inc.	28	27	17	16	12
Synergy North Corporation	45	48	47	50	46

Distributor	2016 Efficiency Ranking	2017 Efficiency Ranking	2018 Efficiency Ranking	2019 Efficiency Ranking	2020 Efficiency Ranking
Tillsonburg Hydro Inc.	36	34	41	45	35
Toronto Hydro-Electric System Limited	58	58	58	58	58
Wasaga Distribution Inc.	2	2	3	4	4
Waterloo North Hydro Inc.	46	49	52	53	53
Welland Hydro-Electric System Corp.	12	13	9	9	9
Wellington North Power Inc.	56	54	50	52	51
Westario Power Inc.	30	32	28	29	30

The Pacific Economics Group (PEG) LLC evaluates a total cost level and an efficiency assessment for each Ontario local electricity distribution company annually on behalf of the OEB. Total cost is calculated as the sum of Milton Hydro's capital and operating costs, including certain adjustments to make the costs more comparable between distributors. From 2016 to 2020, Milton Hydro has demonstrated strict cost control and has constrained costs. As per Table 1-24 below, from 2016 to 2017 Milton Hydro has been assessed in the PEG report with respect to efficiency assessment, as a "Stretch Group III" distributor, and from 2018 to 2020 as a "Stretch Group II" distributor. Based on projected benchmarking data for 2021, Milton Hydro expects to remain in this Stretch Group.

Table 1-24 below demonstrates Milton Hydro's historical cost performance from 2016 to 2020. Cost per Customer and Cost per KM of Line measures have reflected cost containment and control. The shortfall of Milton Hydro's actual total costs compared to predicted total costs have increased significantly from -6.20% of predicted costs in 2016, to -23.68%[35] of predicted costs in 2020. In 2016 Milton Hydro's total actual costs were $1,701,704 less than total predicted costs and in 2020 Milton Hydro's total actual costs were $7,510,876 less than total predicted costs.

[35] Based on logarithmic % differences.

Table 1-24 Benchmarking Historical Cost Performance 2016 to 2020

Description	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual
Actual Total Cost	$26,626,170	$25,294,071	$27,027,622	$28,291,092	$28,104,237
Predicted Total Cost	$28,327,874	$29,197,482	$32,149,355	$34,124,787	$35,615,113
Actual Cost Greater/(Less Than) Predicted Cost	($1,701,704)	($3,903,411)	($5,121,733)	($5,833,695)	($7,510,876)
Percentage Difference (Cost Performance)	**(6.01%)**	**(13.37%)**	**(15.93%)**	**(17.10%)**	**(21.09%)**
Percent Difference (Logarithmic)	**(6.20%)**	**(14.35%)**	**(17.35%)**	**(18.75%)**	**(23.68%)**
Stretch Factor Group	**Group III**	**Group III**	**Group III**	**Group II**	**Group II**
Number of Customers	36,818	37,895	39,579	40,388	41,221
Line km	2,559	2,615	2,651	2,723	2,767
Cost Per Customer	$723	$667	$683	$700	$682
Cost Per km	$10,405	$9,673	$10,195	$10,390	$10,157

This trend is not sustainable, in this Application, Milton Hydro's level of costs have been reset to a higher level, based on the resourcing required. This will enable Milton Hydro to achieve its strategy, and it will manage its growth in customer base through a three-pronged approach through, process innovation, acquiring the appropriate scalable digital systems, and when necessary, hiring the staff as customer base grows.

Based on the PEG econometric benchmarking model, Milton Hydro has forecasted its projected efficiency evaluation for 2021 to 2023. Table 1-25 below shows Milton Hydro's level of efficiency in cost performance is leveling off as it transforms itself through Milton Hydro's 2.0 Strategy. From 2021 to 2023 the shortfall of Milton Hydro's projected total costs compared to predicted total costs has flattened from -23.68% of predicted costs in 2020 per Table 1-24 above, to -23.56% of predicted costs in 2021, then to -22.00% of predicted costs in 2023, per Table 1-25 below. Based on these projections, Milton Hydro still expects to remain in the Stretch Factor II cohort.

Table 1-25 Benchmarking Forecast Performance for 2021 to 2023

Description	2021 Projection	2022 Projection	2023 Projection
Actual Total Cost	$29,643,755	$32,208,382	$35,292,633
Predicted Total Cost	$37,518,281	$41,203,996	$43,975,949
Actual Cost Greater/(Less Than) Predicted Cost	($7,874,526)	($8,995,614)	($8,683,317)
Percentage Difference (Cost Performance)	**(20.99%)**	**(21.83%)**	**(19.75%)**
Percent Difference (Logarithmic)	**(23.56%)**	**(24.63%)**	**(22.00%)**
Stretch Factor Group	**Group II**	**Group II**	**Group II**
Number of Customers	42,149	42,940	43,856
Line km	2,814	2,863	2,914
Cost Per Customer	$703	$750	$805
Cost Per km	$10,534	$11,250	$12,111

1.8.3. Public Policy Responsiveness

CONSERVATION & DEMAND MANAGEMENT

In 2019, the government issued Orders in Council and Directives to centralize the delivery of conservation programs through the IESO and utilities will no longer receive incentive payments for achieving targets. There are some opportunities for utilities to deliver local programs. Milton Hydro will assess and determine what it would be able to do.

CONNECTION OF RENEWABLE GENERATION

Renewable Generation Connection Impact Assessments Completed on Time and Connection of Micro-Embedded Generation Facilities within Five Business Days.

Electricity distributors are required to conduct Connection Impact Assessments (“CIAs”) within 60 days of receiving a complete application. Distributors are also required to connect micro-embedded generation facilities within five business days of receiving all required authorizations, signed agreements and connection fees for a micro-embedded generation facility. Milton Hydro has met these requirements consistently in the past years, and its goal for this metric is to reach 100% annually.

1.8.4. Financial Performance

FINANCIAL RATIOS:

Current Ratio

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates that the company can pay its short-term debts and financial obligations. Companies with a ratio greater than 1 are often referred to as being “liquid”. The higher the number, the more “liquid” and the larger the margin of safety to cover the Company’s short-term debts and financial obligations. Milton Hydro’s current ratio decreased nominally from 1.72 in 2016 to 1.65 in 2020. In 2021, due to the refinancing of the $14,934,260 Town of Milton promissory note and due to lower cash and cash equivalent balances of $4,000,000 due to the deferral of a debt capital facility to Q2 2022, Milton Hydro's current ratio has temporarily declined to 0.80. Milton Hydro's short term debt facility was correspondingly increased to give Milton Hydro access to cash needed until the short term note with a financial institution is replaced. In the absence of the transactions to refinance the promissory note and the deferral of the debt capital facility Milton Hydro's current ratio would have been 1.67.

The promissory note payable to the Town of Milton was refinanced on January 2, 2022, after the 2021-year end, however, was still reflected in the financial statements as though it occurred in 2021. With the refinancing of the promissory note payable to the Town of Milton, the company now only holds third party debt. Milton Hydro has procured financial advisory services who will provide recommendations regarding timing, structure, condition, covenants, and forms of long-term debt. It is anticipated that the short-term note is replaced by the end of 2022.

Milton Hydro’s target is to maintain a *minimum* current ratio of 1.1. After the refinancing of the short-term note, to new third-party long-term debt, Milton Hydro's current ratio will be in line with historical years again.

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

The OEB uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt-to-equity ratio of 1.5 (60/40). A debt-to-equity ratio of more than 1.5 indicates that a distributor is more highly leveraged than

the deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. A debt-to-equity ratio of less than 1.5 indicates that the distributor is less levered than the deemed capital structure. A low debt-to equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that financial leverage may bring.

Milton Hydro's leverage position has increased somewhat from 1.25 in 2016 to 1.37 in 2020. In 2021, Milton Hydro's Debt/Equity ratio was 1.26. In the absence of the deferral of the debt capital facility of $4,000,000 Milton Hydro's debt/equity ratio would have been 1.35. Milton Hydro notes that the refinanced note payable of $14,934,260 to the Town of Milton did not impact its Debt/Equity ratio as it is a component of the total debt in the computation of this ratio. Milton Hydro's debt equity position is such that the current the Debt/Equity ratio is still lower than the deemed Debt/Equity position of 1.5 which is Milton Hydro's target Debt/Equity based on the OEB's deemed capital structure of 60% debt, and 40% equity. Given Milton Hydro's current Debt/Equity ratio is lower than deemed, Milton Hydro has some needed room in its capital structure as it undertakes more projects in the coming years requiring more debt.

Profitability: Regulatory Return on Equity - Deemed

Milton Hydro's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return on equity of 9.19% (per the OEB's Decision and Order in EB- 2015-0089). The OEB uses a +/- 300 basis point deadband to assess whether a distributor is over-earning, under-earning, or earning within the 300 basis points deadband. If a distributor is over-earning a distributor could be asked to forgo an annual rate increase and/or be asked to come in for an early rebasing rate application. If a distributor is under-earning, the distributor could be required to come in for an early rebasing if a utility's financial viability could be affected. The OEB assesses utilities who are either over-earning or under-earning to determine if an early rebasing application is warranted.

Profitability: Regulatory Return on Equity – Achieved

Milton Hydro's achieved ROE, for all years from 2016 to 2021, was within the 300-basis point deadband. For the years from 2016 to 2018 Milton Hydro earned on average 73 basis points over its deemed regulatory ROE. For the years from 2019 to 2021 Milton Hydro earned on average 222 basis points less than its OEB approved deemed regulatory ROE of 9.19%. Although Milton Hydro's costs are low, and it is considered to be a cost-efficient utility based on

the OEB's benchmarking model, in recent years, Milton Hydro has earned less than its deemed regulatory return on equity. In 2021, Milton Hydro received approval from the OEB for the recovery of $1,150,011 revenue pertaining to account 1568 LRAMVA for the recovery of lost revenue for conservation and demand side management programs (CDM) that related to prior periods (i.e. for years 2015 to 2020). In 2021, Milton Hydro also accrued $263,098 of revenue related account 1568 LRAMVA. Had it not been for the recognition of this additional revenue in 2021, Milton Hydro's achieved ROE in 2021 would have been lower. In 2022 Milton Hydro expects to recognize an additional $270,244[36] of revenue related to the current period (i.e. 2022) recorded in account 1568 LRAMVA.

Milton Hydro's Board of Directors did not authorize an additional dividend to the shareholder in relation to additional revenue for LRAMVA of $1,683,353, but rather, it approved that the Company reinvest the money in the utility, to start to hire more staff, and start to make necessary investments in digital systems contributing to it's new Milton Hydro 2.0 Strategy. One of the hires in 2021 was for a new Process Improvement Officer. Milton Hydro has embarked in a new discipline regarding process improvement using the Lean Six Sigma methodology.

1.8.5. Expected Performance

Milton Hydro's overarching goal up until the end of 2020 has been cost minimization, and Milton Hydro was one of the low-cost distributors as the efficiency rankings indicate. Based on Milton Hydro's customer base, Milton Hydro has grown from being a small distributor to a large distributor; however, Milton Hydro's resources have not been scaled at the level required to allow it to operate effectively based on its customer base. Currently, Milton Hydro's resources are scaled at the level of a small distributor, and as the Company is transformed through Milton Hydro's 2.0 Strategy, this will enable the right resources given the size of its customer base. The appropriate scaling of Milton Hydro's resources will require an upward adjustment to rates to enable the correct scaling given its current customer base, and the rapid growth in customer base it is experiencing. As Milton Hydro is transformed through Milton Hydro's 2.0 Strategy, it will provide high value for money services to its customers and operate more akin to a tech company. Milton Hydro expects that its efficiency ranking will level off somewhat in the short term as it makes adjustments to its level of resourcing to enable it to have the right size organization, to have appropriately scaled digital systems, and the best-in-class business

[36] In this rate proceeding Milton Hydro is requesting the recovery of $533,342 related to the recovery of lost revenue for CDM programs. Of this amount, $263,098 relates to 2021, and 270,244 relates to 2022. The component related to 2021 is the adjusted accrual amount to be claimed for 2021.

processes. Milton Hydro's transformation is a journey; to be transformed through Milton Hydro's 2.0 Strategy, which is future ready, scalable. sustainable, and customer centric Milton Hydro must be able to maximize value to customers and the shareholder using an enterprise approach.

As a customer centric utility, Milton Hydro will provide high value for money to customers, and earn its regulated return on investment through sustainable growth. Milton Hydro began its transformation journey through Milton Hydro's 2.0 Strategy, in 2021. Costs to appropriately scale Milton Hydro in 2021 and 2022 are being absorbed by Milton Hydro. When Milton Hydro rebases its rates in 2023 there will be an upward adjustment in costs and rates. Milton Hydro is working on setting goals to become more efficient every year through better business processes using the Lean 6 Sigma discipline. In future Milton Hydro will rely on improvements in efficiency through process improvement and digital modernization to ensure adequate resources are available as its customer base grows and will hire additional staff as needed as its customer base grows.

1.8.6. Activity and Program-based Benchmarking (APB)

On February 25, 2022, the OEB announced changes to the APB framework in line with its commitment to drive utility performance and support efficiencies in the regulatory process. The letter sets out the specific changes to certain unit cost metric calculations and identifies the data points needed to support them. In order to gather three years of historical results for these new unit cost calculations, utilities were required to complete and submit a limited data survey providing additional information for the new data points for fiscal 2018, 2019 and 2020 on a best-efforts basis which Milton Hydro has complied with. The changes made by the OEB reflect the input of stakeholders at the December 9, 2021, meeting as well as input received following the meeting.

Considering the OEB's changes to certain unit cost metric calculations, Milton Hydro has determined that it has data pertaining to 5 of the APB unit cost indices, however, the OEB has more work to do to calculate the other 5 APB unit cost indices and the data for those indices is subject to changes. In the subsequent sections, Milton Hydro discusses each of the 5 APB unit cost indices that it has the data to do so and makes an assessment of its position relative to other utilities in Ontario, and what it intends to do given its assessment.

Billing O&M Unit Cost Index - Milton Hydro's average unit cost index is $38.64, while the Industry average unit cost index is $36.26. Milton Hydro reviewed its accounting treatment for costs related non rate-regulated business and has identified an accounting divergence from the Accounting Procedures Handbook. Milton Hydro identified that although the revenues from non rate-regulated business activities are being recorded as part of other revenues, it has been recording revenues, to USoA Account 4390 Miscellaneous Non-Operating Income rather than USoA Account 4375 Revenues from Non Rate-Regulated Utility Operations, historically for many years. Additionally, Milton Hydro has determined that costs associated with the non rate-regulated business have not been recorded in account 4380 Expenses of Non Rate-Regulated Utility Operations with respect to non rate-regulated utility operations. This has resulted in Milton Hydro recording costs to the billing and collecting accounts instead of Account 4380. Milton Hydro commenced adhering to the Accounting Procedures Handbook (APH) with respect to non rate-regulated business effective January 1, 2022. Milton Hydro will reach out to OEB staff to determine what data needs to be corrected, in light of this data being used for APB purposes. At this time Milton Hydro is unable to ascertain the exact impact to the Billing OM&A unit cost index, however, it will do so in due course once the data is determined. Milton Hydro expects its unit cost index to decrease once the RRR data has been updated.

Pole Maintenance O&M Unit Cost Index - Milton Hydro's average unit cost index is $29.22, while the Industry average unit cost index is $14.05. Currently Milton Hydro has no visibility or insights as to why its unit cost index is higher from the average distributors unit cost index. Milton Hydro will consult with other distributors who have lower than average unit cost indices to understand the difference between its pole maintenance program and the programs of those distributors with with lower unit cost indices, to establish an action plan to reduce its costs.

Meter O&M Unit Cost Index - Milton Hydro's average unit cost index is $16.75, while the Industry average unit cost index is $19.67. Currently Milton Hydro has no visibility or insights as to why its unit cost index is lower from the average distributor’s unit cost index. Milton Hydro will consult with other distributors who have lower than average unit cost indices to understand the difference between its Meter Maintenance program and the programs of those distributors with with lower unit cost indices, to understand why the utilities' costs are lower than the industry averages and determine what can be done to continuously improve in this benchmark.

Vegetation Management O&M Unit Cost Index - Milton Hydro's average unit cost index is $32.88, while the Industry average unit cost index is $35.15. Currently Milton Hydro has no

visibility or insights as to why its unit cost index is lower from the average distributor's unit cost index. Milton Hydro will consult with other distributors who have lower than average unit cost indices to understand the difference between its Tree Trimming program and the programs of those distributors with with lower unit cost indices, to understand why the utilities' costs are lower than the industry averages and determine what can be done to continuously improve in this benchmark.

Meter Capex Unit Cost Index - Milton Hydro's average unit cost index is $30.81, while the Industry average unit cost index is $12.21. Currently Milton Hydro has no detailed industry data to ascertain specifically why its unit cost index is higher from the average distributors unit cost index. The types of meters installed will have a bearing on the unit cost; for example, commercial/industrial customers' meters are more costly to purchase and to install, whereas low volume customers' meters are lower cost and simpler to install. Depending on the proportion of more costly meters installed, vs less costly meters installed could impact the unit cost index. In Milton Hydro's case, during the historical years used to derive the unit cost index it had not rolled out the large-scale deployment to replace smart meters for low volume customers. As Milton Hydro conducts large scale deployment of smart meter replacements its unit costs will significantly drop. Milton Hydro will monitor its performance in this area to determine to understand its costs better and look for new innovative ways to continually improve and reduce its costs.

Conclusions

Milton Hydro welcomes benchmarking and competition amongst its peers to provide lower cost services. However, an important element of service that is very important are the intangibles, and the qualitative aspects of service delivery, including quality and customer satisfaction. Milton Hydro will strive to improve service and become more efficient through the Lean Six Sigma discipline while providing high value for money to its customers.

1.8.7. Benchmarking Customers per Employee

Table 1-26 Mid-Size GTA & Other Medium-High Undergrounding

Mid-Size GTA & Other Medium-High & Undergrounding	Customers per Employee *				
	2016	**2017**	**2018**	**2019**	**2020**
Bluewater Power Distribution Corporation	331	307	303	302	317
Brantford Power Inc.	691	672	630	659	644
Burlington Hydro Inc.	734	746	738	758	707
Energy+ Inc.	509	514	523	559	556
Entegrus Powerlines Inc.	537	527	572	566	561
Essex Powerlines Corporation	667	647	654	664	767
Greater Sudbury Hydro Inc.	718	708	734	812	812
Halton Hills Hydro Inc.	409	419	449	442	460
Kitchener-Wilmot Hydro inc.	503	504	527	525	539
Milton Hydro Distribution Inc.	**624**	**677**	**747**	**777**	**808**
Newmarket-Tay Power Distribution Ltd.	806	714	777	676	762
Niagara Peninsula Energy Inc.	436	432	437	465	N/A
Oakville Hydro Electricity Distribution Inc.	620	641	693	717	726
Oshawa PUC Networks Inc.	757	686	655	656	784
PUC Distribution Inc.	N/A	400	411	421	431
Synergy North Corporation **	388	403	419	417	441
Waterloo North Hydro Inc.	413	449	463	474	491
Peer Group Average of Distributors	572	556	573	582	613
Peer Group Average Excluding Milton Hydro	568	557	573	583	600

* - Source, 2016 to 2020 OEB Yearbooks

** - Data for predecessor utilities aggregated for period 2016 to 2019

The preceding Table 1-26 above shows Milton Hydro's Customers per Employee for the Mid-size GTA & Other Medium-High Undergrounding comparators. In 2016, Milton Hydro ranked 7th highest of 17 distributors in the benchmark group. From 2018 to 2020, Milton Hydro ranked 2nd highest in the same benchmark group, and its position relative to the highest ranked distributor continued to move higher. Table 1-26 has been colour coded in green where customers per employee of other utilities are greater than Milton Hydro's data.

From 2016 to 2020 Milton Hydro's customer base continued to grow, while Milton Hydro did not hire enough staff. Milton Hydro's overarching goal was cost minimization, and Milton Hydro stretched its resources as far as it could to keep its costs low. However, this goal was not sustainable, and the level of work for its workforce became too much for its staffing complement. In this Application, Milton Hydro is right sizing its staffing complement as part of its three

pronged approach to scaling resources to fit its customer base. Milton Hydro is adding FTEs so it can have adequate resources to be able to service its growing customer base, while providing high value for money.

Table 1-27 below summarizes Milton Hydro's Customers per Employee for 2021, and the projected Customers per Employee for 2022 and 2023.

Table 1-27 Milton Hydro Distribution Inc. Customers Per Employee*

Description	2021	2022	2023
# Metered Customers	42,084	42,890	43,899
Full Time Employees	58.5	69.7	77.7
Customers per Employee	719	615	565

* - # of metered customers are as of year-end, consistent with the customer counts used in the RRR reporting and as used in the year-book to calculate the customers per employee measure.

In 2021, Milton Hydro began to implement its workforce plan consistent with its' Milton Hydro 2.0 Strategy, Milton Hydro began to hire staff and it's FTEs grew by 3.2 while its customer base grew causing its customers per employee ratio to decline to 719.

In 2022, Milton Hydro continues to implement its workforce plan consistent with its' Milton Hydro 2.0 Strategy, Milton Hydro is continuing to hire, and its FTEs are expected to grow by 11.2 while its customer base is expected to continue to grow causing its customers per employee ratio to decline to 615.

In 2023, Milton Hydro plans to continue to implement its workforce plan consistent with its' Milton Hydro 2.0 Strategy. Milton Hydro plans to continue hiring and its FTEs are expected to grow by 8, while its customer base is expected to continue to grow causing its customers per employee ratio to decline to 565.

As indicated, by 2023 Milton Hydro projects its customers per employee ratio to drop to 565. This is lower than the 2020 average excluding Milton Hydro of 600 customers per employee. Milton Hydro's plans to address resource shortfalls moving forward by digitally modernizing its systems and become more efficient through process innovations to enable it to continue to be scaled to service its growing customer base into the future. Milton Hydro will not depend on adding headcount alone to address its resource shortfalls in the future. As Milton Hydro's customer base grows and Milton Hydro becomes more efficient its customer per employee count will increase through the application of its new Lean Six Sigma methodology.

Table 1-28 Customers per Employee – Stretch Factor Group II

	Customers per Employee *				
Group II - Stretch Factor Assignment	**2016**	**2017**	**2018**	**2019**	**2020**
Burlington Hydro Inc.	734	746	738	758	707
Energy+ Inc.	**509**	514	523	559	556
Entegrus Powerlines Inc.	537	527	572	566	561
EPCOR Electricity Distribution Ontario Inc.	N/A	N/A	604	622	616
Espanola Regional Hydro Distribution Corporation	469	470	472	473	475
Essex Powerlines corporation	667	647	654	664	767
Hydro 2000 Inc.	442	418	466	415	N/A
Kitchener-Wilmot Hydro Inc.	503	504	527	525	539
Lakefront Utilities Inc.	601	647	615	659	611
Lakeland Power Distribution Ltd.	638	675	710	656	727
Milton Hydro Distribution Inc.	**624**	**677**	**747**	**777**	**808**
Newmarket-Tay Power Distribution Ltd.	806	714	777	676	762
Orangeville Hydro Limited	632	824	678	640	637
Oshawa PUC Networks Inc.	757	686	655	656	784
Rideau St. Lawrence Distribution Inc.	392	368	408	393	396
Sioux Lookout Hydro Inc.	310	316	355	356	355
Stretch Factor Group Average of Distributors that Reported	575	582	594	587	620
Stretch Factor Group Average Excluding Milton Hydro	571	575	584	575	607

* - Source, 2016 to 2020 OEB Yearbooks

When comparing Milton Hydro against its 15 peers in stretch factor group II, the group with the second highest out of five productivity stretch factor groups; Milton Hydro's customer per employee ratio is higher than all other distributors in 2019 and 2020. The preceding Table 1-24 Benchmarking Forecast Performance for 2021 to 2023, shows Milton Hydro’s customers per employee for distributors remain in stretch factor group II. Table 1-28 has been colour coded in green where customers per employee of other utilities are greater than Milton Hydro's data.

As indicated in Table 1-26 above, in 2023, Milton Hydro projects its customers per employee ratio to drop to 565. This is lower than the 2020 average of the Stretch Factor Group II excluding Milton Hydro of 607 customers per employee. As Milton Hydro's customer base grows and Milton Hydro becomes more efficient its customer per employee count will increase through the application of its commitment to the Lean Six Sigma methodology.

1.8.8. Benchmarking OM&A per Customer

Table 1-29 OM&A per Customers – Mid-Size GTA & Other Medium-High Undergrounding

Mid-Size GTA & Other Medium-High & Undergrounding	OM&A per Customer*				
	2016	2017	2018	2019	2020
Bluewater Power Distribution Corporation	379	378	385	371	357
Brantford Power Inc.	264	255	271	278	303
Burlington Hydro Inc.	273	272	279	288	297
Energy+ Inc.	271	273	275	281	284
Entegrus Powerlines Inc.	258	246	248	238	235
Essex Powerlines Corporation	235	233	252	243	260
Greater Sudbury Hydro Inc.	306	302	322	331	329
Halton Hills Hydro Inc.	277	275	274	285	298
Kitchener-Wilmot Hydro inc.	186	191	205	202	219
Milton Hydro Distribution Inc.	**262**	**236**	**240**	**250**	**257**
Newmarket-Tay Power Distribution Ltd.	218	263	266	295	284
Niagara Peninsula Energy Inc.	320	333	324	341	332
Oakville Hydro Electricity Distribution Inc.	261	261	261	256	259
Oshawa PUC Networks Inc.	221	227	234	220	236
PUC Distribution Inc.	339	347	345	341	340
Synergy North Corporation **	311	319	317	303	289
Waterloo North Hydro Inc.	236	246	261	259	247
Peer Group Average of Distributors	272	274	280	281	284
Peer Group Average Excluding Milton Hydro	272	276	282	283	286

* - Source, 2016 to 2020 OEB Yearbooks
** - Data for predecessor utilities aggregated for period 2016 to 2019

The preceding Table 1-29 above, shows Milton Hydro's OM&A Cost per Customer for the Mid-size GTA & Other Medium-High Undergrounding comparators. In 2016, Milton Hydro ranked 8th lowest of 17 distributors compared against. From 2018 to 2020, Milton Hydro on average ranked about 4th lowest against the same distributors. Table 1-29 has colour coded the data green where OM&A cost per customer of other utilities are lower than Milton Hydro's data.

From 2016 to 2020 Milton Hydro's customer base continued to grow, while Milton Hydro's overarching objective was cost minimization, Milton Hydro did not hire the staff that it needed during this period and starting in 2021 Milton Hydro began to implement its workforce plan consistent with its' Milton Hydro 2.0 Strategy, resulting in more spending in OM&A to address resource shortfalls to scale the resourcing requirements to the current customer base.

Table 1-30 below provides Milton Hydro's OM&A Cost per Customer for 2021, and the projected OM&A Cost per Customer for 2022 and 2023.

