
INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of Tillsonburg Hydro Inc.

Opinion

We have audited the accompanying schedules of variance accounts 1588, 1589 and 1595 of Tillsonburg Hydro Inc. (the Corporation), for the period from January 1, 2016 to December 31, 2017, and notes to the financial schedules, including a summary of significant accounting policies, (collectively referred to as "the financial schedules").

In our opinion, the financial schedules have been prepared, in all material respects, in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and the Accounting Guidance effective February 21, 2019 (the Handbook).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Schedules* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial schedules in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 1 to the financial schedules, which describes the basis of accounting. The financial schedules are prepared by the Corporation in order to comply with the financial reporting provisions of the Ontario Energy Board, in accordance with the Handbook. As a result, these financial schedules may not be suitable for another purpose and should not be distributed to parties other than Tillsonburg Hydro Inc. or the Ontario Energy Board. Our opinion is not modified in respect of this matter.

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

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

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Auditor's Responsibilities for the Audit of the Financial Schedules

Our objectives are to obtain reasonable assurance about whether the financial schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial schedules.

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 schedules, 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

September 30, 2020
Tillsonburg, Ontario

Millard, Rouse & Rosebrugh LLP
Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

Tillsonburg Hydro Inc.
Schedule of Variance Accounts 1588, 1589 and 1595
Year ended December 31, 2016

USoA Account	Account Description	Prior Balance As at December 31, 2016	Adjustments (Note 1)	Adjustments (Note 2)	Ending Balance As at December 31, 2016
1588	RSVA Power	\$ (502,573)	\$ 1,321,231	\$ 219,345	\$ 1,038,003
1588-1	RSVA Power - carrying charges	(1,101)	5,394	121	4,414
1589	RSVA Global Adjustment	357,156	(1,321,231)	-	(964,075)
1589-1	RSVA Global Adjustment - carrying charges	6,850	(5,394)	-	1,456
1595	Approved disposition - principal	156,899	-	-	156,899
1595-1	Approved disposition - carrying charges	(55,274)	-	-	(55,274)

Note 1: True-up of the Class B Global Adjustment split between Regulated Price Plan (RPP) and Non-RPP customers. Tillsonburg Hydro Inc. (THI) was using billed consumption versus metered consumption. Using metered consumption updated the splitting calculation. Applicable carrying charges have been recalculated.

Note 2: True-up of the RPP settlement amounts payable to the Independent Electricity System Operator (IESO) as THI was using billed consumption rather than metered consumption. An additional \$219,345 is payable to the IESO for 2016. Applicable carrying charges have been recalculated.

See accompanying notes

Tillsonburg Hydro Inc.
Schedule of Variance Accounts 1588, 1589 and 1595
Year ended December 31, 2017

USoA Account	Account Description	Prior Balance As at December 31, 2017	Adjustments (Note 1)	Adjustments (Note 2)	Ending Balance As at December 31, 2017
1588	RSVA Power	\$ 64,500	\$2,175,066	\$(148,621)	\$ 2,090,945
1588-1	RSVA Power - carrying charges	(4,360)	24,931	770	21,341
1589	RSVA Global Adjustment	478,957	(2,175,066)	-	(1,696,109)
1589-1	RSVA Global Adjustment - carrying charges	8,911	(24,931)	-	(16,020)
1595	Approved disposition - principal	(49,008)	-	-	(49,008)
1595-1	Approved disposition - carrying charges	(60,525)	-	-	(60,525)

Note 1: True-up of the Class B Global Adjustment split between RPP and Non-RPP customers. THI was using billed consumption versus metered consumption. Using metered consumption updated the splitting calculation. Adjustment is cumulative of the 2016 adjustment. Applicable carrying charges have been recalculated.

Note 2: True-up of the RPP settlement amounts payable to the IESO as THI was using billed consumption rather than metered consumption. An additional \$367,966 is receivable from the IESO for 2017. Adjustment amount receivable of \$148,621 is cumulative of the 2016 adjustment. Applicable carrying charges have been recalculated.

See accompanying notes

Tillsonburg Hydro Inc.
Notes to Financial Schedules
Years ended December 31, 2016 and December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial schedules were prepared in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and the Accounting Guidance effective February 21, 2019.

Customer billings

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include estimates of customer usage since the last meter reading to the end of the year (unbilled revenue). Management makes estimates that affect the measurement of the estimated consumption and the valuation of the consumption. Actual results could differ from these estimates.

Expenses

Cost of power and global adjustment costs are recorded on the basis of power used.

RPP versus Non-RPP Customers

The global adjustment charge is split between RPP and Non-RPP customers on the basis of kilowatt hours used by the respective customers.