Table 1-30 Milton Hydro Distribution Inc. OM&A Cost per Customer*

Description	2021	2022	2023
Total OM&A Cost	$ 12,109,938	$ 12,854,668	$ 15,133,537
# Metered Customers	42,084	42,890	43,899
OM&A Cost per Customer	$288	$300	$345

* - # of metered customers are as of year end, consistent with the customer counts used in the RRR reporting and as used in the year-book to calculate the customers per employee measure.

Milton Hydro's OM&A Cost per Customer in 2021 grew from $257/customer to $288/customer. Milton Hydro's plans to address resource shortfalls moving forward by digitally modernizing its systems and become more efficient through process innovations to enable it to continue to be scaled to service its growing customer base into the future. Milton Hydro will not depend on adding headcount alone to address its resource shortfalls in the future. As Milton Hydro's customer base grows and Milton Hydro becomes more efficient its customer per employee count will increase through the application of its new Lean Six Sigma methodology.

In 2022, Milton Hydro is continuing to implement its strategic objectives and is hiring additional staffing and investing in digital modernization. Milton Hydro also commences investing in an in-house system control room and implements Lean Six Sigma process innovation methodology, and starts to train staff regarding process innovations, by providing Lean Six Sigma yellow belt training[37]. Milton Hydro's OM&A Cost per customer is projected to grow from $288/customer in 2021 to $300/customer in 2022.

In 2023, Milton Hydro continues to implement its strategic objectives and is projecting to hire additional staff for the control room and continues to invest in digital modernization. Milton Hydro's OM&A Cost per customer is projected to grow from $300/customer in 2022 to $345/ customer in 2023. In 2023, Milton Hydro's OM&A cost per customer is expected to become higher than the Peer Group Average Excluding Milton Hydro of $286/customer. As Milton Hydro reaps the benefits of the Lean Six Sigma methodology, it will get more efficient, and its OM&A Cost per customer is expected to gradually decline.

Table 1-31 OM&A per Customer – Stretch Factor Group II

	OM&A per Customer*				
Group II - Stretch Factor Assignment	2016	2017	2018	2019	2020
Burlington Hydro Inc.	273	272	279	288	297

[37] See Exhibit 1 sub-section 1.9.4. Types of Impacts of Process Improvement

Group II - Stretch Factor Assignment	OM&A per Customer* 2016	2017	2018	2019	2020
Energy+ Inc.	271	273	275	281	284
Entegrus Powerlines Inc.	258	246	248	238	235
EPCOR Electricity Distribution Ontario Inc.	N/A	N/A	279	366	339
Espanola Regional Hydro Distribution Corporation	422	425	423	502	457
Essex Powerlines corporation	235	233	252	243	260
Hydro 2000 Inc.	328	402	359	409	395
Kitchener-Wilmot Hydro Inc.	186	191	205	202	219
Lakefront Utilities Inc.	232	237	255	254	258
Lakeland Power Distribution Ltd.	365	349	369	351	390
Milton Hydro Distribution Inc.	**262**	**236**	**240**	**250**	**257**
Newmarket-Tay Power Distribution Ltd.	218	263	266	295	284
Orangeville Hydro Limited	277	269	256	275	255
Oshawa PUC Networks Inc.	221	227	234	220	236
Rideau St. Lawrence Distribution Inc.	363	385	380	385	388
Sioux Lookout Hydro Inc.	549	553	517	546	526
Stretch Factor Group Average of Distributors that Reported	297	304	302	319	318
Stretch Factor Group Average Excluding Milton Hydro	300	309	306	324	322

* - Source, 2016 to 2020 OEB Yearbooks

As shown in Table 1-31 above, when comparing Milton Hydro against its 15 peers in stretch factor group II, the group with the second highest out of five productivity stretch factor groups; in 2016 six distributors have lower OM&A Cost per customer than Milton Hydro. In 2020, five distributors had lower OM&A Cost per customer than Milton Hydro. The preceding Table 1-30 has colour coded the data green where OM&A cost per customer of other utilities are lower than Milton Hydro's data.

As indicated above, in 2023, Milton Hydro projects its OM&A Costs per customer to increase to $345. This is higher than the 2020 average of the Stretch Factor Group II excluding Milton Hydro of $322/customer. As Milton Hydro becomes more efficient its OM&A Cost per customer will decrease through the application of its commitment to the Lean Six Sigma methodology.

1.8.8.1. Conclusions Regarding OM&A Cost per Customer

Based on the Pacific Economics Group econometric model, although Milton Hydro's OM&A costs per customer are planned to go up, Milton Hydro is still expected to be classified as a highly efficient distributor and remain in Stretch Factor Group II, per above Table 1-25 Benchmarking Forecast Performance for 2021 to 2023.

1.9. FACILITATING INNOVATION

Introduction

In this Application, Milton Hydro has considered innovation from the perspective of utilizing new technologies with the goal of being more customer centric. Milton Hydro is utilizing new technologies and approaches to doing business that will directly and indirectly benefit customers. Through following a Lean 6 Sigma approach to productivity improvements Milton Hydro will improve processes innovatively.

1.9.1. Process Innovation at Milton Hydro

Milton Hydro's vision is progressive and forward looking – creating new customer and community possibilities for a smart, sustainable, and electrified future. The Company's focus is on being customer-centric, where all employees work towards enhancing the customer experience. Process improvement promotes enhanced business performance in both operations and office/administrative functions. Business performance encompasses a diverse range of metrics including improving customer satisfaction, increasing productivity & efficiency, reducing costs, improving safety and employee morale.

Milton Hydro recognizes that productivity & efficiency improvements are a priority so that it can minimize the employee head count growth expected with the forecasted Town of Milton's population growth from the current population of 143,101, to the (Regional Planning) forecasted population of 187,000 by 2031. During the rebasing period, this effort will help to control the cost to provide service to our customers.

The appointment of a Process Improvement Officer was made in December 2021. A Lean Six Sigma[38] certified black belt professional was hired to purposely deliver process innovation and continuous improvement initiatives across the organization. Milton Hydro will deploy Lean Six Sigma to operationalize process improvements. Lean Six Sigma provides a customer centric approach to achieve right-the-first-time products/services in the most efficient manner. This is accomplished by removing process waste or non-value-added activities. Non-value-added activities can be generally described as actions that provide no added benefit to a customer. Whereas value-added activities directly contribute to meeting a customer's requirements and

[38] https://leansixsigmacanada.com/

the customer is willing to pay for it. As a result, customers are provided the products and services they require at the lowest possible cost.

1.9.2. Lean Six Sigma Methodology

Lean Six Sigma uses the DMAIC problem solving methodology to drive productivity through process improvements. ***DMAIC*** *is an acronym that outlines 5 problem-solving steps;*

Define the problem,

Measure the process & performance,

Analyze to determine root cause of problem,

Improve process performance by eliminating root causes,

Control to sustain performance.

1.9.3. Assessment of Improvement Opportunities

Starting in 2022, Milton Hydro's focus was on diagnosing the opportunities using the Define/ Measure/Analyze ("DMA") elements of the methodology. This involves defining value streams for most problematic products and services being provided to external customers. Value stream mapping is a tool used to identify current state material or transactional flows and the respective information interactions that are utilized to deliver the expected products and services. Data is then collected to measure the current performance related to process metrics like cycle times, waiting times, yield, labour, etc. Once a baseline has been determined for the current state, Milton Hydro will have a holistic and transparent view to identify waste and variation in the respective value streams. Improvement opportunities will be identified that will allow the creation of the desired state value stream resulting in more efficient delivery of product and services to our customers. A key point to highlight is that process owners are involved throughout the current and desired state value stream mapping exercise to incorporate change management strategies ensuring sustainability of any improvements.

1.9.4. Types of Impacts of Process Improvement

The impact of implemented process improvements can be incremental, step change or transformational with the solutions ranging from no/low technology/cost/risk to high technology/

cost/effort/risk. Milton Hydro expects to discover all improvement scenarios and will use the following strategy to deploy each types of improvement:.

a. Incremental improvements with no/low technology/cost/risk solutions will be implemented through a Yellow Belt (YB) certification program that will enable MHDI employees to see waste in their respective processes and provide them with tools and concepts to act on eliminating non-value-added activities. The deployment of the YB program is paramount to developing a lean culture at Milton Hydro where everyone is involved in improving processes. The expectation is that 100% of MHDI employees received YB training in 2022. YB certification requires the demonstration of reducing non-value-added activities on an annual basis for a period of 3 years. It is expected that after 3 years that lean practice will be embedded in the MHDI culture. Both qualitative and quantitative results will be tracked to demonstrate the benefits of the YB program.

b. Step change improvements having solutions involving technology/cost/risk will be implemented through a Green Belt (GB) certification program which will enable MHDI employee to take on larger opportunities that may span various functions by applying the DMAIC1 problem solving methodology inclusive of following basic project and change management practices. GB certification requires candidates to demonstrate the application of a set of predefined certification deliverables with regular coaching from onsite Black Belt. GB training will begin in 2023 with the target of having at least one certified GB per department.

c. Transformation improvements generally involves re-engineering of processes with solutions that may leverage technology, tend to have higher project costs and the level of uncertainty in the improvement requires heightened risk and change management. Within Milton Hydro's IT strategy of "Optimizing Our Performance and Delivery" the roadmap outlines two large transformation improvement initiatives that drive process improvements:

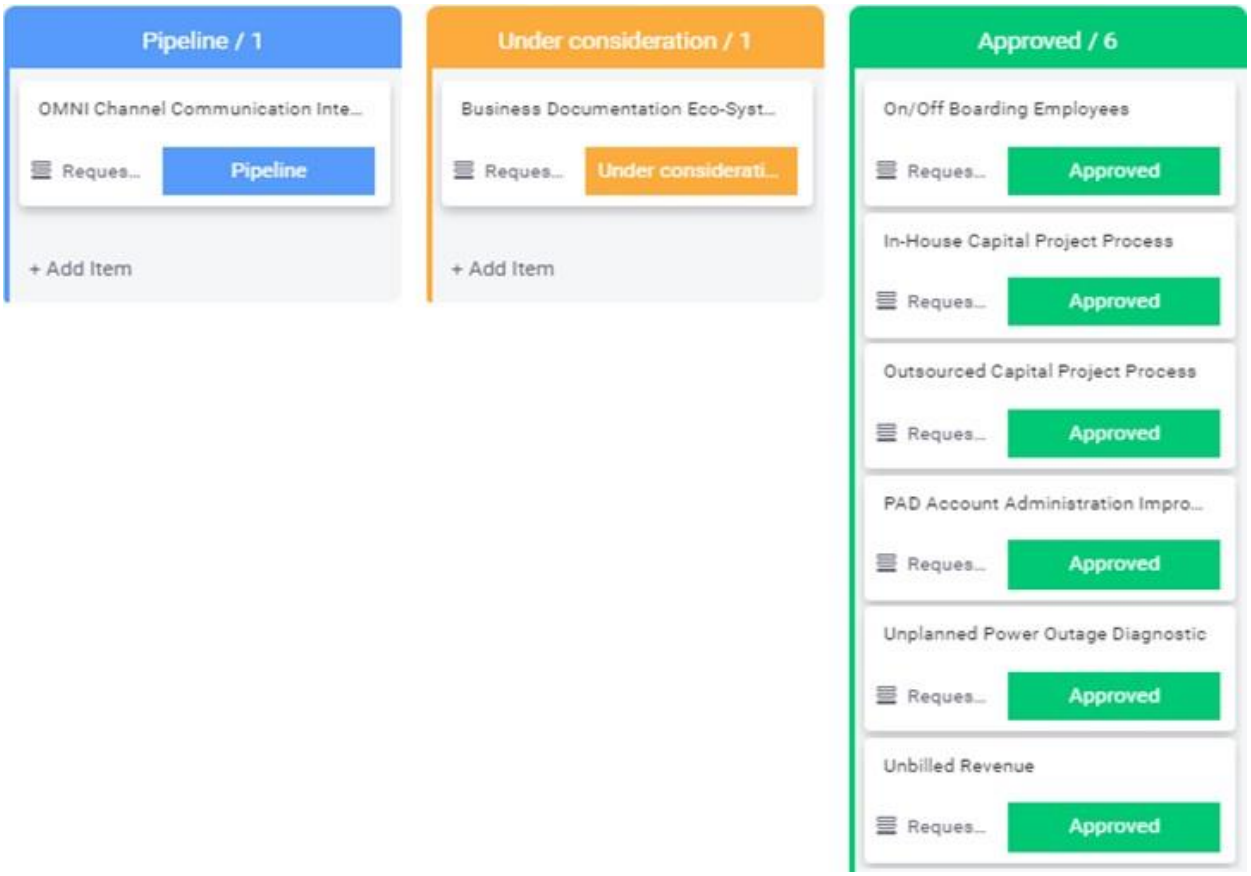
- Business Process Automation has been identified for launch in 2023. BPA objective will be to automate manual and highly repetitive tasks thereby alleviating labour hours that can be used to perform higher value work and reduce the need for added labour costs as demand increases due to forecasted population growth. Utilization of artificial intelligence and machine learning are potential elements of the technology used for this process improvement.

- Business Support Capabilities through implementing Enterprise Resource Planning (ERP) technology has been identified for launch in 2024. The ERP solution will provide an integrated information system throughout MHDI which will streamline information flow for all business processes.

1.9.5. Process Innovation Initiatives

Milton Hydro launched the Process Innovation/Improvement program in January 2022. In Q1 2022, progress in the program has been strong with six active improvement projects underway and two more projects awaiting review and approval for initiation.

Current Process Improvement Initiatives



Details relating to the six active chartered projects are shared below:

1. Unplanned Power Outage Diagnostic:

- Identified the need to be more efficient in both power restoration time and communications for unplanned power outages for our customers.

- Performed Value-Stream mapping to identify the need to improve incoming call center communications to elevate customer awareness on power outages with the intent to reduce call in volumes.

2. Outsourced Capital Projects

- Workshop scheduled in March to identify and address opportunities to improve flow.

3. In-house Capital Projects

- Workshop scheduled in March to identify and address opportunities to improve flow.

4. Pre-Authorized Payment Administration Project

- Customer Service manages at least 150 Pre-Authorized Debit accounts monthly with payment forms being set up manually and printed and saved in filing cabinet without consistent purging of terminated account information.

- Opportunity to streamline process to eliminate paper and over processing of payment information.

5. On/Off Boarding Employee project

- Employee onboarding is the key transitional period of acclimating a new hire to the organization's values, culture, systems, and processes. See Attachment 1-6 Process Improvement Onboarding & Lean Culture Introduction.

- Development of a structure on-boarding checklist will ensure new employees are set up for success when joining Milton Hydro to improve employee experience and enable them to become productive employees sooner.

- Conversely, a structured off-boarding process will help ensure Milton Hydro's assets and security protocols are protected and risk minimized when employees exit the organization.

6. Unbilled Revenue

- Implement monthly unbilled report frequency using accurate data inputs

- Also reduce the duration to record the journal entry for unbilled revenue

1.9.6 Lean Six Sigma Belt Program

In parallel to these chartered projects, Milton Hydro has also launched the Lean Six Sigma belt program. All employees, both union and non-union, have received onboarding to the Process Improvement/Innovation vision.

As of March 3rd, 2022, Milton Hydro has completed YB training for 37% of our employees. To achieve Yellow Belt certification, each employee is also required to demonstrate lean application in their respective work environments by completing and distributing their Lean Application Storyboard to all Milton Hydro employees.

This approach to certification not only shows applied learning, but also promotes development of our lean culture and educates the entire workforce in the various applications of lean and how they can adopt ideas to improve. As of March 4, 2022, 4% of our employees have completed their Lean Application Storyboard with a sample provided.

1.9.7 Results Expected from Process Innovation

Nature of Savings as the Result of Process Innovation/Improvement

The goal of Milton Hydro's Lean Six Sigma program is to find new and innovative ways to continuously improve processes, and aim to provide our customers with high quality products & services at the lowest possible cost.

Quality, in this context refers to our customers having reliable power supply, on-time new service installations, and accurate billing all with timely and courteous customer service. Milton Hydro's improvement initiatives are customer centric in understanding customer needs and building solutions that meet those needs.

Cost refers to the spending by Milton Hydro to provide high quality products and services. This spending is primarily made up of material and labour. The scope of Milton Hydro improvement initiatives can generate savings in the cost of materials, but most initiatives will generate time savings and efficiency improvements. Moving to Lean Six Sigma processes involves creating flow and quality which collectively increases both productivity and efficiency. As a result, Milton Hydro's 2023 test year employee headcount will be adequate to fulfil the needs of the company and will be able to provide high quality products and services requiring less work time as the utility grows beyond 2024 to 2027. Milton Hydro will still need to add incremental headcount

from 2024 to 2027, albeit fewer than would have been required in the absence of process innovation improvements. Milton Hydro expects to achieve soft savings through Lean Six Sigma from 2023 to 2027[39].

Because Milton Hydro is a rapidly growing utility whose customer base and resource requirements are continuously growing, the improvements gained by Milton Hydro through process innovations will not mean reductions to the 2023 headcount level in years 2024 to 2027. The expectation is that through process improvements, Milton Hydro will be able to avoid costs, by hiring fewer new incremental staff from 2024 to 2027 as a result of the growth of its customer base. Milton Hydro expects no hard savings in labour costs to its 2023 employee headcount[40]. Rather, with the expected population growth of the Town of Milton, the organization will leverage this added labour capacity (time savings) to accommodate additional services and products while hiring fewer new incremental headcount than would have been hired in the absence of process innovation improvements to provide the level of service required to our growing customer base in the coming years. This approach enables Milton Hydro to better control future electricity distribution costs to customers, while scaling its organization with the resources needed in the 2023 rebasing year.

More on Soft and Hard Savings from Process Improvements

As alluded to above, benefits from process improvement fall into 2 categories: soft savings and hard savings.

Soft Savings are where the productivity improvement results have an indirect financial impact, or the results are qualitative in nature. Cost avoidance is a soft savings that reduces the need for future spending. The growth of Milton Hydro's customer base has meant that Milton Hydro has added more resources through additional employees from 2021 to 2023, through a reduced number of new incremental headcount in the years from 2024 to 2027, and through soft savings from process improvements. Examples of soft savings are:

a. Cost avoidance

    i. Labour capacity growth through time saved from removal of No Value Activities)

    ii. Improved asset utilization or reliability

[39] Soft savings having an indirect financial impact or the results can be qualitative in nature.
[40] Hard savings are improvement results have a direct financial impact on the budget or income statement.

b. Improved quality

c. Improved productivity

d. Increased customer satisfaction

e. Improved employee/consumer safety

f. Increased employee morale

g. Positive environmental changes

Hard savings are improvement results having a direct financial impact on the budget or income statement. In order for improvements to capture these savings, there must be a demonstrated cause & effect between the results of the improvement and the financial impact. For a rapidly growing utility such as Milton Hydro hard savings are not expected. If Milton Hydro was a steady state no-growth utility, then the results of process improvements could potentially mean hard savings. However, this is not the case for Milton Hydro.

1.10. FINANCIAL INFORMATION

1.10.1. Audited Financial Statements

Milton Hydro has filed its audited financial statements for the three most recent historical years i.e., for the years ending December 31, 2019 to 2021 respectively.

Copies of Milton Hydro 2019, 2020, and 2021 audited financial statements are filed as Attachment 1-7, Attachment 1-8, and Attachment 1-9, respectively.

1.10.2. Reconciliation Between Audited and Regulated Financial Statements

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

Attachment 1-10 includes the annual financial statement reconciliations to the Regulated Financial Statements reporting for 2019, 2020 and 2021.

1.10.3. Annual Report and Management's Discussion and Analysis

Milton Hydro does not publish an Annual Report and Management's Discussion and Analysis at this time; therefore this requirement is not applicable.

1.10.4. Rating Agency Reports

Milton Hydro does not currently secure Rating Agency Reports; therefore this requirement is not applicable.

1.10.5. Prospectus or Information Circulars

Milton Hydro does not release any prospectuses or Information Circulars at this time; therefore, this requirement is not applicable.

1.10.6. Change in Tax Status

Milton Hydro has not had a change in tax status since its last Cost of Service rate Application.

1.10.7. Existing Accounting Orders

Milton Hydro has applied the accounting principles and used the categories of accounts in the Board's Accounting Procedures Handbook ("APH"), and the Uniform System of Accounts ("USoA") in the preparation of this Application.

Milton Hydro does not currently have any distributor specific accounting orders for Deferral and Variance accounts that it is required to be following.

1.10.8. Accounting Standards

In accordance with the Filing Requirements, Milton Hydro has provided the 2016 to 2021 historic period accounting information under Modified International Financial Reporting Standards ("MIFRS"). The 2022 Bridge Year and 2023 Test Year budgets have also been provided based on MIFRS as well.

The Financial Information provided for Milton Hydro's 2023 Cost of Service rate application is based on the MIFRS accounting standard. This is consistent with the accounting standard that was used by Milton Hydro to file its Financial Information for its 2016 Cost of Service rate application.

1.10.9. Accounting for Non-Utility Businesses

Milton Hydro confirms that it is not conducting any non-distribution businesses, such as generation.Milton Hydro's Application has been prepared in relation to the rate regulated entity only, separately from its parent company or any of its affiliates that are not regulated by the OEB. No amounts associated with Non-Utility Business have been included in the costs proposed for recovery in this Application. Milton Hydro confirms that the accounting treatment it has used in this Application has segregated all non-utility activities from its rate-regulated activities.

1.11. DISTRIBUTOR CONSOLIDATION

Milton Hydro confirms that it has not been a party to a Merger, Amalgamation, Acquisition, or Divestiture ("MAADs") transaction with any other distributor(s) since its last rebasing application.

EXHIBIT 1

ATTACHMENT 1-1

MILTON HYDRO 2.0 STRATEGY SUMMARY

Milton Hydro Distribution Inc.

Strategy Summary

	Objective 1: Build a future ready company that is scalable & sustainable	Objective 2: Build a customer-centric organization	Objective 3: Maximize our value using an enterprise approach	Objective 4: Drive profitable and sustainable growth
What we are going to do				
What are the drivers of the strategy	- Modernization requirements to better manage current business and to meet future demand and growth - Agility improvements to meet the transformational/ disruptive changes to the LDC industry on the horizon - Mitigating operating risks associated with staff size - Impacts of mass electrification of transportation - Unique Milton demographics - Carbon impacts and sustainable energy trends - Enhanced network resiliency for increasing severity of climate driven weather events	- Evolving with customer's expectations of interactions with their service providers - Aligning with customers' expectations to be informed and interact on the platforms of their choice - Trends towards increased electrification and reliance on the grid for new applications - Potential for future grid defection	- Addressing the fractured approach to the customer journey/ interactions - Addressing limited end-to-end planning on processes within the organization - Limiting intracompany communications for issues - Lack of clear accountabilities in certain instances	- Opportunity for bottom line benefits through improved financial insight and management - Ensuring that the risk universe is adequately identified and addressed
Where we will invest our efforts	People & Culture Process Innovation Digital Transformation	Customer Service Modernization Service Quality Customer Communication	Operational Excellence Internal Communications & Accountability	Financial Management Risk Management
Why this is important	- Motivated, agile and capable workforce for effective execution with sufficient depth to derisk employee loss - Quickly meet evolving market dynamics (technology, energy transition, regulatory) - Sound business practices and processes optimized for efficiency to effectively service the growth requirements of Milton - Technology footprint to modernize and enhance business practices to make data driven decisions - Demonstrate leadership in electrification of assets and fleet (Net Zero)	- Meeting evolving customer needs and expectations to drive higher customer satisfaction - Improving customer capabilities and automation for enhanced customer interactions and timely information (preferred platform engagement) - Ensuring that service quality (availability/reliability) is maximized - Improving communications on various media platforms for timely and relevant information sharing	- Understanding customer experiences from an enterprise journey perspective and improving the overall experience from end-to-end - Reducing errors or issues associated with undefined accountability and improving customer experience and operational excellence - Reducing siloed decision-making and shift to a sound, overall decision-making approach	- Maximizing the financial capability and efficiency of the company to increase value for ratepayers and the shareholder - Minimizing risks to safety, financial loss, service quality risks or any material risk factors
Supporting Initiatives	- Employee recruitment to ensure resiliency and depth - Employee engagement and relations - Increasing investments in employee education and training - Roles to support people and build culture - Process Innovation Officer position created (Lean 6 Sigma/Process improvements and development) - Technology Roadmap - Technology investments and implementation (ERP, DA, HRIS, Automation Platforms) - Electrification of fleet and other assets	- On-site Milton Hydro control room to ensure customers are top priority in major outages - New call centre technology and process implementation (omni-channel communications) - Increasing distribution automation, fault identification and segmentation - Text2Power outage texting capabilities - Implementing customer surveys after interaction - Deploying better technologies to field crews for improved communications and work planning	- One Team Approach - Centralizing an approach for end-to-end process planning via process innovation group - Developing accountability and processes to improve operational response - Internal communications plan to share - Implementing applications to ensure sharing of accurate and timely information (SharePoint, Wdesk, Monday.com)	- Treasurer and cash management initiatives - Debt consolidation and refinancing - Improving insight and timeliness to financial measures - Improving planning and analytics process - Reviewing enterprise risk management and initiatives to mitigate identified items

EXHIBIT 1

ATTACHMENT 1-2

2023 BUDGET AND 2024-2027 FORECAST

REPORT TO THE BOARD OF DIRECTORS

- ☐ Milton Hydro Holdings Inc.
- ☒ Milton Hydro Distribution Inc.
- ☐ Milton Energy Generation Solutions Inc.
- ☐ Milton Hydro Services Inc.

Date of Report: March 15, 2022

Submitted By: Igor Rusic, VP Finance and Chief Financial Officer

Subject: 2023 Budget and 2024-2027 Forecast

For Board Meeting: March 28, 2022

Agenda Item: 5.3

☐ Standing Report ☐ Follow Up Report ☐ For Discussion

☒ Resolution Required ☐ For Information Only

RECOMMENDATION / MOTION:

BE IT RESOLVED THAT:

The 2023 Budget be approved as distributed.

Moved By:

Seconded By:

CARRIED

BACKGROUND:

The draft budget for MHDI was presented to the Audit committee held on March 24, 2022. The Audit committee carried the motion to recommend the approval of the 2023 Budget to the Board of Directors as presented in this Board package.

ATTACHMENTS:

2023 Cost of Service Budget presentation

Background

The attached materials represent Management's recommendation for Milton's five year Financial Plan. Management is seeking approval of the 2023 budget. The forecasts for 2024-2027 are provided for information.

In April 2022, Milton Hydro Distribution Inc. will file its 2023 Test Year Cost of Service rate application for required distribution rate increases based on the 2023 plan presented in this report. Included in this plan are certain investments that will support and align the capital and operating programs to Strategy 2.0, which was designed to be an evolution from our previous strategy.

Strategy 2.0 address four core pillars of:

- **Future ready the business** by helping the organization prepare for coming demand and disruption from the traditional business model;
- **Building a customer centric organization** by putting customers at the centre of our decision making;
- **Maximize through an Enterprise Approach** by investing in technology while concurrently building resiliency and fostering an environment of process innovation and efficiency;
- **Drive profitable and sustainable growth** by maximizing its financial capability/ efficiency to increase value for ratepayers and the shareholder.

Milton Hydro's plans are an outcome of its business strategy, business planning efforts, asset management and capital expenditure planning processes, multi-faceted customer engagement, and coordinated planning with third parties. Milton Hydro developed its plans to address and appropriately balance the needs and preferences of its customers, its distribution system requirements, and relevant public policy objectives.

The following table provides the MHDI summary by year for net income, capital expenditures, dividends, and financial metrics for 2022 to 2027:

MIFRS Net Income (Loss)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**Total**
Milton Hydro Distribution Inc	2,758,529	5,060,863	4,610,150	4,935,355	5,096,469	5,432,214	**27,893,580**
Total MHDI gross capital expenditures	13,185,639	12,405,568	11,443,445	10,295,019	12,088,648	11,783,638	**71,201,957**
Dividends on consolidated position	798,213	2,808,764	2,560,034	2,739,795	2,829,013	3,013,672	**14,749,491**

MHDI Financial Performance/ Strength							
Debt to Capital	57.5%	55.6%	55.4%	53.6%	53.3%	51.4%	
Debt Service Coverage Ratio	1.7:1	2.2:1	2.2:1	2.4:1	2.3:1	2.5:1	
Restrictions on shareholders distribution	-4.0:1	1.3:1	0.0:1	1.8:1	0.2:1	1.7:1	
Current Ratio	1.4:1	1.2:1	1.3:1	1.2:1	1.3:1	1.3:1	
Return on closing equity	5.7%	9.9%	8.7%	8.9%	8.9%	9.1%	

MILTON HYDRO DISTRIBUTION INC ("MHDI") FINANCIAL PLAN ASSUMPTIONS AND HIGHLIGHTS

Net Income

Overall, net income is increasing from 2023 to 2027 as a result of the rebasing of distribution rates. The principal drivers of the increase in net income in 2023 corresponds to: higher distribution revenue related to the rebasing of rates; favourable payments in lieu of taxes, partially offset by higher operating expenditures related to the addition of a 24/7 in-house Control Room, increased headcount in Information Technology, and the Executive Office to support business optimization strategies; and higher information technology maintenance expenditures.

Distribution Revenue

The 2023 planned distribution revenue has been determined based on re-setting the distribution rates that Milton Hydro charges its customers to be applied for with the Ontario Energy Board ("OEB") in Milton Hydro's 2023 Cost of Service rate application ("Application"). It is expected that Milton Hydro will file its application with the OEB by April 15, 2022. Revenue is based on Milton Hydro's budget for operating and depreciation expenditures, payments in lieu of taxes, and an allowable regulatory return on capital. Milton Hydro is requesting that the OEB approve an average increase to its distribution rates of 21.33%.

Preliminary bill impacts indicate that a typical Residential customer consuming on average, 750 kWh per month, would see their total bill increase by about 4.5%. Bill impacts for the typical General Service customer consuming on average, 2,000 kWh per month, would see their total bill increase by about 3.5%. However, as the Milton Hydro rate application team is still busy preparing the rate application, the final bill impacts that will be requested for approval from the OEB are not known yet. The proposed 2023 rate increases are higher than the typical annual rate adjustments approved by the OEB in an Incentive Rate Mechanism (IRM) proceeding where rate increases are based on an adjustment tied to inflation less a stretch factor. Milton Hydro filed for and received approval from the OEB for IRM rate adjustments for years from 2017 to 2022.

Once the application is filed, it will become the subject of a quasi-judicial rate hearing proceeding, presided over by an OEB panel of commissioners. Given the nature of rebasing rate applications and [typically] accompanying rate increases, these applications are usually scrutinized and challenged by the representatives of various consumer groups, referred to as intervenors, and OEB Staff. The outcome of a rate proceeding may result in OEB approving a lower revenue requirement than originally requested.

Milton Hydro has prepared a thorough and strong case, supported by third party expert reports to justify the need for rate increases. As a rapidly growing utility, investments are needed in people, technologies, and processes to support the rapid pace of customer growth and to operate its business sustainably in conjunction with providing the level of service expected by its customers. The application provides

justification for the level of expenditures needed to run the business effectively, in addition to providing value to its customer base and earn its regulated rate of return.

Milton Hydro expects to receive the final OEB decision in Q4 2022. Once the decision is rendered, Milton Hydro will know how much revenue is approved to support its operations for 2023. For the period 2024 to 2027, rate increases will assume inflation under Price Cap IR, based on the OEB's most recent inflation factor value, published in late Q4 of each year. Once the approved rates are known, Management will present a revised 2023 Budget at its December 2022 Board meeting incorporating the final OEB decision in its financial plan and budget. Any reduction to revenue will be offset by reductions in its operating and capital plans.

The following tables provides the 2022 to 2027 distribution revenue by rate class:

Rate Class	2022	2023	2024	2025	2026	2027	Total
Residential	14,040,280	17,503,403	18,260,236	19,048,203	19,857,659	20,694,250	**109,404,031**
GS < 50kW	2,447,886	2,872,904	2,957,402	3,033,118	3,110,043	3,196,936	**17,618,289**
GS > 50kW	2,268,292	2,796,822	2,901,213	2,972,598	3,045,592	3,120,316	**17,104,833**
GS > 1000kW	564,652	616,325	626,815	640,644	654,739	669,103	**3,772,278**
Large Use	560,288	631,760	643,447	655,355	667,488	679,844	**3,838,182**
Streetlight	305,298	314,803	320,629	326,523	332,488	338,524	**1,938,265**
Unmetered and Scattered	42,479	52,347	53,670	54,639	55,607	56,603	**315,345**
Sentinel Light	32,040	40,127	41,684	42,443	43,238	44,041	**243,573**
Microfit	18,837	18,837	18,837	18,837	18,837	18,837	**113,022**
FIT	19,575	23,919	24,362	24,813	25,272	25,739	**143,680**
Interest on regulatory balances	1,978						**1,978**
AIIP tax	(186,351)						**(186,351)**
Total distribution revenue	**20,115,254**	**24,871,247**	**25,848,295**	**26,817,173**	**27,810,963**	**28,844,193**	**154,307,125**

Other Income

Other revenue is mainly comprised of regulated customer service charges, service revenues to third parties, water billing services to the Region, and rental revenue for pole attachments. Customer service charges are generally forecast based on historical trends including projected customer growth. Service revenue for water billing is based on negotiated contract terms with third parties. Joint use pole rental revenue is primarily based on existing agreements with telecommunication companies that place their equipment on MHDI infrastructure.

The following table provides the 2022 to 2027 sources of other income:

Account Group	2022	2023	2024	2025	2026	2027	Total
Water Billing	819,954	856,155	894,066	932,798	972,349	972,349	**5,447,671**
Revenue from Customer Operations	526,076	538,965	552,170	565,698	579,558	593,757	**3,356,224**
Joint use - pole rental	192,136	271,719	277,153	282,696	288,350	294,117	**1,606,171**
Various Other Revenue	133,648	17,725	17,725	17,725	17,725	17,725	**222,273**
Scrap sales	3,283	3,283	3,283	3,283	3,283	3,283	**19,698**
Total revenue	**2,294,472**	**2,376,260**	**2,463,717**	**2,548,234**	**2,643,259**	**2,694,999**	**15,020,941**

Operating Expenses

The average non-labour OM&A inflation rate is assumed to be 1.5% per year. Inflation rates are based on weighted average annual CPI and inflation rates experienced in Canada between August 2018 and July 2020. CPI and inflation rates can experience significant changes month over month.

A collective agreement was ratified in December 2020, providing the terms and conditions of employment for unionized staff within Milton Hydro Distribution Inc from January 1, 2021 to December 31, 2023.

Annual general union and non-union labour inflation is assumed to be 2.1% for the years 2023 to 2027; subject to the results of annual individual employee performance review outcomes.

The benefit rates included in the 2023 Plan are summarized below for the years 2023 to 2027:

- Canadian Pension Plan ("CPP"), Employment Insurance ("EI"), Workplace Safety & Insurance Board ("WSIB") premiums, and Employer Health Tax ("EHT") are based on the Government of Canada rates. The 2023 Plan assumes minimal changes relative to the 2022 Plan;
- OMERS rates range from 9.0% to 14.6% per year, based on yearly maximum pensionable earnings with corresponding annual expenses inflated at approximately 2.1% per year based on union and non-union wage inflation assumptions identified above; and
- All fringe benefits such as extended health benefits, life insurance, long-term disability, etc. are based on the negotiated rates, inflation and past experience incurred by the organization.

The following table provides the 2022 to 2027 sources of operating expenditures:

Account Group	2022	2023	2024	2025	2026	2027	Total
Direct Labour Costs	7,429,304	9,259,394	9,799,006	10,039,185	10,531,375	10,728,552	**57,786,816**
Outside Service Provider (Contract Labour)	1,500,240	1,584,701	1,605,154	1,623,609	1,640,342	1,664,947	**9,618,993**
IST Licenses and Maintenance	736,761	954,270	1,001,984	1,052,083	1,104,687	1,159,921	**6,009,706**
Fleet Depreciation	290,228	324,363	351,643	381,678	376,281	375,471	**2,099,664**
Repairs and maintenance	336,587	341,636	346,761	351,962	357,242	362,600	**2,096,788**
Consulting	308,653	328,383	317,929	322,798	342,640	347,780	**1,968,183**
Insurance	294,200	297,412	300,731	305,242	309,821	314,468	**1,821,874**
Property Taxes	200,032	223,090	226,436	229,833	233,280	236,779	**1,349,450**
Postage and Delivery	214,694	218,215	221,488	224,810	228,182	231,605	**1,338,994**
Direct Vehicle Charges	205,129	225,352	225,352	225,352	225,352	225,352	**1,331,889**
Phone/mobile costs	190,573	173,996	181,543	188,805	196,357	204,211	**1,135,485**
Credit Losses	161,073	169,127	169,941	178,438	187,360	196,728	**1,062,667**
Subscriptions and memberships	135,458	155,319	157,649	160,014	162,414	164,850	**935,704**
Utilities	140,000	142,100	144,232	146,395	148,591	150,820	**872,138**
Training & Development	104,268	137,272	139,270	141,360	143,480	145,632	**811,282**
Director honourariums	101,782	103,427	105,098	106,795	108,522	110,149	**635,773**
Printing and Office Supplies	96,050	101,414	104,509	108,000	111,544	113,217	**634,734**
Bank Charges	90,000	91,350	92,720	94,111	95,523	96,956	**560,660**
Direct Material Costs	78,333	79,508	80,700	81,911	83,139	84,387	**487,978**
Audit Fees	68,000	69,020	70,055	71,106	72,173	73,255	**423,609**
Metering reading	68,000	69,020	69,325	70,364	71,420	72,491	**420,620**
Fuel	65,322	66,301	67,296	68,305	69,330	70,370	**406,924**
Meals, mileage, travel and accommodations	59,309	66,646	67,600	68,614	69,644	70,688	**402,501**
Donations and Sponsorships	61,000	59,435	59,877	60,325	60,780	61,691	**363,108**
Tools and equipment depreciation	37,298	40,452	43,160	44,191	44,717	44,922	**254,740**
Communication costs	38,176	38,749	39,137	39,724	40,320	40,925	**237,031**
Legal Fees	35,000	35,525	36,058	36,599	37,148	37,705	**218,035**
Other expenses	29,754	32,692	33,183	33,680	34,186	34,698	**198,193**
Consumables	5,500	5,583	5,666	5,751	5,837	5,925	**34,262**
Management Fee Expense	(17,464)	(18,713)	(19,990)	(39,175)	(40,387)	(40,387)	**(176,116)**
Fleet Recoveries	(558,591)	(596,752)	(628,118)	(662,300)	(661,112)	(664,574)	**(3,771,447)**
Total operating expenditures	**12,854,669**	**15,133,537**	**15,775,974**	**16,125,552**	**16,761,665**	**17,099,183**	**93,750,580**

Depreciation

Depreciation of Property Plant, and Equipment ("PP&E") is recognized on a straight-line basis over the estimated useful life of each component of PP&E and intangible assets. Depreciation methods and useful lives are reviewed at each financial year-end and any changes are adjusted prospectively. The estimated useful lives are as follows:

Buildings	50 years
Distribution equipment	15-45 years
Other PP&E	5-20 years
Computer software	5-10 years

Capital cost recovery agreement rights	25 years

The following table provides the 2022 to 2027 sources of depreciation expenditures:

Account Group	2022	2023	2024	2025	2026	2027	Total
Distribution Assets	4,957,578	5,027,799	5,394,764	5,673,517	5,965,107	6,261,363	**33,280,128**
Computer Software	263,251	284,063	407,912	501,587	501,322	567,940	**2,526,075**
Buildings & Office Furniture and equipment	264,995	276,115	285,765	277,927	266,911	272,546	**1,644,259**
Other Assets	216,217	234,383	263,780	283,451	298,015	325,478	**1,621,324**
Computer Hardware	91,634	97,604	97,687	97,558	98,865	108,550	**591,898**
Stores Equipment	25,472	27,555	29,639	28,643	27,664	29,398	**168,371**
Capital Contributions	(1,051,057)	(1,045,812)	(1,048,435)	(1,046,613)	(1,042,373)	(1,038,060)	**(6,272,350)**
Total depreciation expenditures	**4,768,090**	**4,901,707**	**5,431,112**	**5,816,070**	**6,115,511**	**6,527,215**	**33,559,705**

Derecognition

Derecognition charges are budgeted at $0.35MM per year based on historical information.

Net Financing Charges

The Financing plan is focused on managing within the financial parameters of the regulated environment and those imposed by the debt covenants outlined in our lending agreements with both TD Bank and Infrastructure Ontario. Based on the existing structure, this requires managing the following:

- Debt to Capitalization ratio of 0.60:1
- Debt Service Coverage ratio of 1.15:1
- Restricted Payments Ratio where dividends must not exceed free cash flow
- Current Ratio must remain above 1.1:1 for the term of the Financing agreement

The following table provides the 2022 to 2027 sources of financing income and costs:

Account Group	2022	2023	2024	2025	2026	2027	Total
Debenture and note interest expense	1,888,668	2,134,230	2,113,578	2,108,744	2,100,389	2,100,389	**12,445,998**
Regulatory interest expense	11,889	14,936	68,546	68,546	68,546	68,546	**301,009**
Customer deposit interest expense	15,336	15,796	16,270	16,758	17,261	17,261	**98,682**
Interest income	(9,000)	(11,000)	(13,000)	(15,000)	(15,000)	(15,000)	**(78,000)**
Total financing charges	**1,906,893**	**2,153,962**	**2,185,394**	**2,179,048**	**2,171,196**	**2,171,196**	**12,767,689**

The Financing Plan assumes:

- issuance of $8.0MM in fixed committed reducing term loan in 2022 for financing incremental balance sheet growth and debt maturities;

- issuance of $15.0MM in interest only bearing loans in 2022 to refinance the legacy promissory note with the Town of Milton;

- issuance of $4.0MM in fixed committed reducing term loan in 2024 for financing incremental balance sheet growth and debt maturities;

- issuance of $4.0MM in fixed committed reducing term loan in 2026 for financing incremental balance sheet growth and debt maturities; and

- use of the Revolver to finance balance sheet growth and future debt maturities.

PILs

The combined federal and provincial income tax rate is assumed at its present level of 26.5%.

In June 2019 the tax legislation surrounding Accelerated Investment Incentive ("AII"), otherwise known as accelerated CCA, was enacted. For capital expenses that are incurred after November 20, 2018 and available for use by December 31, 2023, AII will provide a maximum CCA deduction that is three times the standard first-year CCA deduction for that class, limited to 100.0% of the capital expense. This incentive is phased out for capital expenses that become available for use after 2023 and before 2028; during this period the half-year rule for additions is eliminated. The AII does not change the total CCA available over the life of the asset; the enhanced first year deduction will effectively result in smaller CCA deductions in future years for that asset.

Under IFRS, timing differences between accounting and cash taxes are recorded as a regulatory asset/ liability for deferred taxes rather than as deferred tax expense, and accrued but unpaid severance costs realized in the year.

As a result of the treatment of timing differences, the effective tax rates for 2022 to 2027 are as follows:

	2022	**2023**	**2024**	**2025**	**2026**	**2027**
Net income before tax	2,714,447	4,708,302	4,569,530	4,894,735	5,055,849	5,391,595
Statutory tax rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Income tax at statutory rate	**719,328**	**1,247,700**	**1,210,925**	**1,297,105**	**1,339,800**	**1,428,773**
Increase/(decrease) resulting from						
Net changes in regulatory assets/ liabilities	(764,677)	(1,601,586)	(1,252,870)	(1,339,050)	(1,381,745)	(1,470,717)
Other	1,266	1,325	1,325	1,325	1,325	1,325
Total adjustments to taxable income	**(763,411)**	**(1,600,261)**	**(1,251,545)**	**(1,337,725)**	**(1,380,420)**	**(1,469,392)**
Total income tax expense	**(44,083)**	**(352,561)**	**(40,620)**	**(40,620)**	**(40,620)**	**(40,619)**
Effective tax rate	(1.62%)	(7.49%)	(0.89%)	(0.83%)	(0.80%)	(0.75%)

Summary

The 2023 Plan for MHDI provides lower regulated 2022 budget expectations corresponding to higher operating expenditures resulting from the investment in people, process, and technology to support MHDI's strategic objectives. Ongoing impacts of unfavourable regulatory policy limit the financial levers MHDI has to grow the business. The organization is currently in the final stages of filing its 2023 Cost of Service application with the objective to rebase distribution rates. A favourable regulatory outcome will support the strategy pillars of the organization as well as deliver strong shareholder distribution growth in the future.

In summary, the 2023 Plan incorporates the following changes:

- Increased information technology costs to support Strategy 2.0, enterprise system initiatives, strengthen IT security, OMNI channel platform, Robotic Process Automation;
- Addition of a 24/7 Control Room beginning in 2022 and fully operational in 2023;
  - 2023 Capital expenditures include the initial phase costs for an Enterprise Resource Planning system and process automation software ($1.2MM);
- Higher salary and benefits costs as a result of new requirements recommended in the Business Optimization Review; and
- $9.9MM net capital program to support system reliability, expansion, and enhancement, and core general plant investments

Management will continue to improve net income performance by focusing on revenue growth opportunities, business optimization and productivity, and review all key processes to extract maximum value.

MHDI Capital

2022-2027 Capital Expenditure Plan

The five-year capital expenditure plan is organized within four categories corresponding to the OEB's Renewed Framework for Electricity Distributors. Considering all investment categories and rate zones, the total core capital expenditure program is $55.6MM over the 2022-2027 period.

Management is seeking approval for 2023 total net capital expenditures of $9.9MM. The following table outlines the annual capital expenditure plan by category:

Description	2022	2023	2024	2025	2026	2027	Total
System Access	5,977,232	5,611,786	5,308,225	4,341,789	6,576,025	5,510,945	**33,326,002**
System Renewal	3,461,761	2,669,958	2,520,101	2,574,647	2,630,200	2,686,780	**16,543,447**
System Service	1,417,772	1,711,292	1,879,768	1,784,083	1,806,523	1,829,412	**10,428,850**
Gross distribution capital expenditures	**10,856,765**	**9,993,036**	**9,708,094**	**8,700,519**	**11,012,748**	**10,027,137**	**60,298,299**
Capital contributions	(3,024,069)	(2,539,386)	(2,472,587)	(2,137,071)	(2,876,844)	(2,541,914)	**(15,591,871)**
Net distribution capital expenditures	**7,832,696**	**7,453,650**	**7,235,507**	**6,563,448**	**8,135,904**	**7,485,223**	**44,706,428**
Computer Software	816,875	1,273,033	424,852	336,000	336,000	400,000	**3,586,760**
Computer Hardware	117,500	94,500	94,500	94,500	94,500	94,500	**590,000**
Building, furniture and fixtures	593,000	519,000	460,000	460,000	460,000	461,200	**2,953,200**
Fleet	751,500	451,000	706,000	654,000	135,000	749,000	**3,446,500**
Tools, shop and equipment	30,000	45,000	30,000	30,000	30,000	30,600	**195,600**
Other general plant expenditures	20,000	30,000	20,000	20,000	20,400	21,200	**131,600**
Total General plant expenditures	**2,328,875**	**2,412,533**	**1,735,352**	**1,594,500**	**1,075,900**	**1,756,500**	**10,903,660**
Total net capital expenditures	**10,161,571**	**9,866,183**	**8,970,859**	**8,157,948**	**9,211,804**	**9,241,723**	**55,610,088**

System Access ("SA")

SA investments are comprised of projects that are considered mandatory and include investments pursuant to MHDI's distribution license that are necessary to connect new customers and accommodate other infrastructure projects. Additionally, SA investments include the installation of metering assets pursuant to Measurement Canada and IESO requirements, the relocation of distribution system assets in accordance with requirements under the Public Service Works on Highway Act, as well as transmitter related upgrades driven by transmission system renewals and upgrades identified as part of regional planning initiatives.

The five-year SA investment plan is driven by the requirement to connect new residential and GS customers. The 2023 Plan provides for net capital expenditures of $3.1MM, focused on connecting new customers. Significant investments in SA over the next five years are required to support road widening, system expansion related to customer growth, and metering expenditures necessary to install and maintain metering equipment pursuant to regulations as well as upgrades of specific commercial meters.

The following table outlines the annual system access capital expenditure plan by category:

Description	2022	2023	2024	2025	2026	2027	Total
New Residential Subdivisions	2,530,000	2,530,000	2,530,000	2,530,000	2,530,000	2,530,000	**15,180,000**
Customer Connections - General Services & Others	928,109	946,671	965,605	984,917	1,004,615	1,024,707	**5,854,624**
Meter Reverification Program	441,055	441,055	400,000	408,000	416,160	424,483	**2,530,753**
New Installs - Condos, Commercial & Industrial	306,490	306,490	312,620	318,872	325,250	331,755	**1,901,477**
Trafalgar Road - Widening from 4 to 6 lanes from Highway 407 to Britannia Road		—	—	—	1,350,000	—	**1,350,000**
Tremaine Road - Widening from 2 to 4 lanes from Lower Base Line to Britannia Road		—	1,000,000	—	—	—	**1,000,000**
Sixth Line - Derry to Britannia						1,000,000	**1,000,000**
Fifth Line - Derry to Britannia		950,000	—	—	—	—	**950,000**
TOM: Bronte St. Main to Steeles - Reconstruction	909,322	—	—	—	—	—	**909,322**
Sixth Line (Hwy 401 to Derry Road)		—	—	—	850,000	—	**850,000**
ROH: Britannia, RR25 to JSP Line Relocation 2- Ccts PH2	559,052	—	—	—	—	—	**559,052**
Other system access expenditures	303,204	437,570	100,000	100,000	100,000	100,000	**1,140,774**
Total gross system access projects	**5,977,232**	**5,611,786**	**5,308,225**	**4,341,789**	**6,576,025**	**5,410,945**	**33,226,002**
Capital contributions	(3,024,069)	(2,539,386)	(2,472,587)	(2,137,071)	(2,876,844)	(2,541,914)	**(15,591,871)**
Total net system access projects	**2,953,163**	**3,072,400**	**2,835,638**	**2,204,718**	**3,699,181**	**2,869,031**	**17,634,131**

System Renewal ("SR")

SR projects represent investments in reactive repairs and replacements to the distribution system in response to failures or other damage, as well as investments in distribution system renewal in targeted asset categories to mitigate declining reliability due to asset failures and outages. Approximately 38.5%/ 30.5% of the capital to be invested in SR projects are focused on proactive meter replacements for next generation equipment and wood pole replacements, respectively.

The following table outlines the annual system renewal capital expenditure plan by category:

Description	2022	2023	2024	2025	2026	2027	Total
Proactive Meter Replacements	1,320,286	939,892	958,690	977,863	997,421	1,017,369	**6,211,521**
Wood Pole Replacement Program	712,687	720,000	734,400	749,088	764,070	779,351	**4,459,596**
Reactive OH Replacement of defective/ damaged equipment	330,994	330,994	337,614	344,366	351,254	358,279	**2,053,501**
Reactive UG Replacement of defective/ damaged equipment	258,596	280,000	285,600	291,313	297,138	303,081	**1,715,728**
Switchgear Replacement Program	254,769	—	—	—	—	—	**254,769**
Meter Room Upgrades - Cell Modems	126,013	125,656	128,797	132,017	135,317	138,700	**786,500**
Overhead Rebuild - First Line N Lower Base Line	385,000	—	—	—	—	—	**385,000**
Replace regulator at MS7		200,000					**200,000**
Other system renewal expenditures	73,416	73,416	75,000	80,000	85,000	90,000	**476,832**
Total system renewal projects	**3,461,761**	**2,669,958**	**2,520,101**	**2,574,647**	**2,630,200**	**2,686,780**	**16,543,447**

System Service ("SS")

SS investments are modifications to the distribution system to ensure the distribution system continues to meet operational objectives while addressing anticipated future service capacity and reliability. SS investments enhance the distribution systems grid flexibility to meet anticipated future customer electricity service requirements, including distributed generation and storage. Investments in SS include: (i) modernization of protection and control systems to ensure the safe and reliable operation of the system; (ii) system station investments necessary to maintain the safe and efficient delivery of electrical service to customers; and (iii) investments in system automation and remote operating capabilities to permit expedient restoration of service in times of unforeseen outages. Drivers for system service requirements include requirements to continue to provide safe, reliable and quality electrical supply to customers as well as expansion or intensification of system capacity into high growth areas.

The five-year expenditure plan for SS is primarily to address system automation, expand system capacity, facilitating growth and expansion. Over the five-year period, MHDI plans to invest $8.5MM in overhead and underground system automation. Additionally, investment is planned for system expansion to support growth of residential, commercial, and industrial customers.

The following table outlines the annual system service capital expenditure plan by category:

Description	2022	2023	2024	2025	2026	2027	Total
Automated overhead, underground switches and FCI	477,362	1,180,637	1,719,768	1,652,083	1,702,483	1,723,291	**8,455,624**
Adding SCADA/OMS functionality and upkeep	110,000	179,957	160,000	132,000	104,040	106,121	**792,118**
13.8kV Conversion + Regulator Replacement	423,670	—	—	—	—	—	**423,670**
Boston Church, JSP to 5 Side Road, new 2 circuit pole line		350,698	—	—	—	—	**350,698**
Fifth Line, Yukon to Derry, new pole line, 2 circuits	242,074	—	—	—	—	—	**242,074**
5 Side Road, Tremaine to Dublin, rebuild and add 1 circuit	104,845	—	—	—	—	—	**104,845**
Tremaine, 14 Side Road to Steeles, add 2nd circuit	59,821	—	—	—	—	—	**59,821**
Total system service projects	**1,417,772**	**1,711,292**	**1,879,768**	**1,784,083**	**1,806,523**	**1,829,412**	**10,428,850**

General Plant ("GP")

GP investments support the day-to-day operation of the utility and involve assets that are not a direct part of the distribution system. General Plant assets principally include: (i) computer systems and software such as billing, enterprise resource planning, and geographical information systems; (ii) land, buildings and furniture; and (iii) transportation equipment and tools necessary to perform operational and administrative business activities.

The five-year expenditure plan for GP is primarily driven by the need to enhance information systems to improve efficiency, advance innovative technology into practice, and renew aged and obsolete computing assets. Over the five-year period, the GP plan provides for:

- $3.7MM in computer hardware and software solutions, including $1.3MM for an Enterprise Resource Planning system in 2022-2024, investments in hardware to support server additions/ replacements and annual computer refresh programs, Human Resource Information System to support the management of human capital, OMNI channel platform to ability to enhance the customer experience, and an Enterprise service ticketing system to automate and structure the information technology support process, respectively;

- $2.5MM in facility investments including the construction of the Control Room and various renewal and renovation projects between 2023 to 2026 to transform the 200 Chisholm property to support the growth of new hires expected in the five-year planning period; and

- $3.4MM in updated transportation equipment to support the ability of MHDI crews to respond to the needs of the distribution system in an efficient and safe manner.

The following table outlines the annual general plant capital expenditure plan by category:

Description	Category	2022	2023	2024	2025	2026	2027	Total
Renewals and renovations (2nd Floor)	Buildings	93,000	519,000	460,000	460,000	460,000	461,200	**2,453,200**
Enterprise Resource Planning system	Computer software	269,815	721,593	338,852	—	—	—	**1,330,260**
Double Bucket truck	Fleet	—	—	550,000	—	—	620,000	**1,170,000**
Computer Hardware (Servers, switches, computer refresh)	Computer hardware	117,500	94,500	94,500	94,500	94,500	94,500	**590,000**
Control Room	Buildings	500,000	—	—	—	—	—	**500,000**
Digger Derrick truck	Fleet	—	—	—	500,000	—	—	**500,000**
Robotic Process Automation (RPA)	Computer software	—	465,440	—	—	—	—	**465,440**
Pickup Trucks - 2022 (2), 2023 (1), 2023 (4), 2024 (2), 2026 (2)	Fleet	110,000	56,000	119,000	—	135,000	—	**420,000**
Single Bucket truck	Fleet	—	395,000	—	—	—	—	**395,000**
Vans - 2022 (1), 2024 (1), 2025 (4), 2027 (1)	Fleet	95,000	—	37,000	154,000	—	94,000	**380,000**
Backyard RBD/Tension Machine	Fleet	280,000	—	—	—	—	—	**280,000**
SCADA	Computer software	50,000	50,000	50,000	50,000	50,000	50,000	**300,000**
Squirt Boom Ariel truck	Fleet	225,000	—	—	—	—	—	**225,000**
Enterprise Service Ticketing System	Computer software	155,240	—	—	—	—	—	**155,240**
Human Resource Information System (HRIS)	Computer software	132,330	—	—	—	—	—	**132,330**
OMNI Channel Platform	Computer software	105,990	—	—	—	—	—	**105,990**
Other general plant expenditures	Various	195,000	111,000	86,000	336,000	336,400	436,800	**1,501,200**
Total general plant projects		**2,328,875**	**2,412,533**	**1,735,352**	**1,594,500**	**1,075,900**	**1,756,500**	**10,903,660**

Exhibit A1 - Milton Hydro Distribution Inc - Statement of Comprehensive Income - MIFRS ($000s)

	2022	2023	2024	2025	2026	2027
Revenue:						
Sale of energy	111,884	108,906	110,564	111,878	113,192	114,506
Distribution revenue	20,300	24,871	25,848	26,817	27,811	28,844
Other income	2,294	2,376	2,464	2,548	2,643	2,695
Total net revenue	**134,478**	**136,154**	**138,876**	**141,243**	**143,646**	**146,045**
Cost of power	111,884	108,906	110,564	111,878	113,192	114,506
Operations and maintenance	4,292	5,373	5,832	5,988	6,219	6,329
Administration	8,563	9,761	9,944	10,137	10,542	10,770
Depreciation and amortization	4,768	4,902	5,431	5,816	6,116	6,527
Loss on derecognition of property, plant and equipment	350	350	350	350	350	350
Total expenses	**129,857**	**129,292**	**132,121**	**134,169**	**136,419**	**138,482**
Income from operating activities	**4,621**	**6,862**	**6,755**	**7,074**	**7,227**	**7,563**
Finance income	(71)	(16)	(13)	(15)	(15)	(15)
Finance costs	1,977	2,170	2,198	2,194	2,186	2,186
Income before income taxes	**2,714**	**4,708**	**4,570**	**4,895**	**5,056**	**5,392**
Income tax recovery	44	353	41	41	41	41
Net income	**2,759**	**5,061**	**4,610**	**4,935**	**5,096**	**5,432**

Exhibit A2 - Milton Hydro Distribution Inc - Statement of Financial Position - MIFRS ($000s)

	2022	2023	2024	2025	2026	2027
Assets						
Current assets						
Cash and cash equivalents	3,413	360	1,050	—	1,838	182
Accounts receivable	11,790	11,937	12,142	12,383	12,594	12,804
Due from related parties	165	207	224	230	239	244
Unbilled revenue	11,000	11,330	11,670	12,020	12,381	12,752
Materials and supplies	1,598	1,583	1,611	1,529	1,723	1,698
Prepaid expenses	975	1,220	1,325	1,360	1,412	1,437
Other assets	—	—	—	—	—	—
	28,940	**26,637**	**28,022**	**27,523**	**30,187**	**29,117**
Non-current assets						
Property, plant and equipment	127,004	132,520	137,363	140,730	145,596	149,682
Intangible assets	3,078	4,351	4,775	5,111	5,447	5,847
Deferred tax assets	7,998	7,854	8,319	8,687	9,242	9,700
Regulatory assets	12,249	10,128	11,227	12,413	13,641	14,959
	150,329	**154,852**	**161,684**	**166,941**	**173,927**	**180,188**
Total assets	**179,269**	**181,489**	**189,705**	**194,464**	**204,114**	**209,306**
Liabilities						
Current liabilities						
Bank indebtedness	—	—	—	55	—	—
Accounts payable and accrued liabilities	15,144	14,775	14,969	15,059	15,452	15,576
Income taxes payable	49	865	488	918	1,003	1,111
Long-term debt due within one year	1,968	2,041	2,100	2,042	2,153	2,231
Customer deposits	3,721	3,833	3,948	4,066	4,188	4,314
	20,882	**21,514**	**21,505**	**22,140**	**22,797**	**23,233**
Non-current liabilities						
Long-term debt	63,476	61,410	63,282	61,248	63,040	60,782
Post-employment benefits	638	658	678	698	718	738
Deferred revenue	23,571	26,111	28,583	30,720	33,597	36,139
Other liabilities	3,519	3,625	3,734	3,846	3,961	4,080
Deferred tax liabilities	13,122	14,227	15,904	17,571	19,467	21,355
Regulatory liabilities	5,368	2,975	2,975	2,975	2,975	2,975
	109,695	**109,005**	**115,156**	**117,058**	**123,759**	**126,070**
Total liabilities	**130,577**	**130,519**	**136,661**	**139,199**	**146,556**	**149,303**
Shareholders' equity						
Share capital	17,009	17,009	17,009	17,009	17,009	17,009
Accumulated other comprehensive loss	(97)	(97)	(97)	(97)	(97)	(97)
Retained earnings	31,781	34,058	36,133	38,354	40,647	43,091
Total shareholders' equity	**48,692**	**50,970**	**53,044**	**55,265**	**57,559**	**60,003**
Total liabilities and shareholders' equity	**179,269**	**181,489**	**189,705**	**194,464**	**204,114**	**209,306**

MILTON HYDRO

Exhibit A3 - Milton Hydro Distribution Inc - Statement of Cash Flows - MIFRS ($000s)

	2022	2023	2024	2025	2026	2027
Operating Activities						
Net income for the period	2,759	5,061	4,610	4,935	5,096	5,432
Add (deduct) non-cash items:						
Depreciation and amortization	4,768	4,902	5,431	5,816	6,116	6,527
Unrealized loss on fair value of derivative						
Net change in employee future benefits	21	20	20	20	20	20
Loss on derecognition of property, plant and equipment	350	350	350	350	350	350
Deferred payments in lieu of income taxes	671	1,249	1,212	1,298	1,341	1,430
Net change in deferred revenue	3,127	2,645	2,581	2,249	2,992	2,661
Net change in other assets and liabilities	(3,960)	(461)	(1,863)	(1,098)	(1,455)	(1,545)
Cash provided by operating activities	**7,735**	**13,765**	**12,342**	**13,571**	**14,460**	**14,875**
Additions to fixed assets	(12,858)	(12,041)	(11,049)	(9,869)	(11,668)	(11,363)
Cash used in investing activities	**(12,858)**	**(12,041)**	**(11,049)**	**(9,869)**	**(11,668)**	**(11,363)**
Net change in long-term borrowings	6,219	(1,994)	1,932	(2,092)	1,903	(2,180)
Dividends	(798)	(2,783)	(2,536)	(2,714)	(2,803)	(2,988)
Cash provided by (used in) financing activities	**5,421**	**(4,777)**	**(604)**	**(4,807)**	**(900)**	**(5,168)**
Increase (decrease) in cash and cash equivalents	298	(3,053)	690	(1,105)	1,893	(1,656)
Cash (bank indebtedness), beginning of period	3,115	3,413	360	1,050	(55)	1,838
Cash (bank indebtedness), end of period	**3,413**	**360**	**1,050**	**(55)**	**1,838**	**182**

Exhibit A4 - Milton Hydro Distribution Inc Financial Results and Selected Metrics - IFRS ($000s)

	2022	2023	2024	2025	2026	2027
IFRS net income	2,759	5,061	4,610	4,935	5,096	5,432
MIFRS net income	2,759	5,061	4,610	4,935	5,096	5,432
Debt (funded long-term sources)	65,913	63,934	65,881	63,803	65,722	63,556
Current assets	28,940	26,637	28,022	27,523	30,187	29,117
Current liabilities	20,882	21,514	21,505	22,140	22,797	23,233
Total assets	179,269	181,489	189,705	194,464	204,114	209,306
Closing equity	48,692	50,970	53,044	55,265	57,559	60,003
Adjusted funds from operations (AFFO)	8,063	14,130	12,737	13,997	14,881	15,295
EBITDA	9,717	12,129	12,581	13,316	13,764	14,510
EBIT	4,647	6,889	6,782	7,102	7,256	7,592
Return on closing equity	5.7%	9.9%	8.7%	8.9%	8.9%	9.1%
Adjusted interest	1,932	2,180	2,213	2,207	2,200	2,201
EBITDA interest coverage	4.0:1	4.6:1	4.7:1	5.0:1	5.3:1	5.6:1
AFFO:Debt	12.2%	22.1%	19.3%	21.9%	22.6%	24.1%
AFFO:Capital expenditures	0.6:1	1.1:1	1.1:1	1.4:1	1.2:1	1.3:1
Debt to capital	57.5%	55.6%	55.4%	53.6%	53.3%	51.4%
AFFO:Interest	5.2:1	7.5:1	6.8:1	7.3:1	7.8:1	8.0:1
Debt service coverage ratio	1.7:1	2.2:1	2.2:1	2.4:1	2.3:1	2.5:1
Permitted shareholder distributions	-4.0:1	1.3:1	0.0:1	1.8:1	0.2:1	1.7:1
Current ratio	1.4:1	1.2:1	1.3:1	1.2:1	1.3:1	1.3:1

Note 1: Adjusted interest includes financing charges and 4% deemed interest on employee future benefits.

Note 2: All ratios are presented under IFRS.

EXHIBIT 1

ATTACHMENT 1-3
2023 RATE APPLICATION
CUSTOMER SUMMARY

Milton Hydro Distribution Inc.
2023 Application Customer Summary

Upcoming Changes to Electricity Distribution Rates

At Milton Hydro Distribution Inc. (Milton Hydro) we have applied to the Ontario Energy Board for a change in distribution rates charged to customers effective January 1, 2023. The change in rates will support sustainable growth and innovation, enabling us to provide better services to all customers.

Planning a Brighter Future for Milton Hydro Customers

One of the key factors behind our investment plan was finding ways to effectively meet customers' needs and priorities as the community expands and shifts towards an electric future. Below are some of the ways our investment plan will improve customer experience and overall satisfaction:

Provide frictionless access to information by:

- Developing a new website with clear navigation, useful content, and live-chat with Customer Service
- Launching a new outage notification service that sends outage information via text to affected customers
- Engaging on social media about outages, electrical safety, conservation, support programs and other energy updates
- Improving accessibility to our Customer Service Department by relocating to the first floor

Reduce outage frequency and duration by:

- Investing in distribution automation and smart grid infrastructure
- Building a control room with 24/7 oversight
- Maintaining system performance through proactive replacement and refurbishment of aging poles, transformer and wires

Keep safety as a top priority by:

- Equipping field crews with better technology, tools, trucks and equipment to complete work, especially during extreme weather events
- Proactively assessing infrastructure and assets for hazards
- Investing in Information Technology to defend against cyber security threats and to mitigate system disturbances related to cyber security breaches

Prepare for the transformation of the grid by:

- Investing in new software systems and smart devices
- Supporting the electrification of transportation
- Empowering a skilled team of industry experts to manage the grid and growth in customer base
- Supporting the facilitation of Distributed Energy Resources and Net/ Virtual Metering
- Creating process innovations using Lean Six Sigma methodology

About Milton Hydro

368 sq. km.
of service area Milton Hydro provides electricity distribution

42,000
residential, commercial and industrial customers

70%
of customers signed up for eBilling

100%
municipally owned by the Town of Milton and incorporated under the Ontario Business Corporations Act

Investing in a Future-Ready Milton Hydro

There are many benefits to the customer experience that will come from a distribution rate change; however, there is an additional cost to customers for implementing those improvements.

For background, distribution rates are based on the following:

- Amount of capital investments made by Milton Hydro
- Cost to operate and maintain the capital investments
- Cost to run its distribution business
- Regulated return on equity

The impact to Milton Hydro residential and small business (GS < 50 kW) customers for the 2023 proposed rates compared to the 2022 rates is:

Rate Class	kWh usage	Total Bill Impact $		Total Bill Impact %
Residential	750	$	5.32	4.18%
GS < 50 kW	2,000	$	3.92	1.22%

This reset in rates will enable us to scale resource requirements to a large distributor level. With over 42,000 customers, we are now considered a large distributor, however our resourcing has been scaled to the level of a small distributor (under 30,000 customers). We are making investments in enhanced resources, capabilities and technologies to provide a great service experience for our customers as we continue to keep pace with innovation, growth and increasingly complex demands of the market. We are powered by purpose to deliver on our goals in creating a sustainable future.

The full Application can be found on our website at www.miltonhydro.com.

EXHIBIT 1

ATTACHMENT 1-4
CERTIFICATION OF EVIDENCE - 2023 APPLICATION

Attachment 1-4 CERTIFICATION OF EVIDENCE

I, Igor Rusic, Vice President, Finance, and Chief Financial Officer hereby make the following certifications regarding the information filed in the Milton Hydro Distribution Inc. (Milton Hydro) 2023 Cost of Service Electricity Distribution Rate Application and any evidence filed in support of the application:

1. I certify that the information filed does not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act) unless it is filed in accordance with Rule 9A of the OEB's Rules (and the Practice Direction, as applicable) in accordance with Chapter 1 of the Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications issued June 24, 2021.

2. I certify that the information filed by Milton Hydro in this Application is accurate, consistent, and complete to the best of my knowledge in accordance with Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications issued June 24, 2021.

3. I certify that Milton Hydro has robust processes and internal controls in place for the preparation, review, verification and oversight of the deferral and variance account balances being disposed in accordance with Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications issued June 24, 2021.

April 4, 2022

Igor Rusic

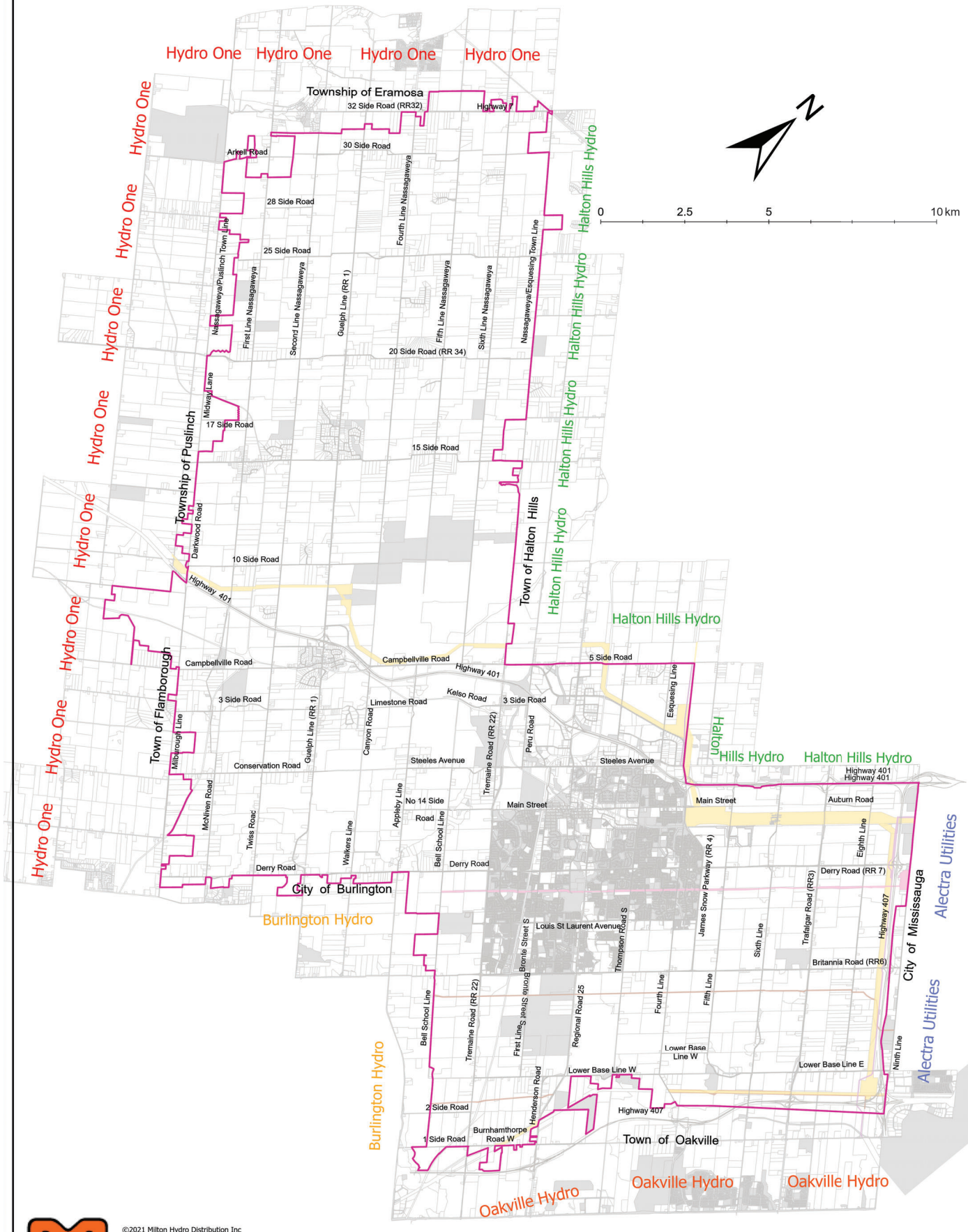
Date

Vice President, Finance and Chief Financial Officer

EXHIBIT 1

ATTACHMENT 1-5
SERVICE AREA WITH NEIGHBOURING LDCS

Milton Hydro Service Area With Neighbouring LDCs



Milton Hydro Distribution Inc.

EXHIBIT 1

ATTACHMENT 1-6
PROCESS IMPROVEMENT
ONBOARDING & LEAN CULTURE
INTRODUCTION

MILTON HYDRO

Process Improvement (PI)

1. Onboarding
2. Lean Culture Introduction

PI Vision Statement

To provide the most effective and efficient electric utility products & services to our Milton customers.

Why Process Improvement?

PI enables strategic objectives, benefits our business and all employees!

Alignment of PI to Strategic Objectives

Strategic Objectives	Process Improvements
 **Build a future ready company that is scalable & sustainable**	✓ Promote cohesive and engaging workplace ✓ Improve process flow which streamlines activities to carry forecasted customer growth
 **Build a Customer Centric Organization**	✓ Focus on meeting customers' needs ✓ Leverage technology as a solution to modernize products & services
 **Maximize our value using an enterprise approach**	✓ Being disciplined in solving problem ✓ Application of holistic value stream approach
 **Drive Profitable & Sustainable Growth**	✓ Minimize costs ✓ Create organizational capacity to grow MEGs

MILTON HYDRO

What’s in it for me?

- Increase job **satisfaction** by increasing value added work
- Experience more positive workplace **interactions**
- Be **empowered** to make a difference
- Develop and use continuous improvement **skills**
- Be on the **winning** team!

What's in it for Milton Hydro?

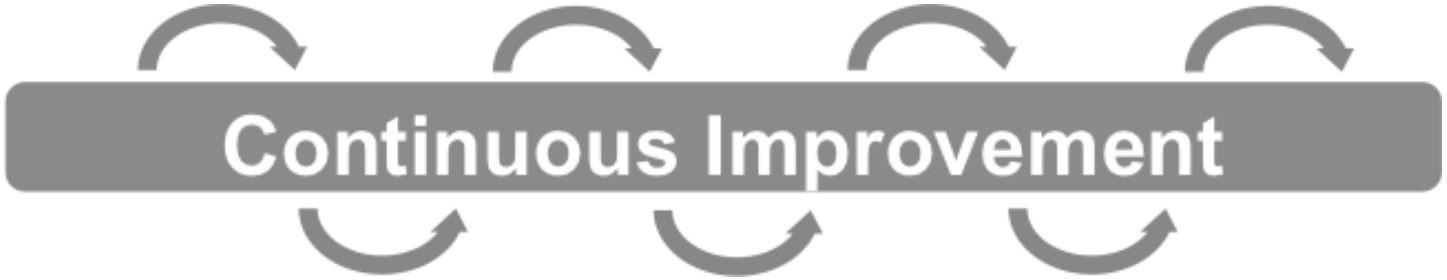
- Build brand **trust**
- Improve **customer satisfaction** through faster and right-the-first-time products/services
- Improve overall **employee morale**
- **Modernize** utility business
- Increase organization flexibility and capacity to take on customer **growth**
- Lead the way with **innovative solutions**
- Be the **best place** to work!

What and How?

Optimize Product or Service **FLOW** by removing **PROCESS WASTE** to achieve customer needs.

Approach to Process Improvement

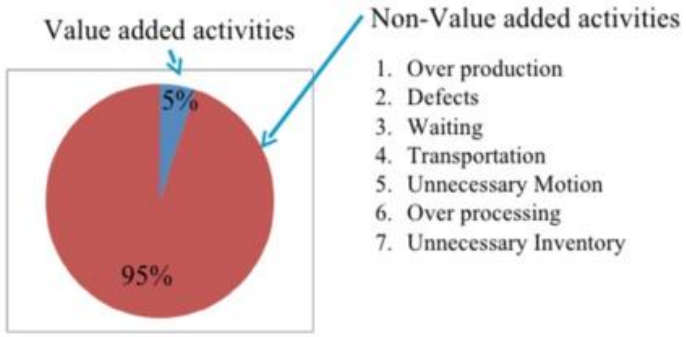
- Milton Hydro will use **LEAN SIX SIGMA** approach to improve processes
- Continuous Improvement is when we are always finding a better ways to do things because we recognize that customer needs, technology advancements and competitive landscape is constantly evolving



What is LEAN SIX SIGMA (LSS)?

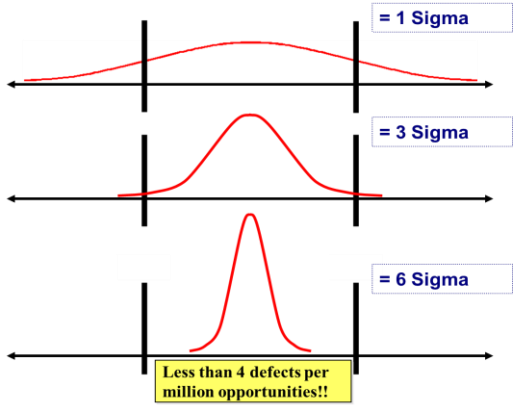
LEAN

Reduces non-value-added activities as perceived by customer



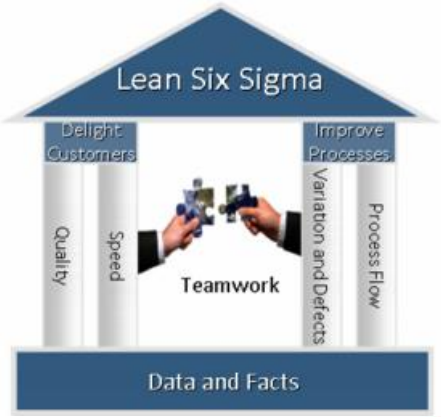
SIX SIGMA

Reduce process variation ("defects") to achieve customer quality by solving problems



LEAN SIX SIGMA

Customer centric approach to achieve right-the-first-time products/services in the most efficient manner



MILTON HYDRO

History of Lean & Six Sigma

1980's

Six Sigma methodology introduced in automobile manufacturing

1987

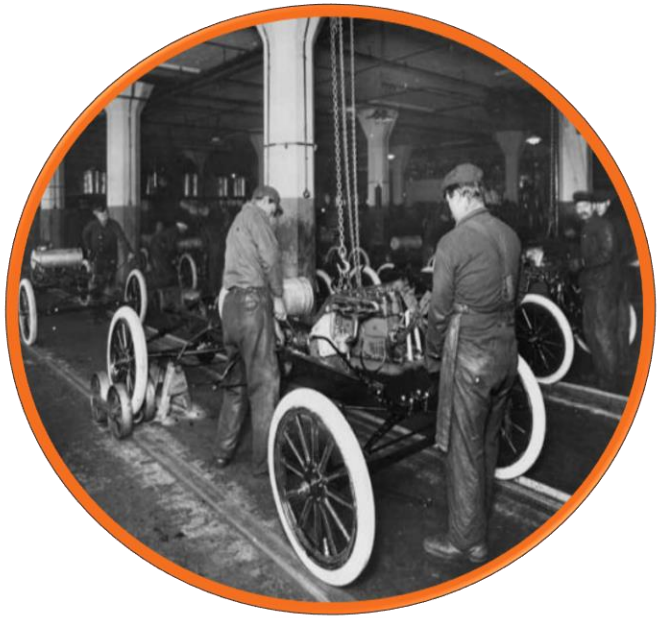
Lean label introduced by MIT

Late 1980's

Lean and Six Sigma concepts used in both manufacturing and service sectors

Early 2000's

Natural Integration of Lean Six Sigma in driving operational excellence



Click on picture to see 4-minute video

MILTON HYDRO

Having no problems is the biggest problem of all.

Taiichi Ohno
father of Toyota Production System

Process Improvement Streams

Lean Culture

- Yellow & Green Belt Programs
- Knowledge Hub

Business Process Optimization

- Process Architecture
- Mapping Repository
- SOPs/WIs

Execution Excellence

- PIO Governance
- Transformational Projects
- CI Initiatives

Management Operating System

- Strategy Cascade
- Performance Management (Safety, Quality, Delivery, Productivity, Morale)

PROCESS IMPROVEMENT OFFICE

MILTON HYDRO

Who and When?

Every Milton Hydro Employee can be involved in Process Improvement initiatives starting now

Process Improvement Streams

Lean Culture

- Yellow & Green Belt Programs
- Knowledge Hub

Business Process Optimization

- Process Architecture
- Mapping Repository
- SOPs/WIs

Execution Excellence

- PIO Governance
- Transformational Projects
- CI Initiatives

Management Operating System

- Strategy Cascade
- Performance Management (Safety, Quality, Delivery, Productivity, Morale)

PROCESS IMPROVEMENT OFFICE

MILTON HYDRO

LSS Belt Certifications

	 Yellow Belt	 Green Belt	 Black Belt
Requirements	Training + Demonstrated Application (3yr re-certification) of lean tools and concepts	Training + Demonstration of GB deliverables used within project with regular coaching	
Target	100% MHDI Certified YB in 2022	≥ 1 GB Certification per function in 2023/24	*Advanced Lean Six Sigma knowledge and experience* *Functions as coach, mentor, trainer* *Responsible for Lean Six Sigma implementation and culture change* *Lead transformational projects involving; analytics, change management and project management*
Scope	• Understand foundational Lean Six Sigma concepts and tools • Be able to identify and remove non-value-added activities within respective work environments • Solutions should be low effort/cost/tech/risk	• Intermediate Lean Six Sigma knowledge and experience • Lead step-change projects using DMAIC	

Training Details	• Office Staff:
	  • Min 5-max 10 attendees
	  • Duration ~1.5 hours
	  • Q1/Q2 waves to be announced
	• Front Line/Ops: Field training format to be scheduled with Lead hands
		• To be developed	

Current Compliment		Kathy Horgan Scott Tyler Hassan Syed	Kim Todd

MILTON HYDRO

Lean Six Sigma (LSS) Knowledge Hub

- MS Teams Site "**Process Improvement**"
  - One-Point-Lessons on tools and concepts
  - Templates
  - Post questions
  - Links
  - Learning events
  - Scorecard
  - Other….

Thank you

EXHIBIT 1

ATTACHMENT 1-7

MHDI 2019 AUDITED FINANCIAL STATEMENTS

Financial Statements of

MILTON HYDRO DISTRIBUTION INC.

And Independent Auditors' Report thereon

Year ended December 31, 2019

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Milton Hydro Distribution Inc.:

Opinion

We have audited the financial statements of Milton Hydro Distribution Inc. (the Corporation), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
April 27, 2020

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	5	$ 10,676,206	$ 8,374,579
Accounts receivable	6	10,444,977	8,901,271
Due from related parties	21	145,318	173,118
Unbilled revenue		10,991,881	11,172,503
Income taxes receivable		–	180,633
Materials and supplies	7	1,548,149	1,368,320
Prepaid expenses		797,519	1,004,949
Total current assets		34,604,050	31,175,373
Non-current assets			
Intercompany loan receivable	21	350,000	350,000
Long-term deposits	23	–	1,000,000
Property, plant and equipment	8	108,554,143	102,204,990
Intangible assets	9	2,955,699	1,171,266
Deferred tax assets	10	4,638,160	4,549,100
Total non-current assets		116,498,002	109,275,356
Total assets		151,102,052	140,450,729
Regulatory balances	11	6,267,722	8,283,379
Total assets and regulatory balances		$ 157,369,774	$ 148,734,108

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Note	2019	2018
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 18,334,459	$ 17,051,667
Long-term debt due within one year	13	1,532,350	1,395,611
Due to related parties	21	223,793	54,479
Income taxes payable		1,445,307	–
Customer deposits		3,701,064	3,610,992
Total current liabilities		25,236,973	22,112,749
Non-current liabilities			
Long-term debt	13	56,392,096	53,934,500
Post-employment benefits	14	509,917	496,556
Deferred revenue		16,330,100	14,736,031
Other liabilities		2,534,276	2,019,831
Deferred tax liabilities	10	7,628,018	8,378,033
Total non-current liabilities		83,394,407	79,564,951
Total liabilities		108,631,380	101,677,700
Equity			
Share capital	15	17,008,908	17,008,908
Retained earnings		28,246,776	27,748,807
Accumulated other comprehensive loss		(113,119)	(113,119)
Total equity		45,142,565	44,644,596
Total liabilities and equity		153,773,945	146,322,296
Regulatory balances	11	3,595,829	2,411,812
Subsequent event	24		
Total liabilities, equity and regulatory balances		$157,369,774	$148,734,108

See accompanying notes to the financial statements.

On behalf of the Board:

_____ Director _____ Director

MILTON HYDRO DISTRIBUTION INC.

Statement of Comprehensive Income

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

	Note	2019	2018
Revenue			
Distribution revenue		$ 18,203,473	$ 17,651,774
Other operating revenue		2,071,882	2,607,092
		20,275,355	20,258,866
Sale of energy		109,210,947	101,379,746
Total revenue	16	129,486,302	121,638,612
Operating expenses			
Operating expenses	17	10,081,958	9,488,241
Depreciation and amortization		4,100,681	3,761,991
Loss on disposal of property, plant and equipment		49,291	25,965
		14,231,930	13,276,197
Cost of power purchased		106,666,165	102,620,247
		120,898,095	115,896,444
Income from operating activities		8,588,207	5,742,168
Finance income	18	197,471	182,493
Finance costs	18	(2,866,800)	(2,606,634)
Income before income taxes		5,918,878	3,318,027
Income tax expense	10	(721,235)	(1,270,930)
		5,197,643	2,047,097
Net movement in regulatory balances net of tax			
Net movement in regulatory balances		(2,787,426)	1,240,500
Income tax		(412,248)	1,015,398
	11	(3,199,674)	2,255,898
Net income for the year and net movement in regulatory balances, being total comprehensive income		1,997,969	4,302,995

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statements of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2019	$ 17,008,908	$ 27,748,807	$ (113,119)	$ 44,644,596
Net income and net movement in regulatory balances	–	1,997,969	–	1,997,969
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2019	$ 17,008,908	$ 28,246,776	$ (113,119)	$ 45,142,565
Balance at January 1, 2018	$ 17,008,908	$ 24,945,812	$ (113,119)	$ 41,841,601
Net income and net movement in regulatory balances	–	4,302,995	–	4,302,995
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2018	$ 17,008,908	$ 27,748,807	$ (113,119)	$ 44,644,596

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statement of Cash Flows

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

	2019	2018
Operating activities		
Net Income and net movement in regulatory balances	$ 1,997,969	$ 4,302,995
Adjustments for:		
Depreciation and amortization	4,413,215	4,047,777
Amortization of deferred revenue	(431,291)	(368,974)
Post-employment benefits	13,361	14,164
Losses on disposal of property, plant and equipment	49,291	25,965
Contributions received from customers	2,025,360	2,902,259
Net finance costs	2,669,329	2,424,141
Income tax expense	721,235	1,270,930
Change in non-cash operating working capital:		
Accounts receivable	(1,543,706)	799,443
Due to/from related parties	197,114	174,822
Unbilled revenue	180,622	(1,109,326)
Materials and supplies	(179,829)	(42,600)
Prepaid expenses	207,430	(27,125)
Accounts payable and accrued liabilities	1,978,951	(1,146,458)
Customer deposits	90,072	235,544
	12,389,123	13,503,557
Regulatory balances	3,199,674	(2,255,898)
Income tax paid	(274,452)	(301,386)
Income tax received	158,369	606,742
Interest paid	(2,866,800)	(2,606,634)
Interest received	197,471	182,493
Net cash from operating activities	12,803,385	9,128,874
Investing activities		
Purchase of property, plant and equipment	(9,666,706)	(10,838,523)
Proceeds on disposal of property, plant and equipment	242,953	378,170
Purchase of intangible assets	(2,172,340)	(550,748)
Long-term deposits	-	(1,000,000)
Net cash used by investing activities	(11,596,093)	(12,011,101)
Financing activities		
Dividends paid	(1,500,000)	(1,500,000)
Proceeds from long-term debt	4,000,000	4,000,000
Repayment of long-term debt	(1,405,665)	(1,302,418)
Net cash from financing activities	1,094,335	1,197,582
Change in cash and cash equivalents	2,301,627	(1,684,645)
Cash and cash equivalents, beginning of year	8,374,579	10,059,224
Cash and cash equivalents, end of year	$ 10,676,206	$ 8,374,579

See accompanying notes to the financial statements.

1. Reporting entity

Milton Hydro Distribution Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Milton (the "Town"). The address of the Corporation's registered office is 200 Chisholm Drive, Milton, ON, L9T 3G9.

The Corporation delivers electricity and related energy services to residential and commercial customers in Milton. The Corporation is wholly owned by Milton Hydro Holdings Inc. and the ultimate parent company is the Town. The operations of the Corporation are regulated by the Ontario Energy Board ("OEB").

The financial statements are for the Corporation as at and for the year ended December 31, 2019.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 27, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Basis of presentation (continued)

(d) Use of estimates and judgments (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

(i) Note 3(b) – measurement of unbilled revenue
(ii) Notes 3(d), 3(e), 8 and 9 – estimation of useful lives of its property, plant and equipment and intangible assets
(iii) Notes 3(i) and 11 – recognition and measurement of regulatory balances
(iv) Notes 3(j) and 14 – measurement of defined benefit obligations: key actuarial assumptions
(v) Note 3(h) and 19 – recognition and measurement of provisions and contingencies
(vi) Note 3(m) and 10 – classification of taxes between current and deferred

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

(i) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period.

(ii) Note 3(k) – leases; whether an arrangement contains a lease

(e) Rate regulation

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain customers for the debt retirement charge set by the province for certain customer classes. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For distribution revenue, the Corporation files a Cost of Service ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in August 2015 which was approved for rates effective May 1, 2016 and implemented September 1, 2016.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

The OEB issues a new distribution rate design for residential electricity customers which will be phased in over a four year period commencing January 2016. Under this new policy, electricity distributors will structure residential rates so that all the distribution charges will be collected through a fully fixed monthly charge instead of the current fixed and variable rate charge. The Corporation has transitioned to fully fixed rates for residential customers effective January 1, 2019.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

(b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered. Amounts received in advance are presented in deferred revenue.

Capital contributions

Developers are required to contribute toward the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Capital contributions (continued)

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Buildings	50 years
Distribution equipment	15-45 years
Other PP&E	5-20 years

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments for capital contributions under capital cost recovery agreements are classified as intangible assets. These include payments made for right of use for transformer stations for which the Corporation does not hold title. These rights are measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Computer software	5 - 10 years
Capital cost recovery agreement rights	25 years

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets measured at amortized cost

A loss provision for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss provision is measured at an amount equal to the lifetime expected credit losses for the asset. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

3. Significant accounting policies (continued)

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Regulatory balances

Regulatory debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

3. Significant accounting policies (continued)

(j) Post-employment benefits (continued)

(i) Pension plan (continued)

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Corporation provides its retired employees with life insurance benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

3. Significant accounting policies (continued)

(k) Leased assets (continued)

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest paid on borrowings and customer deposits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

3. Significant accounting policies (continued)

(m) Income taxes (continued)

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Change in accounting policy

The Corporation has applied IFRS 16 *Leases* with a date of initial application of January 1, 2019. The Corporation applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. The details of the changes in accounting policies are disclosed below.

Except for the changes below, the Corporation has consistently applied the accounting policies to all periods presented in these financial statements.

Previously, the Corporation determined, at contract inception, whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(k). On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which contracts are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they contained a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Corporation has decided to apply recognition exemptions to short-term leases and leases for which the value of the underlying asset is of low value.

4. Change in accounting policy (continued)

Leases previously classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients and recognition exemptions when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases for which the underlying asset is of low value;
- Applied this standard to all contracts that were previously identified as leases by applying IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*;
- Relied on its assessment of whether leases are onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application instead of performing an impairment review.

Impacts on financial statements

There are no transitional impacts to report as the Corporation does not enter into leasing arrangements and has determined that there are no arrangements that contain a lease.

5. Cash and cash equivalents

Cash and cash equivalents consist of bank balances.

6. Accounts receivable

	2019	2018
Trade receivables	$ 7,403,963	$ 8,375,327
Less: allowance for doubtful accounts	(84,369)	(58,835)
	7,319,594	8,316,492
Other receivables	2,986,038	468,760
Billable work	139,345	116,019
	$10,444,977	$ 8,901,271

7. Materials and supplies

No amounts were written down due to obsolescence in 2019 or 2018.

8. Property, plant and equipment

	Land and buildings	Distribution equipment	Other PP&E	Construction -in-progress	Total
Cost or deemed cost					
Balance at January 1, 2019	$14,483,412	$ 89,949,879	$ 6,505,573	$ 2,660,656	$113,599,520
Additions	364,220	5,697,898	870,856	3,733,732	10,666,706
Transfers	–	2,660,656	–	(2,660,656)	–
Disposals/retirements	–	(1,258,182)	(83,700)	–	(1,341,882)
Balance at December 31, 2019	$14,847,632	$ 97,050,251	$ 7,292,729	$ 3,733,732	$122,924,344
Balance at January 1, 2018	$14,427,579	$ 81,888,864	$ 5,119,511	$ 2,495,755	$103,931,709
Additions	55,833	7,041,456	1,080,578	2,660,656	10,838,523
Transfers	–	2,495,755	–	(2,495,755)	–
Disposals/retirements	–	(1,476,196)	305,484	–	(1,170,712)
Balance at December 31, 2018	$14,483,412	$ 89,949,879	$ 6,505,573	$ 2,660,656	$113,599,520
Accumulated depreciation					
Balance at January 1, 2019	$ 682,823	$ 8,604,344	$ 2,107,363	$ –	$ 11,394,530
Depreciation	216,235	3,157,509	651,564	–	4,025,308
Disposals/retirements	–	(971,854)	(77,783)	–	(1,049,637)
Balance at December 31, 2019	$ 899,058	$ 10,789,999	$ 2,681,144	$ -	$ 14,370,201
Balance at January 1, 2018	$ 475,519	$ 6,744,536	$ 1,199,323	$ –	$ 8,419,378
Depreciation	207,304	2,931,869	602,556	–	3,741,729
Disposals/retirements	–	(1,072,061)	305,484	–	(766,577)
Balance at December 31, 2018	$ 682,823	$ 8,604,344	$ 2,107,363	$ –	$ 11,394,530
Carrying amounts					
At December 31, 2019	$13,948,574	$ 86,260,252	$ 4,611,585	$ 3,733,732	$108,554,143
At December 31, 2018	13,800,589	81,345,535	4,398,210	2,660,656	102,204,990

At December 31, 2019, PP&E with carrying amounts of $108,554,143 (2018 - $102,204,990) are subject to a general security agreement.

9. Intangible assets

	Computer software	Capital cost recovery agreement rights	Total
Cost or deemed cost			
Balance at January 1, 2019	$ 2,049,184	$ 120,825	$ 2,170,009
Additions	207,348	1,964,992	2,172,340
Balance at December 31, 2019	$ 2,256,532	$ 2,085,817	$ 4,342,349
Balance at January 1, 2018	$ 1,498,436	$ 120,825	$ 1,619,261
Additions	550,748	–	550,748
Balance at December 31, 2018	$ 2,049,184	$ 120,825	$ 2,170,009
Accumulated amortization			
Balance at January 1, 2019	$ 983,448	$ 15,295	$ 998,743
Amortization	360,286	27,621	387,907
Balance at December 31, 2019	$ 1,343,734	$ 42,916	$ 1,386,650
Balance at January 1, 2018	$ 680,459	$ 12,236	$ 692,695
Amortization	302,989	3,059	306,048
Balance at December 31, 2018	$ 983,448	$ 15,295	$ 998,743
Carrying amounts			
At December 31, 2019	$ 912,798	$ 2,042,901	$ 2,955,699
At December 31, 2018	1,065,736	105,530	1,171,266

10. Income tax expense

Current tax expense

	2019	2018
Current year	$ 643,630	$ 117,247
Adjustment for prior years	916,679	165,133
	$1,560,309	$ 282,380

Deferred tax expense

	2019	2018
Origination and reversal of temporary differences	$ (839,074)	$ 988,550
	$ (839,074)	$ 988,550

Reconciliation of effective tax rate

	2019	2018
Income before taxes	$ 5,918,878	$ 3,318,027
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,568,503	879,277
Increase in income taxes resulting from:		
Permanent differences	49,936	2,816
Regulatory movements	(784,722)	328,733
Other	(112,482)	60,104
Income tax expense	$ 721,235	$ 1,270,930

Significant components of the Corporation's deferred tax balances

	2019	2018
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (7,628,018)	$ (8,378,033)
Post-employment benefits	135,128	131,587
Deferred revenue	4,327,476	3,905,048
Other	175,556	512,465
	$ (2,989,858)	$ (3,828,933)

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory asset balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 3,958,139	$ –	$ (1,868,029)	$ 2,090,110	2-3
Regulatory settlement account	–	286,943	70,646	357,589	–
Regulatory transition to IFRS	348,207	–	–	348,207	2-3
Other regulatory accounts	399,369	–	(92,969)	306,400	2-3
Income tax	3,577,664	(412,248)	–	3,165,416	*
	$ 8,283,379	$ (125,305)	$ (1,890,352)	$ 6,267,722	

Regulatory asset balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 2,288,898	$ 1,669,241	$ -	$ 3,958,139	2-3
Regulatory settlement account	–	–	-	–	–
Regulatory transition to IFRS	348,207	–	-	348,207	2-3
Other regulatory accounts	322,041	77,328	-	399,369	2-3
Income tax	2,562,266	1,015,398	-	3,577,664	*
	$ 5,521,412	$ 2,761,967	$ -	$ 8,283,379	

Regulatory liability balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
Group 1 deferred accounts	$ (2,279,837)	$ (1,413,823)	$ 641,277	$ (3,052,383)	2-3
Regulatory settlement account	(39,738)	–	–	(39,738)	1
Other regulatory accounts	(92,237)	(411,471)	–	(503,708)	2-3
	$ (2,411,812)	$ (1,825,294)	$ 641,277	$(3,595,829)	

Regulatory liability balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018	Remaining years
Group 1 deferred accounts	$ (1,092,984)	$ (1,186,853)	$ -	$ (2,279,837)	2-3
Regulatory settlement account	(726,628)	686,890	-	(39,738)	1
Other regulatory accounts	(86,131)	(6,106)	-	(92,237)	2-3
	$ (1,905,743)	$ (506,069)	$ -	$ (2,411,812)	

* These balances will reverse as the related deferred tax balance reverses.

11. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. The Corporation has received approval from the OEB to establish its regulatory account balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Settlement of Group 2 deferral accounts is done at the time of filing a COS Rate Application to the OEB. An application has been approved by the OEB to recover the Group 1 deferral accounts as at December 31, 2017 beginning May 1, 2019. The approved account balances have been moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory asset for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates. Settlement of the regulatory transition to IFRS account was approved by the OEB in the COS Application.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2019 the prescribed interest rate was between 2.18% and 2.45%.

On April 16, 2020, the OEB approved a rate increase for rates effective May 1, 2020. On April 16, 2020, the OEB gave the Corporation the option to defer this rate increase to November 1, 2020 due to the COVID-19 outbreak and pandemic. The Corporation has not as yet, made a decision on whether to defer this rate increase or not.

Effective March 24, 2020, the Government of Ontario issued an Emergency Order and as a result, all residential and small business customers will be charged one rate for electricity consumed regardless of the time of day it is consumed for a 45 day period. This change is in place until May 7th and other measures may be implemented at that time by the province.

12. Accounts payable and accrued liabilities

	2019	2018
Accounts payable – energy purchases	$ 7,996,597	$ 8,547,242
Payroll payable	435,522	253,193
Interest payable	382,675	398,219
Other	9,519,665	7,853,013
	$ 18,334,459	$ 17,051,667

13. Long-term debt

	2019	2018
Note payable to Town of Milton	$ 14,934,210	$ 14,934,210
Other loans:		
Interest bearing at 4.49%, payable in blended semi-annual payments of $132,967, maturing April 1, 2025	1,283,373	1,484,872
Interest bearing at 4.84%, payable in blended semi-annual payments of $138,786 maturing July 15, 2035	3,066,771	3,191,371
Interest bearing at 4.33%, payable in blended semi-annual payments of $114,858 maturing September 15, 2036	2,744,088	2,851,485
Interest bearing at 3.92%, payable in blended semi-annual payments of $80,468 maturing February 16, 2037	2,024,274	2,103,521
Interest bearing at 3.87%, payable in blended semi-annual payments of $80,044 maturing September 17, 2037	2,061,697	2,139,726
Interest bearing at 3.74%, payable in blended semi-annual payments of $94,242 maturing May 3, 2038	2,500,510	2,592,875
Interest bearing at 3.97%, payable in blended semi-annual payments of $123,719 maturing July 15, 2039	3,393,326	3,502,781
Interest bearing at 3.04%, payable in blended semi-annual payments of $223,845 maturing March 16, 2040	6,792,731	7,028,532
Interest bearing at 3.55%, payable in blended semi-annual payments of $121,345 maturing July 1, 2040	3,571,293	3,684,192
Interest bearing at 3.31%, payable in blended semi-annual payments of $38,427 maturing September 1, 2040	1,156,600	1,194,234
Interest bearing at 3.58%, payable in blended monthly payments of $18,140 maturing December 22, 2045	3,680,159	3,764,456
Interest bearing at 3.74%, payable in blended monthly payments of $13,876 maturing December 15, 2046	2,827,838	2,887,381
Interest bearing at 3.90%, payable in blended monthly payments of $18,867 maturing July 1, 2048	3,897,630	3,970,475
Interest bearing at 3.15%, payable in blended monthly payments of $12,886 maturing October 4, 2049	2,989,946	–
Interest bearing at 3.10%, payable in blended monthly payments of $4,270 maturing December 16, 2049	1,000,000	–
	57,924,446	55,330,111
Less: current portion of long-term debt	(1,532,350)	(1,395,611)
	$ 56,392,096	$ 53,934,500

The note payable bears interest at 7.25% and is due on demand to the Town. The Town has waived its right to demand payment until January 1, 2021.

The other loans have various maturity dates and interest rates of between 3.04% and 4.84% per annum. The other loans are secured by a general security agreement over all of the assets of the Corporation.

14. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of $482,659 to OMERS (2018 - $474,242), of which $126,337 (2018 - $103,191) has been capitalized as part of PP&E and the remaining amount of $356,322 (2018 - $371,051) has been recognized in profit or loss. The Corporation estimates that a contribution of $528,513 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had approximately 500,000 members, of whom 49 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded.

(b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation		2019		2018
Defined benefit obligation, beginning of year	$	496,556	$	482,392
Included in profit or loss				
Current service cost		11,837		12,337
Interest cost		17,107		16,625
		28,944		28,962
Benefits paid		(15,583)		(14,798)
Defined benefit obligation, end of year	$	509,917	$	496,556

Actuarial assumptions	2019	2018
General inflation	2.0%	2.0%
Discount rate	3.5%	3.5%
Salary levels	3.2%	3.2%

14. Post-employment benefits (continued)

(b) Post-employment benefits other than pension (continued)

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $92,200 (2018 - $89,300). A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by $123,900 (2018 - $119,900).

15. Share capital

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	$ 17,008,908	$ 17,008,908

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $750 per share (2018 - $750), which amount to total dividends paid in the year of $1,500,000 (2018 - $1,500,000).

16. Revenue

	2019	2018
Distribution revenue	$ 18,203,473	$ 17,651,774
Sales of Energy	109,210,947	101,379,746
Rendering Services	675,826	815,111
Water and Waste water billing	717,563	670,225
Revenue from contracts with customers	128,807,809	120,516,856
Amortization of deferred revenue	431,291	368,974
Miscellaneous other revenue	247,202	752,782
Total revenue	129,486,302	121,638,612
Revenue from contracts with customers:		
Residential	49,748,592	45,572,461
General Service	61,647,886	58,528,870
Commercial	717,563	670,225
Large User	15,237,950	14,318,738
Other	1,455,818	1,436,562
	$ 128,807,809	$ 120,526,856

17. Operating expenses

	2019	2018
Salaries and benefits	$ 5,147,909	$ 5,083,821
Contract/consulting	2,936,478	2,718,322
Materials and supplies	520,615	475,122
Vehicles	163,062	86,736
Leases of equipment	5,262	5,262
Other	1,308,632	1,118,978
	$ 10,081,958	$ 9,488,241

18. Finance income and costs

	2019	2018
Finance income		
Interest income on bank deposits	$ 197,471	$ 182,493
Finance costs		
Interest expense on long-term debt	2,595,307	2,537,733
Interest expense on customer deposits	70,379	54,279
Other	201,114	14,622
	2,866,800	2,606,634
Net finance costs recognized in profit or loss	$ 2,669,329	$ 2,424,141

19. Commitments and contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2019, no assessments have been made.

20. Operating leases

The Corporation is committed to lease agreements for various equipment of low value. The Corporation is currently committed to a photocopier lease agreement.

The future minimum non-cancellable annual lease payments are due as follows:

	2019	2018
Between one and five years	$ 11,840	$ 17,102

During the year ended December 31, 2019, an expense of $5,262 (2018 - $5,262) was recognized in net income in respect of these low value operating leases.

21. Related party transactions

(a) Parent and ultimate controlling party

The sole shareholder of the Corporation is Milton Hydro Holdings Inc., which in turn is wholly-owned by the Town. The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties

	2019	2018
Due from (to) related parties		
Parent company	$ 145,318	$ 173,118
Affiliated companies	(223,793)	(54,479)
	(78,475)	118,639
Intercompany loan receivable	350,000	350,000
Town of Milton (in accounts receivable)	390,100	421,168
	$ 661,625	$ 889,807

The amounts due from the Town are regular receivables and as such are included in accounts receivable and are non-interest bearing with no fixed terms of repayment.

(c) Transactions with parent

During the year, the Corporation paid management and business development fees to its parent in the amount of $103,561 (2018 - $20,434).

(d) Transactions with ultimate parent (the Town)

The Corporation had the following significant transactions with its ultimate parent, a government entity:

In the ordinary course of business, the Corporation delivers electricity to the Town. During the year, the Corporation earned gross revenue of $3,280,704 (2018 - $3,566,665) from the Town. Of this amount, $436,902 (2018 - $458,585) was net distribution revenue. Electricity delivery charges are at prices and under terms approved by the OEB.

21. Related party transactions (continued)

(e) Key management personnel

The key management personnel of the Corporation have been defined as the executive management team members and board of directors. The compensation paid or payable is as follows:

	2019	2018
Total compensation	$ 1,224,518	$ 1,109,853

(f) Long-term loan with affiliated company

On December 23, 2015, the Corporation issued a demand loan for $350,000 (2018 - $350,000) at the rate of 1.90% per annum to Milton Energy and Generation Solutions Inc. Interest shall be calculated and payable on a semi-annual basis on the last day of June and December.

22. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2019 is $67,469,000. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rates used to calculate fair value at December 31, 2019 range from 3.43% to 3.90%, depending on the maturity of the debt.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Milton. No single customer accounts has a balance in excess of 9.2% of total accounts receivable.

22. Financial instruments and risk management (continued)

Financial risks (continued)

(a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2019 is $84,369 (2018 - $58,835). An impairment loss of $130,122 (2018 - $96,170) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $204,054 (2018 - $224,938) is considered 45 days past due. The Corporation has over 40,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from general service customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2019, the Corporation holds security deposits in the amount of $3,701,064 (2018 - $3,610,992).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $4 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2019, no amounts had been drawn under the Corporation's credit facility.

The Corporation also has a bilateral facility for $3 million (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $2.9 million (2018 - $2.9 million) has been drawn and posted with the IESO.

The majority of accounts payable, as reported on the statement of financial position, are due within 15 days.

22. Financial instruments and risk management (continued)

Financial risks (continued)

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to $44,968,775 (2018 - $44,644,596) and long-term debt amounts to $56,392,096 (2018 - $53,934,500).

23. Long-term deposits

During 2018, the Corporation paid a deposit to Hydro One for two new feeders at Tremaine Transformer Station. The deposit was required in order to secure a place in Hydro One's 2019 capital work plan. The capital work was completed and available for use in late 2019 and once completed, the deposit was capitalized to PP&E in 2019.

24. Subsequent event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

EXHIBIT 1

ATTACHMENT 1-8

MHDI 2020 AUDITED FINANCIAL STATEMENTS

Financial Statements of

MILTON HYDRO DISTRIBUTION INC.

And Independent Auditors' Report thereon

Year ended December 31, 2020

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Milton Hydro Distribution Inc.:

Opinion

We have audited the financial statements of Milton Hydro Distribution Inc. (the Corporation), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
April 26, 2021

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	4	$ 6,221,213	$ 10,676,206
Accounts receivable	5 and 20(b)	12,574,823	10,444,977
Due from related party	20	503,997	495,318
Unbilled revenue		10,852,013	10,991,881
Income taxes receivable		180,864	–
Materials and supplies	6	1,500,336	1,548,149
Prepaid expenses		882,297	797,519Total
Total current assets		32,715,543	34,954,050
Non-current assets			
Property, plant and equipment	7	113,878,169	108,554,143
Intangible assets	8	2,730,183	2,955,699
Deferred tax assets	9	5,731,083	4,638,160
Total non-current assets		122,339,435	116,148,002
Total assets		155,054,978	151,102,052
Regulatory debit balances	10	9,538,932	9,142,330
Total assets and regulatory debit balances		$ 164,593,910	$ 160,244,382

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Note	2020	2019
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 16,482,397	$ 18,334,459
Long-term debt due within one year	12	1,686,013	1,532,350
Due to related parties	20	354,895	223,793
Income taxes payable		–	1,445,307
Customer deposits		3,667,344	3,701,064
Total current liabilities		22,190,649	25,236,973
Non-current liabilities			
Long-term debt	12	60,044,075	56,392,096
Post-employment benefits	13	669,800	509,917
Deferred revenue		18,148,702	16,330,100
Other liabilities		3,055,593	2,534,276
Deferred tax liabilities	9	8,576,468	7,628,018
Total non-current liabilities		90,494,638	83,394,407
Total liabilities		112,685,287	108,631,380
Equity			
Share capital	14	17,008,908	17,008,908
Retained earnings		27,903,122	28,246,776
Accumulated other comprehensive loss		(211,253)	(113,119)
Total equity		44,700,777	45,142,565
Total liabilities and equity		157,386,064	153,773,945
Regulatory credit balances	10	7,207,846	6,470,437
Commitments and contingencies	18		
COVID-19	22		
Total liabilities, equity and regulatory credit balances		$ 164,593,910	$ 160,244,382

See accompanying notes to the financial statements.

On behalf of the Board:

_____ Director _____ Director

MILTON HYDRO DISTRIBUTION INC.

Statement of Comprehensive Income

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

	Note	2020	2019
Revenue			
Distribution revenue		$ 18,556,556	$ 18,203,473
Other operating revenue		2,009,790	2,071,882
		20,566,346	20,275,355
Sale of energy		123,841,401	109,210,947
Total revenue	15	144,407,747	129,486,302
Operating expenses			
Operating expenses	16	10,358,441	10,081,958
Depreciation and amortization		4,314,877	4,100,681
Loss on disposal of property, plant and equipment		484,742	49,291
		15,158,060	14,231,930
Cost of power purchased		123,409,715	106,666,165
		138,567,775	120,898,095
Income from operating activities		5,839,972	8,588,207
Finance income	17	84,388	197,471
Finance costs	17	(2,763,581)	(2,866,800)
Unrealized loss on fair value of derivatives	12	(1,375,956)	–
Income before income taxes		1,784,823	5,918,878
Income tax expense	9	(287,670)	(721,235)
		1,497,153	5,197,643
Net movement in regulatory balances net of tax			
Net movement in regulatory balances		(764,958)	(2,787,426)
Income tax		424,151	(412,248)
	10	(340,807)	(3,199,674)
Net income for the year and net movement in regulatory balances		**1,156,346**	**1,997,969**
Other comprehensive income			
Items that will not be reclassed to profit of loss			
Remeasurements of post-employment benefits		(133,500)	–
Tax on remeasurements		35,366	–
Other comprehensive loss for the year		(98,134)	–
Total comprehensive income for the year		$ **1,058,212**	**$ 1,997,969**

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statements of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2020	$ 17,008,908	$ 28,246,776	$ (113,119)	$ 45,142,565
Net income and net movement in regulatory balances	–	1,156,346	–	1,156,346
Other comprehensive loss	–	–	(98,134)	(98,134)
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2020	$ 17,008,908	$ 27,903,122	$ (211,253)	$ 44,700,777
Balance at January 1, 2019	$ 17,008,908	$ 27,748,807	$ (113,119)	$ 44,644,596
Net income and net movement in regulatory balances	–	1,997,969	–	1,997,969
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2019	$ 17,008,908	$ 28,246,776	$ (113,119)	$ 45,142,565

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statement of Cash Flows

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

	2020	2019
Operating activities		
Net Income and net movement in regulatory balances	$ 1,156,346	$ 1,997,969
Adjustments for:		
Depreciation and amortization	4,634,559	4,413,215
Unrealized loss on fair value of derivative	1,375,956	–
Amortization of deferred revenue	(484,446)	(431,291)
Post-employment benefits	159,883	13,361
Remeasurements of post-employment benefits, net of tax	(98,134)	–
Losses on disposal of property, plant and equipment	484,742	49,291
Contributions received from customers	2,824,366	2,025,360
Net finance costs	2,679,193	2,669,329
Income tax expense	252,304	721,235
Change in non-cash operating working capital:		
Accounts receivable	(2,129,846)	(1,543,706)
Due to/from related parties	122,423	197,114
Unbilled revenue	139,868	180,622
Materials and supplies	47,813	(179,829)
Prepaid expenses	(84,778)	207,430
Accounts payable and accrued liabilities	(1,852,062)	1,978,951
Customer deposits	(33,720)	90,072
	9,194,467	12,389,123
Regulatory balances	340,807	3,199,674
Income tax paid	(2,200,644)	(274,452)
Income tax received	177,694	158,369
Interest paid	(2,763,581)	(2,866,800)
Interest received	84,388	197,471
Net cash from operating activities	4,833,131	12,803,385
Investing activities		
Purchase of property, plant and equipment	(10,171,210)	(9,666,706)
Proceeds on disposal of property, plant and equipment	140,118	242,953
Purchase of intangible assets	(186,718)	(2,172,340)
Long-term deposits		-
Net cash used by investing activities	(10,217,810)	(11,596,093)
Financing activities		
Dividends paid	(1,500,000)	(1,500,000)
Proceeds from long-term debt	4,000,000	4,000,000
Repayment of long-term debt	(1,570,314)	(1,405,665)
Net cash from financing activities	929,686	1,094,335
Change in cash and cash equivalents	(4,454,993)	2,301,627
Cash and cash equivalents, beginning of year	10,676,206	8,374,579
Cash and cash equivalents, end of year	$ 6,221,213	$ 10,676,206

See accompanying notes to the financial statements.

1. Reporting entity

Milton Hydro Distribution Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Milton (the "Town"). The address of the Corporation's registered office is 200 Chisholm Drive, Milton, ON, L9T 3G9.

The Corporation delivers electricity and related energy services to residential and commercial customers in Milton. The Corporation is wholly owned by Milton Hydro Holdings Inc. and the ultimate parent company is the Town. The operations of the Corporation are regulated by the Ontario Energy Board ("OEB").

The financial statements are for the Corporation as at and for the year ended December 31, 2020.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on April 26, 2021.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Basis of presentation (continued)

(d) Use of estimates and judgments (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

(i) Note 3(b) – measurement of unbilled revenue
(ii) Notes 3(d), 3(e), 7 and 8 – estimation of useful lives of its property, plant and equipment and intangible assets
(iii) Notes 3(i) and 10 – recognition and measurement of regulatory balances
(iv) Notes 3(j) and 13 – measurement of defined benefit obligations: key actuarial assumptions
(v) Note 3(h) and 18 – recognition and measurement of provisions and contingencies
(vi) Note 3(m) and 9 – classification of taxes between current and deferred

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

(i) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period.
(ii) Note 3(k) – leases; whether an arrangement contains a lease

(e) Rate regulation

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For distribution revenue, the Corporation files a Cost of Service ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and the OEB approves rates based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in August 2015 which was approved for rates effective May 1, 2016 and implemented September 1, 2016.

Electricity rates

The OEB typically sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

In 2020, the OEB also adjusted the Regulated Price Plan (RPP) prices in March and June in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act* to assist Ontarians who were forced to stay home due to the COVID-19 pandemic. All remaining consumers pay the market price for electricity.

Distribution rate design for the Residential Class of customers is based on fully fixed rates, whereas distribution rate design for other classes of customers is based on a rate structure that is based on a monthly fixed service charge and a volumetric distribution charge based on either kWh's or kW's depending on the class the customer belongs to.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

(b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered. Amounts received in advance are presented in deferred revenue.

Capital contributions

Developers are required to contribute toward the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation’s obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Capital contributions (continued)

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Buildings	50 years
Distribution equipment	15-45 years
Other PP&E	5-20 years

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments for capital contributions under capital cost recovery agreements are classified as intangible assets. These include payments made for right of use for transformer stations for which the Corporation does not hold title. These rights are measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Computer software	5 - 10 years
Capital cost recovery agreement rights	25 years

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets measured at amortized cost

A loss provision for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss provision is measured at an amount equal to the lifetime expected credit losses for the asset. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

3. Significant accounting policies (continued)

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Regulatory balances

Regulatory debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

3. Significant accounting policies (continued)

(j) Post-employment benefits (continued)

(i) Pension plan (continued)

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Corporation provides its retired employees with life insurance benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

3. Significant accounting policies (continued)

(k) Leased assets (continued)

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest paid on borrowings and customer deposits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

3. Significant accounting policies (continued)

(m) Income taxes (continued)

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Cash and cash equivalents

Cash and cash equivalents consist of bank balances in excess of outstanding cheques issued and not cashed.

5. Accounts receivable

	2020	2019
Trade receivables	$ 8,388,553	$ 7,403,963
Less: allowance for impairment	(143,863)	(84,369)
	8,244,690	7,319,594
Provincial rebates and other receivables	4,176,247	2,986,038
Billable work	153,886	139,345
	$12,574,823	$10,444,977

6. Materials and supplies

No amounts were written down due to obsolescence in 2020 or 2019.

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other PP&E	Construction -in-progress	Total
Cost or deemed cost					
Balance at January 1, 2020	$14,847,632	$ 97,050,251	$ 7,292,729	$ 3,733,732	$122,924,344
Additions	30,135	5,399,604	355,688	4,385,783	10,171,210
Transfers	–	3,733,732	–	(3,733,732)	–
Disposals/retirements	–	(1,831,888)	–	–	(1,831,888)
Balance at December 31, 2020	$14,877,767	$ 104,351,699	$ 7,648,417	$ 4,385,783	$131,263,666
Balance at January 1, 2019	$14,483,412	$ 89,949,879	$ 6,505,573	$ 2,660,656	$113,599,520
Additions	364,220	5,697,898	870,856	3,733,732	10,666,706
Transfers	–	2,660,656	–	(2,660,656)	–
Disposals/retirements	–	(1,258,182)	(83,700)	–	(1,341,882)
Balance at December 31, 2019	$14,847,632	$ 97,050,251	$ 7,292,729	$ 3,733,732	$122,924,344
Accumulated depreciation					
Balance at January 1, 2020	$ 899,058	$ 10,789,999	$ 2,681,144	$ –	$ 14,370,201
Depreciation	216,897	3,332,200	673,228	–	4,222,325
Disposals/retirements	–	(1,207,029)	–	–	(1,207,029)
Balance at December 31, 2020	$ 1,115,955	$ 12,915,170	$ 3,354,372	$ –	$ 17,385,497
Balance at January 1, 2019	$ 682,823	$ 8,604,344	$ 2,107,363	$ –	$ 11,394,530
Depreciation	216,235	3,157,509	651,564	–	4,025,308
Disposals/retirements	–	(971,854)	(77,783)	–	(1,049,637)
Balance at December 31, 2019	$ 899,058	$ 10,789,999	$ 2,681,144	$ –	$ 14,370,201
Carrying amounts					
At December 31, 2020	$13,761,812	$ 91,436,529	$ 4,294,045	$ 4,385,783	$113,878,169
At December 31, 2019	$13,948,574	$ 86,260,252	$ 4,611,585	$ 3,733,732	$108,554,143

At December 31, 2020, PP&E with carrying amounts of $113,878,169 (2019 - $108,554,143) are subject to a general security agreement relating to the Corporation's debt.

8. Intangible assets

	Computer software	Capital cost recovery agreement rights	Total
Cost or deemed cost			
Balance at January 1, 2020	$ 2,256,532	$ 2,085,817	$ 4,342,349
Additions	70,826	115,892	186,718
Balance at December 31, 2020	$ 2,327,358	$ 2,201,709	$ 4,529,067
Balance at January 1, 2019	$ 2,049,184	$ 120,825	$ 2,170,009
Additions	207,348	1,964,992	2,172,340
Balance at December 31, 2019	$ 2,256,532	$ 2,085,817	$ 4,342,349
Accumulated amortization			
Balance at January 1, 2020	$ 1,343,734	$ 42,916	$ 1,386,650
Amortization	357,116	55,118	412,234
Balance at December 31, 2020	$ 1,700,850	$ 98,034	$ 1,798,884
Balance at January 1, 2019	$ 983,448	$ 15,295	$ 998,743
Amortization	360,286	27,621	387,907
Balance at December 31, 2019	$ 1,343,734	$ 42,916	$ 1,386,650
Carrying amounts			
At December 31, 2020	$ 626,508	$ 2,103,675	$ 2,730,183
At December 31, 2019	912,798	2,042,901	2,955,699

9. Income tax expense

Current tax expense

	2020	2019
Current year	$ 333,817	$ 643,630
Adjustment for prior years	62,960	916,679
	$ 396,777	$ 1,560,309

Deferred tax expense

	2020	2019
Origination and reversal of temporary differences	$ (109,107)	$ (839,074)
Tax adjustment included in other comprehensive income	(35,366)	–
	$ (144,473)	$ (839,074)

Reconciliation of effective tax rate

	2020	2019
Income before taxes	$ 1,784,823	$ 5,918,878
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected income tax recovery on income at statutory rates	472,978	1,568,503
Increase (decrease) in income taxes resulting from:		
Permanent differences	531	49,936
Regulatory movements	(202,714)	(784,722)
Other	16,875	(112,482)
Income tax expense	$ 287,670	$ 721,235

Significant components of the Corporation's deferred tax balances

	2020	2019
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (8,576,468)	$ (7,628,018)
Post-employment benefits	177,497	135,128
Deferred revenue	4,809,406	4,327,476
Unrealized derivative	364,628	–
Other	379,552	175,556
	$ (2,845,385)	$ (2,989,858)

10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory asset balances	January 1, 2020	Additions	Recovery/ reversal	Transfers	December 31, 2020	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 2,090,110	$ (67,767)	$ –	$ –	$ 2,022,343	2-3
Regulatory settlement account	3,232,197	–	133,129	(529,513)	2,835,813	–
Regulatory transition to IFRS	348,207	–	–	–	348,207	2-3
Other regulatory accounts	306,400	436,602	–	–	743,002	2-3
Income tax	3,165,416	424,151	–	–	3,589,567	*
	$ 9,142,330	$ 792,986	$ 133,129	$ (529,513)	$ 9,538,932	

Regulatory asset balances	January 1, 2019	Additions	Recovery/ reversal	Transfers	December 31, 2019	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 3,958,139	$ –	$ (1,868,029)	$ –	$ 2,090,110	2-3
Regulatory settlement account	8,785,917	(7,055,925)	–	1,502,205	3,232,197	–
Regulatory transition to IFRS	348,207	–	–	–	348,207	2-3
Other regulatory accounts	399,369	–	(92,969)	–	306,400	2-3
Income tax	3,577,664	(412,248)	–	–	3,165,416	*
	$17,069,296	$ (7,468,173)	$ (1,960,998)	$ 1,502,205	$ 9,142,330	

Regulatory liability balances	January 1, 2020	Additions	Recovery/ reversal	Transfers	December 31, 2020	Remaining years
Group 1 deferred accounts	$ (3,052,383)	$ (227,205)	$ –	$ –	$ (3,279,588)	2-3
Regulatory settlement account	(2,914,346)	–	(515,321)	529,513	(2,900,154)	1
Other regulatory accounts	(503,708)	(524,396)	–	–	(1,028,104)	2-3
	$ (6,470,437)	$ (751,601)	$ (515,321)	$ 529,513	$ (7,207,846)	

Regulatory liability balances	January 1, 2019	Additions	Recovery/ reversal	Transfers	December 31, 2019	Remaining years
Group 1 deferred accounts	$ (2,279,837)	$ (1,413,823)	$ 641,277	$ –	$ (3,052,383)	2-3
Regulatory settlement account	(8,825,655)	7,413,514	–	(1,502,205)	(2,914,346)	1
Other regulatory accounts	(92,237)	(411,471)	–	–	(503,708)	2-3
	$(11,197,729)	$ 5,588,220	$ 641,277	$ (1,502,205)	$ (6,470,437)	

* These balances will reverse as the related deferred tax balance reverses.

10. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. The Corporation has received approval from the OEB to establish its regulatory account balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Settlement of Group 2 deferral accounts is done at the time of filing a COS Rate Application to the OEB. An application has been approved by the OEB to recover the Group 1 deferral accounts as at December 31, 2017 beginning May 1, 2019. The approved account balances have been moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory asset for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2020 the prescribed interest rate was between .57% and 2.18%.

On April 16, 2020, the OEB approved a rate increase for rates effective May 1, 2020. On April 16, 2020, the OEB gave the Corporation the option to defer this rate increase to November 1, 2020 due to the COVID-19 outbreak and pandemic. The Corporation decided not to defer this rate increase and it implemented the rates as approved by the OEB on May 1, 2020.

The OEB has a decision and order in place banning LDC's in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year but was extended during the year to July 31, 2020.

11. Accounts payable and accrued liabilities

	2020	2019
Accounts payable – energy purchases	$ 3,734,713	$ 7,996,597
Payroll payable	461,807	435,522
Interest payable	367,369	382,675
Other	11,918,508	9,519,665
	$ 16,482,397	$ 18,334,459

12. Long-term debt

	2020	2019
Note payable to Town of Milton	$ 14,934,210	$ 14,934,210
Other loans:		
Interest bearing at 4.49%, payable in blended semi-annual payments of $132,967, maturing April 1, 2025	1,072,725	1,283,373
Interest bearing at 4.84%, payable in blended semi-annual payments of $138,786 maturing July 15, 2035	2,936,068	3,066,771
Interest bearing at 4.33%, payable in blended semi-annual payments of $114,858 maturing September 15, 2036	2,631,991	2,744,088
Interest bearing at 3.92%, payable in blended semi-annual payments of $80,468 maturing February 16, 2037	1,941,889	2,024,274
Interest bearing at 3.87%, payable in blended semi-annual payments of $80,044 maturing September 17, 2037	1,980,619	2,061,697
Interest bearing at 3.74%, payable in blended semi-annual payments of $94,242 maturing May 3, 2038	2,404,658	2,500,510
Interest bearing at 3.97%, payable in blended semi-annual payments of $123,719 maturing July 15, 2039	3,279,484	3,393,326
Interest bearing at 3.04%, payable in blended semi-annual payments of $223,845 maturing March 16, 2040	6,549,706	6,792,731
Interest bearing at 3.55%, payable in blended semi-annual payments of $121,345 maturing July 1, 2040	3,454,352	3,571,293
Interest bearing at 3.31%, payable in blended semi-annual payments of $38,427 maturing September 1, 2040	1,117,709	1,156,600
Interest bearing at 3.58%, payable in blended monthly payments of $18,140 maturing December 22, 2045	4,052,000	3,680,159
Interest bearing at 3.74%, payable in blended monthly payments of $13,876 maturing December 15, 2046	2,766,029	2,827,838
Interest bearing at 3.90%, payable in blended monthly payments of $18,867 maturing July 1, 2048	4,521,889	3,897,630
Interest bearing at 3.15%, payable in blended monthly payments of $12,886 maturing October 4, 2049	3,145,255	2,989,946
Interest bearing at 3.10%, payable in blended monthly payments of $4,270 maturing December 16, 2049	979,468	1,000,000
Interest bearing at 2.35%, payable in blended monthly payments of $15,495 maturing July 6, 2050	3,962,036	–
	61,730,088	57,924,446
Less: current portion of long-term debt	(1,686,013)	(1,532,350)
	$ 60,044,075	$ 56,392,096

12. Long-term debt (continued)

The note payable to the Town of Milton bears interest at 7.25% and is due on demand. The Town has waived its right to demand payment on or before January 1, 2022.

In conjunction with the $4,052,000, $4,521,889 and $3,145,255 facilities, the Corporation entered into an interest rate swap arrangement in prior years. The interest rate on the three facilities is variable and its risk has been mitigated through the entering of a swap agreement. The fair value of the interest rate swap agreement is based on amounts quoted by the Corporation's financial institution taking into account interest rates at December 31, 2020. The interest rate swap agreement is in a net unfavourable position of $1,375,956 ($459,206, $699,997 and $216,753 respectively). The Corporation has not applied hedge accounting and the associated unrealized losses are included in the statement of comprehensive income.

The other loans have various maturity dates and interest rates of between 2.35% and 4.84% per annum. The other loans are secured by a general security agreement over all of the assets of the Corporation.

Certain financial liabilities are subject to financial covenants and the covenants are meet as of yearend.

Scheduled repayments of long-term debt for the years ended December 31 are as follows:

2021	$ 1,686,013
2022	1,749,914
2023	1,816,581
2024	1,885,622
2025	1,824,886
2026 and thereafter	52,767,071
	$ 61,730,088

13. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2020, the Corporation made employer contributions of $519,139 to OMERS (2019 - $482,659), of which $97,085 (2019 - $126,337) has been capitalized as part of PP&E and the remaining amount of $422,054 (2019 - $356,322) has been recognized in profit or loss. The Corporation estimates that a contribution of $600,730 to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had approximately 526,000 members, of whom 51 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded.

13. Post-employment benefits (continued)

(b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2020	2019
Defined benefit obligation, beginning of year	$ 509,917	$ 496,556
Included in profit or loss		
Current service cost	11,500	11,837
Interest cost	17,800	17,107
	29,300	28,944
Included in other comprehensive income		
Actuarial losses	133,500	–
Benefits paid	(2,917)	(15,583)
Defined benefit obligation, end of year	$ 669,800	$ 509,917

(b) Post-employment benefits other than pension (continued)

Actuarial assumptions	2020	2019
General inflation	2.00%	2.00%
Discount rate	2.50%	3.50%
Salary levels	2.75%	3.20%

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $135,700 (2019 - $92,200). A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by $190,700 (2019 - $123,900).

14. Share capital

	2020	2019
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	$ 17,008,908	$ 17,008,908

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $750 per share (2019 - $750), which amount to total dividends paid in the year of $1,500,00 (2019 - $1,500,000).

15. Revenue

	2020	2019
Distribution revenue	$ 18,556,556	$ 18,203,473
Sales of energy	123,841,401	109,210,947
Rendering services	517,460	675,826
Water and wastewater billing	750,371	717,563
Revenue from contracts with customers	143,665,788	128,807,809
Amortization of deferred revenue	484,446	431,291
Miscellaneous other revenue	257,513	247,202
Total revenue	144,407,747	129,486,302
Revenue from contracts with customers:		
Residential	65,478,506	49,748,592
General service	61,826,233	61,647,886
Commercial	750,371	717,563
Large user	14,545,439	15,237,950
Other	1,065,239	1,455,818
	$ 143,665,788	$ 128,807,809

16. Operating expenses

	2020	2019
Salaries and benefits	$ 5,513,244	$ 5,147,909
Contract/consulting	3,032,458	2,936,478
Materials and supplies	429,504	520,615
Vehicles	191,347	163,062
Leases of equipment	5,542	5,262
Other	1,186,346	1,308,632
	$ 10,358,441	$ 10,081,958

17. Finance income and costs

	2020	2019
Finance income		
Interest income on bank deposits	$ 84,388	$ 197,471
Finance costs		
Interest expense on long-term debt	2,688,472	2,595,307
Interest expense on customer deposits	25,944	70,379
Other	49,165	201,114
	2,763,581	2,866,800
Net finance costs recognized in profit or loss	$ (2,679,193)	$ (2,669,329)

18. Commitments and contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2020, no assessments have been made.

19. Operating leases

The Corporation is committed to lease agreements for various equipment of low value. The Corporation is currently committed to a photocopier lease agreement.

The future minimum non-cancellable annual lease payments are due as follows:

	2020	2019
Between one and five years	$ 15,269	$ 11,840

During the year ended December 31, 2020, an expense of $6,014 (2019 - $5,262) was recognized in net income in respect of these low value operating leases.

20. Related party transactions

(a) Parent and ultimate controlling party

The sole shareholder of the Corporation is Milton Hydro Holdings Inc., which in turn is wholly-owned by the Town. The Town produces consolidated financial statements of Milton Hydro Holdings Inc. that are available to the public.

(b) Outstanding balances with related parties

	2020	2019
Due from (to) related parties		
Parent company	$ 153,997	$ 145,318
Affiliated companies	(354,895)	(223,793)
	(200,898)	(78,475)
Intercompany promissory note receivable	350,000	350,000
Town of Milton (in accounts receivable)	343,602	390,100
	$ 492,704	$ 661,625

On December 23, 2015, the Corporation issued a promissory note for $350,000 (2019 - $350,000) at the rate of 1.90% per annum to Milton Energy and Generation Solutions Inc. Interest shall be calculated and payable on a semi-annual basis on the last day of June and December. The promissory note is callable at the discretion of the Corporation.

The amounts due from the Town are regular receivables and as such are included in accounts receivable and are non-interest bearing with no fixed terms of repayment.

(c) Transactions with parent

During the year, the Corporation paid management and business development fees to its parent in the amount of $97,280 (2019 - $103,561).

20. Related party transactions (continued)

(d) Transactions with ultimate parent (the Town)

The Corporation had the following transactions with its ultimate parent, a government entity:

In the ordinary course of business, the Corporation delivers electricity to the Town. During the year, the Corporation earned gross revenue of $3,142,541 (2019 - $3,280,704) from the Town. Of this amount, $414,383 (2019 - $436,902) was net distribution revenue. Electricity delivery charges are at prices and under terms approved by the OEB.

(e) Key management personnel

The key management personnel of the Corporation have been defined as the executive management team members and board of directors. The compensation paid or payable is as follows:

	2020	2019
Total compensation	$ 1,368,916	$ 1,224,518

21. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2020 is $69,631,000. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rates used to calculate fair value at December 31, 2020 range from 3.04% to 4.84%, depending on the maturity of the debt.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Milton. No single customer account has a balance in excess of 5.8% of total accounts receivable.

21. Financial instruments and risk management (continued)

Financial risks (continued)

(a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2020 is $143,863 (2019 - $84,369). An impairment loss of $129,672 (2019 - $130,122) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2020, approximately $353,906 (2019 - $204,054) is considered 45 days past due. The Corporation has over 40,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from general service customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2020, the Corporation holds security deposits in the amount of $3,667,344 (2019 - $3,701,064).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $4 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2020, no amounts had been drawn under the Corporation's credit facility. Amounts drawn are due on demand.

The Corporation also has a bilateral facility for $3 million (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $2.9 million (2019 - $2.9 million) has been drawn and posted with the IESO.

The majority of accounts payable, as reported on the statement of financial position, are due within 15 days.

21. Financial instruments and risk management (continued)

Financial risks (continued)

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2020, shareholder's equity amounts to $44,700,777 (2019 - $45,142,565) and long-term debt due beyond one year amounts to $60,044,075 (2019 - $56,392,096).

22. COVID-19

During the year ended December 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

23. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

EXHIBIT 1

ATTACHMENT 1-9

MHDI 2021 AUDITED FINANCIAL STATEMENTS

Financial Statements of

MILTON HYDRO DISTRIBUTION INC.

And Independent Auditors' Report thereon

Year ended December 31, 2021

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Tel 905-523-8200
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Milton Hydro Distribution Inc.:

Opinion

We have audited the financial statements of Milton Hydro Distribution Inc. (the Corporation), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
March 29, 2022

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4	$ 3,114,786	$ 6,221,213
Accounts receivable	5 and 20(b)	10,851,145	12,574,823
Due from related party	20	366,305	503,997
Unbilled revenue		8,953,931	10,852,013
Income taxes receivable		1,037,310	180,864
Materials and supplies	6	2,076,278	1,500,336
Prepaid expenses		821,028	882,297
Total current assets		27,220,783	32,715,543
Non-current assets			
Property, plant and equipment	7	120,080,746	113,878,169
Intangible assets	8	2,260,737	2,730,183
Deferred tax assets	9	5,756,311	5,731,083
Total non-current assets		128,097,794	122,339,435
Total assets		155,318,577	155,054,978
Regulatory debit balances	10	13,074,634	9,538,932
Total assets and regulatory debit balances		$ 168,393,211	$ 164,593,910

MILTON HYDRO DISTRIBUTION INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Note	2021	2020
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 17,141,781	$ 16,482,397
Long-term debt due within one year	12	16,684,120	1,686,013
Due to related parties	20	8,524	354,895
Customer deposits		3,612,982	3,667,344
Total current liabilities		37,447,407	22,190,649
Non-current liabilities			
Long-term debt	12	42,540,955	60,044,075
Post-employment benefits	13	617,629	669,800
Deferred revenue		20,547,339	18,148,702
Other liabilities		3,416,705	3,055,593
Deferred tax liabilities	9	10,208,724	8,576,468
Total non-current liabilities		77,331,352	90,494,638
Total liabilities		114,778,759	112,685,287
Equity			
Share capital	14	17,008,908	17,008,908
Retained earnings		29,868,118	27,903,122
Accumulated other comprehensive loss		(144,994)	(211,253)
Total equity		46,732,032	44,700,777
Total liabilities and equity		161,510,791	157,386,064
Regulatory credit balances	10	6,882,420	7,207,846
Commitments and contingencies	18		
COVID-19	22		
Total liabilities, equity and regulatory credit balances		$ 168,393,211	$ 164,593,910

See accompanying notes to the financial statements.

On behalf of the Board:

_____ Director _____ Director

MILTON HYDRO DISTRIBUTION INC.

Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	Note	2021	2020
Revenue			
Distribution revenue		$ 19,527,973	$ 18,556,556
Other operating revenue		2,339,971	2,009,790
		21,867,944	20,566,346
Sale of energy		110,225,584	123,841,401
Total revenue	15	132,093,528	144,407,747
Operating expenses			
Operating expenses	16	12,519,146	10,358,441
Depreciation and amortization		4,434,029	4,314,877
Loss on disposal of property, plant and equipment		141,009	484,742
		17,094,184	15,158,060
Cost of power purchased		112,481,712	123,409,715
		129,575,896	138,567,775
Income from operating activities		2,517,632	5,839,972
Finance income	17	49,812	84,388
Finance costs	17	(2,741,927)	(2,763,581)
Unrealized gain (loss) on fair value of derivatives	12	818,996	(1,375,956)
Income before income taxes		644,513	1,784,823
Income tax expense	9	(1,040,645)	(287,670)
		(396,132)	1,497,153
Net movement in regulatory balances net of tax			
Net movement in regulatory balances		3,277,364	(764,958)
Income tax		583,764	424,151
	10	3,861,128	(340,807)
Net income for the year and net movement in regulatory balances		**3,464,996**	**1,156,346**
Other comprehensive income			
Items that will not be reclassed to profit of loss			
Remeasurements of post-employment benefits		90,148	(133,500)
Tax on remeasurements		(23,889)	35,366
Other comprehensive loss for the year		66,259	(98,134)
Total comprehensive income for the year		**$ 3,531,255**	**$ 1,058,212**

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statements of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2021	$ 17,008,908	$ 27,903,122	$ (211,253)	$ 44,700,777
Net income and net movement in regulatory balances	–	3,464,996	–	3,464,996
Other comprehensive loss	–	–	66,259	66,259
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2021	$ 17,008,908	$ 29,868,118	$ (144,994)	$ 46,732,032
Balance at January 1, 2020	$ 17,008,908	$ 28,246,776	$ (113,119)	$ 45,142,565
Net income and net movement in regulatory balances	–	1,156,346	–	1,156,346
Other comprehensive loss	–	–	(98,134)	(98,134)
Dividends	–	(1,500,000)	–	(1,500,000)
Balance at December 31, 2020	$ 17,008,908	$ 27,903,122	$ (211,253)	$ 44,700,777

See accompanying notes to the financial statements.

MILTON HYDRO DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities		
Net Income and net movement in regulatory balances	$ 3,464,996	$ 1,156,346
Adjustments for:		
Depreciation and amortization	4,736,186	4,634,559
Unrealized loss on fair value of derivative	(818,996)	1,375,956
Amortization of deferred revenue	(548,596)	(484,446)
Post-employment benefits	(52,171)	159,883
Remeasurements of post-employment benefits, net of tax	66,259	(98,134)
Losses on disposal of property, plant and equipment	141,009	484,742
Contributions received from customers	3,308,346	2,824,366
Net finance costs	2,692,115	2,679,193
Income tax expense	1,064,534	252,304
Change in non-cash operating working capital:		
Accounts receivable	1,723,678	(2,129,846)
Due to/from related parties	(208,679)	122,423
Unbilled revenue	1,898,082	139,868
Materials and supplies	(575,942)	47,813
Prepaid expenses	61,269	(84,778)
Accounts payable and accrued liabilities	659,384	(1,852,062)
Customer deposits	(54,362)	(33,720)
	17,557,112	9,194,467
Regulatory balances	(3,861,128)	340,807
Income tax paid	(692,389)	(2,200,644)
Income tax received	378,437	177,694
Interest paid	(2,741,927)	(2,763,581)
Interest received	49,812	84,388
Net cash from operating activities	10,689,917	4,833,131
Investing activities		
Purchase of property, plant and equipment	(11,112,771)	(10,171,210)
Proceeds on disposal of property, plant and equipment	378,040	140,118
Purchase of intangible assets	124,404	(186,718)
Net cash used by investing activities	(10,610,327)	(10,217,810)
Financing activities		
Dividends paid	(1,500,000)	(1,500,000)
Proceeds from long-term debt	(16,684,124)	4,000,000
Repayment of long-term debt	14,998,107	(1,570,314)
Net cash (used by) from financing activities	(3,186,017)	929,686
Change in cash and cash equivalents	(3,106,427)	(4,454,993)
Cash and cash equivalents, beginning of year	6,221,213	10,676,206
Cash and cash equivalents, end of year	$ 3,114,786	$ 6,221,213

See accompanying notes to the financial statements.

1. Reporting entity

Milton Hydro Distribution Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Milton (the "Town"). The address of the Corporation's registered office is 200 Chisholm Drive, Milton, ON, L9T 3G9.

The Corporation delivers electricity and related energy services to residential and commercial customers in Milton. The Corporation is wholly owned by Milton Hydro Holdings Inc. and the ultimate parent company is the Town. The operations of the Corporation are regulated by the Ontario Energy Board ("OEB").

The financial statements are for the Corporation as at and for the year ended December 31, 2021.

2. Basis of presentation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on March 28, 2022.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

(i) Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Basis of presentation (continued)

(d) Use of estimates and judgments (continued)

(i) Assumptions and estimation uncertainty (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

(i) Note 3(b) – measurement of unbilled revenue
(ii) Notes 3(d), 3(e), 7 and 8 – estimation of useful lives of its property, plant and equipment and intangible assets
(iii) Notes 3(i) and 10 – recognition and measurement of regulatory balances
(iv) Notes 3(j) and 13 – measurement of defined benefit obligations: key actuarial assumptions
(v) Note 3(h) and 18 – recognition and measurement of provisions and contingencies
(vi) Note 3(m) and 9 – classification of taxes between current and deferred

(ii) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

(i) Note 3(b) – determination of the performance obligation for contributions from customers and the related amortization period.
(ii) Note 3(k) – leases; whether an arrangement contains a lease

(e) Rate regulation

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For distribution revenue, the Corporation files a Cost of Service ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and the OEB approves rates based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in August 2015 which was approved for rates effective May 1, 2016 and implemented September 1, 2016.

Electricity rates

The OEB typically sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

In 2021, the OEB also adjusted the Regulated Price Plan (RPP) prices in March and June in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act* to assist Ontarians who were forced to stay home due to the COVID-19 pandemic. All remaining consumers pay the market price for electricity.

Distribution rate design for the Residential Class of customers is based on fully fixed rates, whereas distribution rate design for other classes of customers is based on a rate structure that is based on a monthly fixed service charge and a volumetric distribution charge based on either kWh's or kW's depending on the class the customer belongs to.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

(b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered. Amounts received in advance are presented in deferred revenue.

Capital contributions

Developers are required to contribute toward the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation’s obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

3. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Capital contributions (continued)

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Buildings	50 years
Distribution equipment	15-45 years
Other PP&E	5-20 years

(e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments for capital contributions under capital cost recovery agreements are classified as intangible assets. These include payments made for right of use for transformer stations for which the Corporation does not hold title. These rights are measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Computer software	5 - 10 years
Capital cost recovery agreement rights	25 years

3. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets measured at amortized cost

A loss provision for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss provision is measured at an amount equal to the lifetime expected credit losses for the asset. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

3. Significant accounting policies (continued)

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Regulatory balances

Regulatory debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(j) Post-employment benefits

(i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (“OMERS”). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

3. Significant accounting policies (continued)

(j) Post-employment benefits (continued)

(i) Pension plan (continued)

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension

The Corporation provides its retired employees with life insurance benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

3. Significant accounting policies (continued)

(k) Leased assets (continued)

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest paid on borrowings and customer deposits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

3. Significant accounting policies (continued)

(m) Income taxes (continued)

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Cash and cash equivalents

Cash and cash equivalents consist of bank balances in excess of outstanding cheques issued and not cashed.

5. Accounts receivable

	2021	2020
Trade receivables	$ 8,465,860	$ 8,388,553
Less: allowance for impairment	(206,931)	(143,863)
	8,258,929	8,244,690
Provincial rebates and other receivables	2,402,448	4,176,247
Billable work	189,768	153,886
	$10,851,145	$12,574,823

6. Materials and supplies

No amounts were written down due to obsolescence in 2021 or 2020.

7. Property, plant and equipment

	Land and buildings	Distribution equipment	Other PP&E	Construction -in-progress	Total
Cost or deemed cost					
Balance at January 1, 2021	$14,877,767	$ 104,351,699	$ 7,648,417	$ 4,385,783	$131,263,666
Additions	–	4,056,232	472,973	6,583,566	11,112,771
Transfers	–	4,385,783	–	(4,385,783)	–
Disposals/retirements	–	(1,417,523)	(17,763)	–	(1,435,286)
Balance at December 31, 2021	$14,877,767	$ 111,376,191	$ 8,103,627	$ 6,583,566	$140,941,151
Balance at January 1, 2020	$14,847,632	$ 97,050,251	$ 7,292,729	$ 3,733,732	$122,924,344
Additions	30,135	5,399,604	355,688	4,385,783	10,171,210
Transfers	–	3,733,732	–	(3,733,732)	–
Disposals/retirements	–	(1,831,888)	–	–	(1,831,888)
Balance at December 31, 2020	$14,877,767	$ 104,351,699	$ 7,648,417	$ 4,385,783	$131,263,666
Accumulated depreciation					
Balance at January 1, 2021	$ 1,115,955	$ 12,915,170	$ 3,354,372	$ –	$ 17,385,497
Depreciation	216,897	3,517,751	656,496	–	4,391,144
Disposals/retirements	–	(898,474)	(17,762)	–	(916,236)
Balance at December 31, 2021	$ 1,332,852	$ 15,534,447	$ 3,993,106	$ –	$ 20,860,405
Balance at January 1, 2020	$ 899,058	$ 10,789,999	$ 2,681,144	$ –	$ 14,370,201
Depreciation	216,897	3,332,200	673,228	–	4,222,325
Disposals/retirements	–	(1,207,029)	–	–	(1,207,029)
Balance at December 31, 2020	$ 1,115,955	$ 12,915,170	$ 3,354,372	$ –	$ 17,385,497
Carrying amounts					
At December 31, 2021	$13,544,915	$ 95,841,744	$ 4,110,521	$ 6,583,566	$120,080,746
At December 31, 2020	13,761,812	91,436,529	4,294,045	4,385,783	113,878,169

At December 31, 2021, PP&E with carrying amounts of $120,080,746 (2020 - $113,878,169) are subject to a general security agreement relating to the Corporation's debt.

8. Intangible assets

	Computer software	Capital cost recovery agreement rights	Total
Cost or deemed cost			
Balance at January 1, 2021	$ 2,327,358	$ 2,201,709	$ 4,529,067
Additions	69,823	(194,227)	(124,404)
Balance at December 31, 2021	$ 2,397,181	$ 2,007,482	$ 4,404,663
Balance at January 1, 2020	$ 2,256,532	$ 2,085,817	$ 4,342,349
Additions	70,826	115,892	186,718
Balance at December 31, 2020	$ 2,327,358	$ 2,201,709	$ 4,529,067
Accumulated amortization			
Balance at January 1, 2021	$ 1,700,850	$ 98,034	$ 1,798,884
Amortization	294,969	50,073	345,042
Balance at December 31, 2021	$ 1,995,819	$ 148,107	$ 2,143,926
Balance at January 1, 2020	$ 1,343,734	$ 42,916	$ 1,386,650
Amortization	357,116	55,118	412,234
Balance at December 31, 2020	$ 1,700,850	$ 98,034	$ 1,798,884
Carrying amounts			
At December 31, 2021	$ 401,362	$ 1,859,375	$ 2,260,737
At December 31, 2020	626,508	2,103,675	2,730,183

9. Income tax expense

Current tax expense

	2021	2020
Current year	$ (522,532)	$ 333,817
Adjustment for prior years	(19,962)	62,960
	$ (542,494)	$ 396,777

Deferred tax expense

	2021	2020
Origination and reversal of temporary differences	$1,583,139	$ (109,107)
Tax adjustment included in other comprehensive income	23,889	(35,366)
	$1,607,028	$ (144,473)

Reconciliation of effective tax rate

	2021	2020
Income before taxes	$ 644,513	$ 1,784,823
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected income tax expense on income at statutory rates	170,795	472,978
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,278	531
Regulatory movements	868,486	(202,714)
Other	86	16,875
Income tax expense	$ 1,040,645	$ 287,670

Significant components of the Corporation's deferred tax balances

	2021	2020
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (9,782,045)	$ (8,576,468)
Post-employment benefits	163,672	177,497
Deferred revenue	5,445,045	4,809,406
Unrealized derivative	147,594	364,628
Other	(426,679)	379,552
	$ (4,452,413)	$ (2,845,385)

10. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory asset balances	January 1, 2021	Additions	Recovery/ reversal	Transfers	December 31, 2021	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 2,022,343	$ 1,683,688	$ –	$ –	$ 3,706,031	2-3
Regulatory settlement account	2,835,813	–	(630)	–	2,835,183	–
Regulatory transition to IFRS	348,207	107,014	(172,789)	–	281,432	2-3
Other regulatory accounts	743,002	1,647,568	(311,913)	–	2,078,657	2-3
Income tax	3,589,567	583,764	–	–	4,173,331	*
	$ 9,538,932	$ 4,022,034	$ (486,332)	$ –	$ 13,074,634	

Regulatory asset balances	January 1, 2020	Additions	Recovery/ reversal	Transfers	December 31, 2020	Remaining recovery/ reversal years
Group 1 deferred accounts	$ 2,090,110	$ (67,767)	$ –	$ –	$ 2,022,343	2-3
Regulatory settlement account	3,232,197	–	133,129	(529,513)	2,835,813	–
Regulatory transition to IFRS	348,207	–	–	–	348,207	2-3
Other regulatory accounts	306,400	436,602	–	–	743,002	2-3
Income tax	3,165,416	424,151	–	–	3,589,567	*
	$ 9,142,330	$ 792,986	$ 133,129	$ (529,513)	$ 9,538,932	

Regulatory liability balances	January 1, 2021	Additions	Recovery/ reversal	Transfers	December 31, 2021	Remaining years
Group 1 deferred accounts	$ (3,279,588)	$ 638,304	$ –	$ –	$ (2,641,284)	2-3
Regulatory settlement account	(2,900,154)	–	1,544	–	(2,898,610)	1
Other regulatory accounts	(1,028,104)	(441,672)	127,250	–	(1,342,526)	2-3
	$ (7,207,846)	$ 196,632	$ 128,794	$ –	$ (6,882,420)	

Regulatory liability balances	January 1, 2020	Additions	Recovery/ reversal	Transfers	December 31, 2020	Remaining years
Group 1 deferred accounts	$ (3,052,383)	$ (227,205)	$ –	$ –	$ (3,279,588)	2-3
Regulatory settlement account	(2,914,346)	–	(515,321)	529,513	(2,900,154)	1
Other regulatory accounts	(503,708)	(524,396)	–	–	(1,028,104)	2-3
	$ (6,470,437)	$ (751,601)	$ (515,321)	$ 529,513	$ (7,207,846)	

* These balances will reverse as the related deferred tax balance reverses.

10. Regulatory balances (continued)

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. The Corporation has received approval from the OEB to establish its regulatory account balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Settlement of Group 2 deferral accounts is done at the time of filing a COS Rate Application to the OEB. An application has been approved by the OEB to recover the Group 1 deferral accounts as at December 31, 2017 beginning May 1, 2019. The approved account balances have been moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory asset for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2021 the prescribed interest rate was between .57% and 2.18%.

On April 16, 2021, the OEB approved a rate increase for rates effective May 1, 2021. On April 16, 2021, the OEB gave the Corporation the option to defer this rate increase to November 1, 2021 due to the COVID-19 outbreak and pandemic. The Corporation decided not to defer this rate increase and it implemented the rates as approved by the OEB on May 1, 2021.

The OEB has a decision and order in place banning LDC's in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year but was extended during the year to July 31, 2021.

11. Accounts payable and accrued liabilities

	2021	2020
Accounts payable – energy purchases	$ 8,286,980	$ 3,734,713
Payroll payable	543,851	461,807
Interest payable	346,810	367,369
Other	7,964,140	11,918,508
	$ 17,141,781	$ 16,482,397

12. Long-term debt

	2021	2020
Note payable to Town of Milton	$ 14,934,210	$ 14,934,210
Other loans:		
Interest bearing at 4.49%, payable in blended semi-annual payments of $132,967, maturing April 1, 2025	852,512	1,072,725
Interest bearing at 4.84%, payable in blended semi-annual payments of $138,786 maturing July 15, 2035	2,798,962	2,936,068
Interest bearing at 4.33%, payable in blended semi-annual payments of $114,858 maturing September 15, 2036	2,514,988	2,631,991
Interest bearing at 3.92%, payable in blended semi-annual payments of $80,468 maturing February 16, 2037	1,856,243	1,941,889
Interest bearing at 3.87%, payable in blended semi-annual payments of $80,044 maturing September 17, 2037	1,896,374	1,980,619
Interest bearing at 3.74%, payable in blended semi-annual payments of $94,242 maturing May 3, 2038	2,305,188	2,404,658
Interest bearing at 3.97%, payable in blended semi-annual payments of $123,719 maturing July 15, 2039	3,161,077	3,279,484
Interest bearing at 3.04%, payable in blended semi-annual payments of $223,845 maturing March 16, 2040	6,299,238	6,549,706
Interest bearing at 3.55%, payable in blended semi-annual payments of $121,345 maturing July 1, 2040	3,333,222	3,454,352
Interest bearing at 3.31%, payable in blended semi-annual payments of $38,427 maturing September 1, 2040	1,077,521	1,117,709
Interest bearing at 3.58%, payable in blended monthly payments of $18,140 maturing December 22, 2045	3,686,838	4,052,000
Interest bearing at 3.74%, payable in blended monthly payments of $13,876 maturing December 15, 2046	2,701,869	2,766,029
Interest bearing at 3.90%, payable in blended monthly payments of $18,867 maturing July 1, 2048	4,115,548	4,521,889
Interest bearing at 3.15%, payable in blended monthly payments of $12,886 maturing October 4, 2049	2,865,063	3,145,255
Interest bearing at 3.10%, payable in blended monthly payments of $4,270 maturing December 16, 2049	958,289	979,468
Interest bearing at 2.35%, payable in blended monthly payments of $15,495 maturing July 6, 2050	3,867,933	3,962,036
	59,225,075	61,730,088
Less: current portion of long-term debt	(16,684,120)	(1,686,013)
	$ 42,540,955	$ 60,044,075

12. Long-term debt (continued)

As at December 31, 2021, the Corporation is in breach of its financial covenant relating to the debt service coverage ratio. Prior to December 31, 2021, a waiver was received from the financial institution waiving compliance with the covenants in this instance. The lender requires compliance with the obligations and covenants and all of the terms and conditions of the agreement at all times in subsequent periods.

The note payable to the Town of Milton bears interest at 7.25% and is due on demand. Subsequent to year-end, the note payable was repaid on January 2, 2022 with proceeds raised through short term funding from a financial institution.

In conjunction with the $3,686,838, $4,115,548 and $2,865,063 facilities, the Corporation entered into an interest rate swap arrangement in prior years. The interest rate on the three facilities is variable and its risk has been mitigated through the entering of a swap agreement. The fair value of the interest rate swap agreement is based on amounts quoted by the Corporation's financial institution taking into account interest rates at December 31, 2021. The interest rate swap agreement is in a net unfavourable position of $556,960 related to the aforementioned facilities as at December 31, 2021. The Corporation has not applied hedge accounting and the associated unrealized losses are included in the statement of operations. The interest rate swap agreement was in an unfavourable position of $1,375,956 as at December 31, 2020.

The other loans have various maturity dates and interest rates of between 2.35% and 4.84% per annum. The other loans are secured by a general security agreement over all of the assets of the Corporation.

Certain financial liabilities are subject to financial covenants and the covenants are met as of yearend.

Scheduled repayments of long-term debt for the years ended December 31 are as follows:

2022	$ 16,684,120
2023	1,816,581
2024	1,885,622
2025	1,824,886
2026	2,063,119
2027 and thereafter	34,950,747
	$ 59,225,075

13. Post-employment benefits

(a) OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2021, the Corporation made employer contributions of $585,798 to OMERS (2020 - $519,139), of which $94,912 (2020 - $97,085) has been capitalized as part of PP&E and the remaining amount of $490,886 (2020 - $422,054) has been recognized in profit or loss. The Corporation estimates that a contribution of $770,592 to OMERS will be made during the next fiscal year.

As at December 31, 2021, OMERS had approximately 525,000 members, of whom 54 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded.

(b) Post-employment benefits other than pension

The Corporation pays certain life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation		2021		2020
Defined benefit obligation, beginning of year	$	669,800	$	509,917
Included in profit or loss				
Current service cost		24,069		11,500
Interest cost		16,710		17,800
		40,779		29,300
Included in other comprehensive income				
Actuarial gains/losses		(90,148)		133,500
Benefits paid		(2,802)		(2,917)
Defined benefit obligation, end of year	$	617,629	$	669,800

(b) Post-employment benefits other than pension (continued)

Actuarial assumptions	2021	2020
General inflation	2.00%	2.00%
Discount rate	3.10%	2.50%
Salary levels	2.75%	2.75%

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $116,200 (2020 - $135,700). A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by $161,300 (2020 - $190,700).

14. Share capital

	2021	2020
Authorized:		
Unlimited number of common shares		
Issued:		
2,000 common shares	$ 17,008,908	$ 17,008,908

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $750 per share (2020 - $750), which amount to total dividends paid in the year of $1,500,000 (2020 - $1,500,000).

15. Revenue

	2021	2020
Distribution revenue	$ 19,527,973	$ 18,556,556
Sales of energy	110,225,584	123,841,401
Rendering services	689,228	517,460
Water and wastewater billing	784,807	750,371
Revenue from contracts with customers	131,227,592	143,665,788
Amortization of deferred revenue	548,596	484,446
Miscellaneous other revenue	317,340	257,513
Total revenue	132,093,528	144,407,747
Revenue from contracts with customers:		
Residential	59,012,099	65,478,506
General service	58,747,896	61,826,233
Commercial	784,807	750,371
Large user	11,718,528	14,545,439
Other	964,262	1,065,239
	$ 131,227,592	$ 143,665,788

16. Operating expenses

	2021	2020
Salaries and benefits	$ 6,406,663	$ 5,513,244
Contract/consulting	3,539,331	3,032,458
Materials and supplies	527,576	429,504
Vehicles	247,568	191,347
Leases of equipment	6,843	5,542
Other	1,791,165	1,186,346
	$ 12,519,146	$ 10,358,441

17. Finance income and costs

	2021	2020
Finance income		
Interest income on bank deposits	$ 49,812	$ 84,388
Finance costs		
Interest expense on long-term debt	2,675,982	2,688,472
Interest expense on customer deposits	16,681	25,944
Other	49,264	49,165
	2,741,927	2,763,581
Net finance costs recognized in profit or loss	$ 2,692,115	$ (2,679,193)

18. Commitments and contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2021, no assessments have been made.

19. Operating leases

The Corporation is committed to lease agreements for various equipment of low value. The Corporation is currently committed to a photocopier lease agreement.

The future minimum non-cancellable annual lease payments are due as follows:

	2021	2020
Between one and five years	$ 8,427	$ 15,269

During the year ended December 31, 2021, an expense of $6,843 (2020 - $6,014) was recognized in net income in respect of these low value operating leases.

20. Related party transactions

(a) Parent and ultimate controlling party

The sole shareholder of the Corporation is Milton Hydro Holdings Inc., which in turn is wholly-owned by the Town. The Town produces consolidated financial statements of Milton Hydro Holdings Inc. that are available to the public.

(b) Outstanding balances with related parties

	2021	2020
Due from (to) related parties		
Parent company	$ (8,524)	$ 153,997
Affiliated companies	16,305	(354,895)
	7,781	(200,898)
Intercompany promissory note receivable	350,000	350,000
Town of Milton (in accounts receivable)	303,638	343,602
	$ 661,419	$ 492,704

On December 23, 2015, the Corporation issued a promissory note for $350,000 (2020 - $350,000) at the rate of 1.90% per annum to Milton Energy and Generation Solutions Inc. Interest shall be calculated and payable on a semi-annual basis on the last day of June and December. The promissory note is callable at the discretion of the Corporation.

The amounts due from the Town are regular receivables and as such are included in accounts receivable and are non-interest bearing with no fixed terms of repayment.

(c) Transactions with parent

During the year, the Corporation paid management and business development fees to its parent in the amount of $81,554 (2020 - $97,280).

20. Related party transactions (continued)

(d) Transactions with ultimate parent (the Town)

The Corporation had the following transactions with its ultimate parent, a government entity:

In the ordinary course of business, the Corporation delivers electricity to the Town. During the year, the Corporation earned gross revenue of $2,503,201 (2020 - $3,142,541) from the Town. Of this amount, $420,176 (2020 - $414,383) was net distribution revenue. Electricity delivery charges are at prices and under terms approved by the OEB.

(e) Key management personnel

The key management personnel of the Corporation have been defined as the executive management team members and board of directors. The compensation paid or payable is as follows:

	2021	2020
Total compensation	$ 1,418,619	$ 1,368,916

21. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2021 is $67,975,000. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rates used to calculate fair value at December 31, 2021 range from 2.35% to 4.84%, depending on the maturity of the debt.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Milton. No single customer account has a balance in excess of 5.7% of total accounts receivable.

21. Financial instruments and risk management (continued)

Financial risks (continued)

(a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2021 is $206,931 (2020 - $143,863). An impairment loss of $157,444 (2020 - $129,672) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2021, approximately $286,163 (2020 - $353,906) is considered 45 days past due. The Corporation has over 40,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from general service customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2021, the Corporation holds security deposits in the amount of $3,612,982 (2020 - $3,667,344).

(b) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(c) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $4 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2021, no amounts had been drawn under the Corporation's credit facility. Amounts drawn are due on demand.

The Corporation also has a bilateral facility for $3 million (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $2.9 million (2020 - $2.9 million) has been drawn and posted with the IESO.

The majority of accounts payable, as reported on the statement of financial position, are due within 15 days.

21. Financial instruments and risk management (continued)

Financial risks (continued)

(d) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2021, shareholder's equity amounts to $46,732,032 (2020 - $44,700,777) and long-term debt due beyond one year amounts to $42,540,955 (2020 - $60,044,075).

22. COVID-19

During the year ended December 31, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time, however, the expected future impacts on the Corporation are not expected to be significant.

EXHIBIT 1

ATTACHMENT 1-10

2019 - 2021 RECONCILIATION OF AUDITED TO REGULATORY FINANCIAL STATEMENTS

Milton Hydro Distribution Inc.
2019 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/19	Reallocations	Audited Financial Statements 12/31/19	Differences	
STATEMENT OF FINANCIAL POSITION					
Current assets					
Cash	10,676,206	-	10,676,206	-	
Accounts receivable	10,444,977	-	10,444,977	-	
Due from affiliated companies	271,525	(126,207)	145,318	(126,207)	A
Unbilled revenue	10,991,881	-	10,991,881	-	
PILs receivable	(1,445,307)	1,445,307	-	1,445,307	B
Inventories	1,548,149	-	1,548,149	-	
Prepaid expenses	797,519	-	797,519	-	
Total current assets	**33,284,950**	**1,319,100**	**34,604,050**	**1,319,100**	
Non-current assets					
Intercompany loan receivable	-	350,000	350,000	350,000	A
PPE	111,509,842	(2,955,699)	108,554,143	(2,955,699)	C
Deferred tax assets	-	4,638,160	4,638,160	4,638,160	D
Intangible assets	-	2,955,699	2,955,699	2,955,699	C
Regulatory assets	2,671,893	(2,671,893)	-	(2,671,893)	E
Total non-current assets	**114,181,735**	**2,316,267**	**116,498,002**	**2,316,267**	
Total assets	**147,466,685**	**3,635,367**	**151,102,052**	**3,635,367**	
Regulatory deferral account debit balances		6,267,722	6,267,722	6,267,722	E
Total assets and regulatory deferral account debit balances	**147,466,685**	**9,903,089**	**157,369,774**	**9,903,089**	
Current liabilities					
Accounts payable and accrued liabilities	(18,334,459)	-	(18,334,459)	-	
Income taxes payable	-	(1,445,307)	(1,445,307)	(1,445,307)	B
Current portion of LTD	(1,532,350)	-	(1,532,350)	-	
Current portion of customer deposits	-	(3,701,064)	(3,701,064)	(3,701,064)	F
Due to affiliated companies	-	(223,793)	(223,793)	(223,793)	A
Total current liabilties	(19,866,809)	(5,370,164)	(25,236,973)	(5,370,164)	
Non-current liabilties					
Long-term debt	(56,392,096)	-	(56,392,096)	-	
Employee future benefits	(509,917)	-	(509,917)	-	
Deferred revenue	(16,330,100)	-	(16,330,100)	-	
Other liabilities	(6,235,340)	3,701,064	(2,534,276)	3,701,064	F
Deferred tax liabilities	(2,989,858)	(4,638,160)	(7,628,018)	(4,638,160)	D
Total non-current liabilties	(82,457,311)	(937,096)	(83,394,407)	(937,096)	
Total liabilities	**(102,324,120)**	**(6,307,260)**	**(108,631,380)**	**(6,307,260)**	
Equity:					
Share capital	(17,008,908)	-	(17,008,908)	-	
Retained earnings	(28,246,776)	-	(28,246,776)	-	
Accumulated OCI	113,119	-	113,119	-	
Total equity	**(45,142,565)**	**-**	**(45,142,565)**	**-**	
Total liabilities and equity	**(147,466,685)**	**(6,307,260)**	**(153,773,945)**	**(6,307,260)**	
Regulatory deferral account credit balances	-	(3,595,829)	(3,595,829)	(3,595,829)	E
Total equity, liabilities and regulatory deferral account credit balances	**(147,466,685)**	**(9,903,089)**	**(157,369,774)**	**(9,903,089)**	
check (s/b zero)	-	-	-	-	

Milton Hydro Distribution Inc.
2019 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/19	Reallocations	Audited Financial Statements 12/31/19	Differences	
STATEMENT OF COMPREHENSIVE INCOME					
Revenue					
Sale of energy	(106,666,165)	(2,544,782)	(109,210,947)	(2,544,782)	G
Distribution revenue	(17,960,829)	(242,644)	(18,203,473)	(242,644)	H
Other income	(1,988,528)	(83,354)	(2,071,882)	(83,354)	I
	(126,615,522)	**(2,870,780)**	**(129,486,302)**	**(2,870,780)**	
Operating expenses					
Cost of power purchased	106,666,165		106,666,165	-	
Operating expenses	10,081,958		10,081,958	-	
Loss on disposal	-	49,291	49,291	49,291	I
Depreciation and amortization	4,100,681		4,100,681	-	
	120,848,804	**49,291**	**120,898,095**	**49,291**	
Income from operating activities	**(5,766,718)**	**(2,821,489)**	**(8,588,207)**	**(2,821,489)**	
Financial income	(290,705)	93,234	(197,471)	93,234	I
Financial expense	2,925,971	(59,171)	2,866,800	(59,171)	I
Income before income taxes	**(3,131,451)**	**(2,787,426)**	**(5,918,878)**	**(2,787,426)**	
Income tax expense	1,560,309	(839,074)	721,235	(839,074)	J
Future tax	(426,826)	426,826	-	426,826	J
Regulatory taxes	-		-	-	
Net Income for the year	**(1,997,969)**	**(3,199,674)**	**(5,197,643)**	**(3,199,674)**	
Net movement on regulatory deferral accounts related to profit or loss	-	2,787,426	2,787,426	2,787,426	K
Taxes on regulatory movement	-	412,248	412,248	412,248	J
	-	**3,199,674**	**3,199,674**	**3,199,674**	
Net income for the year and net movement in regulatory balances	**(1,997,969)**	**-**	**(1,997,969)**	**-**	
Other comprehensive income/(loss)			-	-	
Tax on remeasurements			-	-	
Total comprehensive income for the year	**(1,997,969)**	**-**	**(1,997,969)**	**-**	
STATEMENT OF CHANGES IN EQUITY					
Share capital	(17,008,908)		(17,008,908)	-	
Retained earnings	(27,635,688)	113,119	(27,522,569)	113,119	L
Dividends	1,500,000		1,500,000	-	
Accumulated OCI	-	(113,119)	(113,119)	(113,119)	L
Total equity	**(45,142,565)**	**-**	**(45,142,565)**	**-**	
check (s/b zero)	**-**	**-**	**-**	**-**	

Notes:

A Movement between accounts for affiliated companies.
B PILs receivable credit position moved to PILs payable.
C Intangible assets shown separately from PPE.
D Deferred tax asset calculation from Note 10 AFS:

135,128	Post-employment benefits
4,327,476	Deferred revenue
175,556	Other
4,638,160	

E Net regulatory assets:

-	6,267,722	Regulatory DR
	3,595,830	Regulatory CR
-	2,671,892	

F Current portion of customer deposits moved from Other liabilities to Current liabilities.
G Regulatory movement & 1592 Pils accelerated tax variance (new 2019).
H 1592 PILs accelerated tax variance (new 2019).
I Reallocation of RSVA expense and Income & loss of disposal of PPE
J Movement in current, future and regulatory taxes.
K Net movement in regulatory assets.
L Movement between accounts.

Milton Hydro Distribution Inc.
2020 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/20	Reallocations	Audited Financial Statements 12/31/20	Differences	
STATEMENT OF FINANCIAL POSITION					
Current assets					
Cash	6,221,213	-	6,221,213	-	
Accounts receivable	12,574,823	-	12,574,823	-	
Due from affiliated companies	149,102	354,895	503,997	354,895	A
Unbilled revenue	10,852,013	-	10,852,013	-	
PILs receivable	180,864	-	180,864	-	
Inventories	1,500,336	-	1,500,336	-	
Prepaid expenses	882,297	-	882,297	-	
Total current assets	**32,360,648**	**354,895**	**32,715,543**	**354,895**	
Non-current assets					
Intercompany loan receivable	-	-	-	-	
PPE	116,608,352	(2,730,183)	113,878,169	(2,730,183)	B
Deferred tax assets	-	5,731,083	5,731,083	5,731,083	C
Intangible assets	-	2,730,183	2,730,183	2,730,183	B
Regulatory assets	2,331,086	(2,331,086)	-	(2,331,086)	D
Total non-current assets	**118,939,438**	**3,399,997**	**122,339,435**	**3,399,997**	
Total assets	**151,300,086**	**3,754,892**	**155,054,978**	**3,754,892**	
Regulatory deferral account debit balances	-	9,538,932	9,538,932	9,538,932	D
Total assets and regulatory deferral account debit balances	**151,300,086**	**13,293,824**	**164,593,910**	**13,293,824**	
Current liabilities					
Accounts payable and accrued liabilities	(16,482,397)	-	(16,482,397)	-	
Income taxes payable	-	-	-	-	
Current portion of LTD	(1,686,013)	-	(1,686,013)	-	
Current portion of customer deposits		(3,667,344)	(3,667,344)	(3,667,344)	E
Due to affiliated companies	-	(354,895)	(354,895)	(354,895)	A
Total current liabilties	(18,168,410)	(4,022,239)	(22,190,649)	(4,022,239)	
Non-current liabilties					
Long-term debt	(60,044,075)	-	(60,044,075)	-	
Employee future benefits	(669,800)	-	(669,800)	-	
Deferred revenue	(18,148,702)	-	(18,148,702)	-	
Other liabilities	(6,461,723)	3,406,130	(3,055,593)	3,406,130	E
Deferred tax liabilities	(2,845,385)	(5,731,083)	(8,576,468)	(5,731,083)	C
Total non-current liabilties	(88,169,685)	(2,324,953)	(90,494,638)	(2,324,953)	
Total liabilities	**(106,338,095)**	**(6,347,192)**	**(112,685,287)**	**(6,347,192)**	
Equity:					
Share capital	(17,008,908)	-	(17,008,908)	-	
Retained earnings	(28,164,336)	261,214	(27,903,122)	261,214	E
Accumulated OCI	211,253	-	211,253	-	
Total equity	**(44,961,991)**	**261,214**	**(44,700,777)**	**261,214**	
Total liabilities and equity	**(151,300,086)**	**(6,085,978)**	**(157,386,064)**	**(6,085,978)**	
Regulatory deferral account credit balances		(7,207,846)	(7,207,846)	(7,207,846)	D
Total equity, liabilities and regulatory deferral account credit balances	**(151,300,086)**	**(13,293,824)**	**(164,593,910)**	**(13,293,824)**	
check (s/b zero)	-	-	-	-	

Milton Hydro Distribution Inc.
2020 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/20	Reallocations	Audited Financial Statements 12/31/20	Differences	
STATEMENT OF COMPREHENSIVE INCOME					
Revenue					
Sale of energy	(123,409,715)	(431,686)	(123,841,401)	(431,686)	F
Distribution revenue	(18,599,011)	42,455	(18,556,556)	42,455	G
Other income	(2,090,498)	80,708	(2,009,790)	80,708	H
	(144,099,224)	**(308,523)**	**(144,407,747)**	**(308,523)**	
Operating expenses					
Cost of power purchased	123,409,715	-	123,409,715	-	
Operating expenses	10,576,707	(218,265)	10,358,442	(218,265)	I
Loss on disposal	484,742	-	484,742	-	
Depreciation and amortization	4,314,876	-	4,314,876	-	
	138,786,040	**(218,265)**	**138,567,775**	**(218,265)**	
Income from operating activities	**(5,313,184)**	**(526,788)**	**(5,839,972)**	**(526,788)**	
Financial income	(107,431)	23,043	(84,388)	23,043	H
Financial expense	4,139,537	(1,375,956)	2,763,581	(1,375,956)	J
Unrealized loss-mark to market adjustment	-	1,375,956	1,375,956	1,375,956	J
Income before income taxes	**(1,281,078)**	**(503,745)**	**(1,784,823)**	**(503,745)**	
Income tax expense	396,764	(109,094)	287,670	(109,094)	K
Future tax	(109,094)	109,094	-	109,094	K
Regulatory taxes	(424,152)	424,152	-	424,152	K
Net income for the year	**(1,417,560)**	**(79,593)**	**(1,497,153)**	**(79,593)**	
Net movement on regulatory deferral accounts related to profit or loss	-	764,958	764,958	764,958	L
Taxes on regulatory movement	-	(424,151)	(424,151)	(424,151)	K
		340,807	**340,807**	**340,807**	
Net income for the year and net movement in regulatory balances	**(1,417,560)**	**261,214**	**(1,156,346)**	**261,214**	
Other comprehensive income/(loss)	133,500	-	133,500	-	
Tax on remeasurements	(35,366)	-	(35,366)	-	
Total comprehensive income for the year	**(1,319,426)**	**261,214**	**(1,058,212)**	**261,214**	
STATEMENT OF CHANGES IN EQUITY					
Share capital	(17,008,908)	-	(17,008,908)	-	
Retained earnings	(29,664,336)	261,214	(29,403,123)	261,214	E
Dividends	1,500,000	-	1,500,000	-	
Accumulated OCI	211,253	-	211,253	-	
Total equity	**(44,961,989)**	**261,214**	**(44,700,778)**	**261,214**	
check (s/b zero)	-	-	-	-	

Notes:

A Movement between accounts for affiliated companies.

B Intangible assets shown separately from PPE.

C Deferred tax asset calculation from Note 10 AFS:

177,497	Post-employment benefits
4,809,406	Deferred revenue
364,628	Unrealized derivative
379,552	Other
5,731,083	

D Net Regulatory Assets:

- 9,538,932	Regulatory DR
7,207,846	Regulatory CR
- 2,331,086	

E Other liabilities calculation:

3,667,344	Current portion of customer deposits
- 261,214	
3,406,130	

F Sale of energy calculation:

- 666,123	Group 1 DVA Movement
- 120,018	Pole attachment revenue
288,318	COVID adjustment
- 13,215	Carrying charges
67,802	OEB assessment
11,550	Customer choice
- 431,686	

G Distribution Revenue calculation:

375,727	COVID provision reversal
- 333,272	PILs - accelerated CCA
42,455	

H Other income calculation:

103,751	COVID elimination late payment
- 23,043	Interest on RSVA's
80,708	

I COVID provision.

J Unrealized loss-mark to market adjustment moved from Finance expense.

K Movement in current, future and regulatory taxes.

Milton Hydro Distribution Inc.
2021 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/21	Reallocations	Audited Financial Statements 12/31/21	Differences	
STATEMENT OF FINANCIAL POSITION					
Current assets					
Cash	3,114,786	-	3,114,786	-	
Accounts receivable	10,851,145	-	10,851,145	-	
Due from affiliated companies	357,781	8,524	366,305	8,524	A
Unbilled revenue	8,953,931	-	8,953,931	-	
PILs receivable	1,037,310	-	1,037,310	-	
Inventories	2,076,278	-	2,076,278	-	
Prepaid expenses	821,028	-	821,028	-	
Total current assets	**27,212,259**	**8,524**	**27,220,783**	**8,524**	
Non-current assets					
Intercompany loan receivable	-	-	-	-	
Long-term deposits	-	-	-	-	
PPE	122,341,483	(2,260,737)	120,080,746	(2,260,737)	B
Deferred tax assets	-	5,756,311	5,756,311	5,756,311	C
Intangible assets	-	2,260,737	2,260,737	2,260,737	B
Regulatory assets	6,192,214	(6,192,214)	-	(6,192,214)	D
Total non-current assets	**128,533,697**	**(435,903)**	**128,097,794**	**(435,903)**	
Total assets	**155,745,956**	**(427,379)**	**155,318,577**	**(427,379)**	
Regulatory deferral account debit balances	-	13,074,634	13,074,634	13,074,634	D
Total assets and regulatory deferral account debit balances	**155,745,956**	**12,647,255**	**168,393,211**	**12,647,255**	
Current liabilities					
Accounts payable and accrued liabilities	(17,141,781)		(17,141,781)	-	
Income taxes payable	-		-	-	
Current portion of LTD	(16,684,120)		(16,684,120)	-	
Current portion of customer deposits	-	(3,612,982)	(3,612,982)	(3,612,982)	E
Due to affiliated companies	-	(8,524)	(8,524)	(8,524)	A
Total current liabilties	(33,825,901)	(3,621,506)	(37,447,407)	(3,621,506)	
Non-current liabilties					
Long-term debt	(42,540,955)		(42,540,955)	-	
Employee future benefits	(617,629)		(617,629)	-	
Deferred capital contributions	(20,547,339)		(20,547,339)	-	
Other liabilities	(7,029,687)	3,612,982	(3,416,705)	3,612,982	E
Deferred tax liabilities	(4,452,413)	(5,756,311)	(10,208,724)	(5,756,311)	C
Total non-current liabilties	(75,188,023)	(2,143,329)	(77,331,352)	(2,143,329)	
Total liabilities	**(109,013,924)**	**(5,764,835)**	**(114,778,759)**	**(5,764,835)**	
Equity:					
Share capital	(17,008,908)		(17,008,908)	-	
Retained earnings	(29,868,118)		(29,868,118)	-	
Accumulated OCI	144,994		144,994	-	
Total equity	**(46,732,032)**	**-**	**(46,732,032)**	**-**	
Total liabilities and equity	**(155,745,956)**	**(5,764,835)**	**(161,510,791)**	**(5,764,835)**	
Regulatory deferral account credit balances	-	(6,882,420)	(6,882,420)	(6,882,420)	D
Total equity, liabilities and regulatory deferral account credit balances	**(155,745,956)**	**(12,647,255)**	**(168,393,211)**	**(12,647,255)**	
check (s/b zero)	-	-	-	-	

Milton Hydro Distribution Inc.
2021 Mapping of OEB TB to Audited Financials

	OEB TB 12/31/21	Reallocations	Audited Financial Statements 12/31/21	Differences	
STATEMENT OF COMPREHENSIVE INCOME					
Revenue					
Sale of energy	(110,225,584)	-	(110,225,584)	-	
Distribution revenue	(20,240,023)	712,049	(19,527,974)	712,049	F
Other income	(2,140,355)	(199,615)	(2,339,970)	(199,615)	G
	(132,605,962)	**512,434**	**(132,093,528)**	**512,434**	
Operating expenses					
Cost of power purchased	110,225,584	2,256,128	112,481,712	2,256,128	H
Operating expenses	12,109,938	409,208	12,519,146	409,208	I
Loss on disposal	141,009	-	141,009	-	
Depreciation and amortization	4,434,029	-	4,434,029	-	
	126,910,560	**2,665,336**	**129,575,896**	**2,665,336**	
Income from operating activities	**(5,695,402)**	**3,177,770**	**(2,517,632)**	**3,177,770**	
Financial income	(149,406)	99,594	(49,812)	99,594	G
Financial expense	2,741,927	-	2,741,927	-	
Unrealized loss-mark to market adjustment	(818,996)	-	(818,996)	-	
Income before income taxes	**(3,921,877)**	**3,277,364**	**(644,513)**	**3,277,364**	
Income tax expense	(542,494)	1,583,139	1,040,645	1,583,139	J
Future tax	1,583,139	(1,583,139)	-	(1,583,139)	J
Regulatory taxes	(583,764)	583,764	-	583,764	J
Net Income for the year	**(3,464,996)**	**3,861,128**	**396,132**	**3,861,128**	
Net movement on regulatory deferral accounts related to profit or loss	-	(3,277,364)	(3,277,364)	(3,277,364)	K
Taxes on regulatory movement	-	(583,764)	(583,764)	(583,764)	J
	-	**(3,861,128)**	**(3,861,128)**	**(3,861,128)**	
Net income for the year and net movement in regulatory balances	**(3,464,996)**	**-**	**(3,464,996)**	**-**	
Other comprehensive income/(loss)	(90,148)		(90,148)	-	
Tax on remeasurements	23,889		23,889	-	
Total comprehensive income for the year	**(3,531,255)**	**-**	**(3,531,255)**	**-**	
STATEMENT OF CHANGES IN EQUITY					
Share capital	(17,008,908)		(17,008,908)	-	
Retained earnings	(29,868,118)		(29,868,118)	-	
Dividends	-		-	-	
Accumulated OCI	144,994		144,994	-	
Total equity	**(46,732,032)**	**-**	**(46,732,032)**	**-**	
check (s/b zero)	**-**	**-**	**-**	**-**	

Notes:

A Movement between accounts for affiliated companies.
B Intangible assets shown separately from PP&E.
C Deferred Tax Asset calculation from Note 10 AFS:

163,672	Post-employment benefits
5,445,045	Deferred revenue
147,594	Unrealized derivative
5,756,311	

D Net Regulatory Assets:

- 13,074,634	Regulatory DR
6,882,420	Regulatory CR
- 6,192,214	

E Current portion of customer deposits moved from Other liabilities to Current liabilities.
F Distribution Revenue calculation:

1,305,803	LRAM
- 375,727	COVID provision reversal
- 218,027	PILs - accelerated CCA
712,049	

G Other income calculation:

58,596	LRAM
- 220,531	Pole attachment revenue
64,961	OEB assessment
- 72	Customer choice
- 2,976	PILs - accelerated CCA CC
- 99,593	Interest on RSVA's
- 199,615	

H Group 1 DVA Movement.
I

218,142	Operating expenses
191,066	2023 COS
409,208	

J Movement in current, future and regulatory taxes.
K Net movement in regulatory assets.