

Registrar
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Registrar,

**RE: Hydro Hawkesbury Inc.
2025 Cost of Service Application
Ontario Energy Board File Number: EB-2024-0031**

Hawkesbury Hydro Inc. (HHI) is pleased to submit its 2025 Cost of Service Application for the consideration of the Ontario Energy Board (OEB).

If any further information is required, please do not hesitate to contact the undersigned.

Yours very truly,

A handwritten signature in black ink, appearing to read "Michel Poulin".

Michel Poulin General Manager
Hydro Hawkesbury Inc. 850 Tupper St.
Hawkesbury, ON K6A 3S7
Tel: 613-632-6689

EXHIBIT 1 – ADMINISTRATIVE
DOCUMENTS
2025 Cost of Service

Hydro Hawkesbury Inc.
EB-2024-0031

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1.1 LEGAL APPLICATION & ADMINISTRATIVE MATTERS

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Hydro Hawkesbury for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1st, 2025.

Hydro Hawkesbury Inc. ("HHI," "the utility," "the applicant") is a licensed distributor of electricity under distribution license EB-2022-0291 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

HHI hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1st, 2025.

HHI respectfully requests that this application be reviewed under the filing requirements specific to very small utilities. Despite HHI's customer count marginally exceeding the 5,000 thresholds, the nature of HHI's operations, resource constraints, financial limitations, and personalized customer interactions align it with the regulatory scope of a very small utility.

The evidence contained in this application follows s Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements) for small electricity distributors issued on December 15th, 2023.

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

- 1) Approval to charge distribution rates, effective January 1st, 2025, to recover a base revenue requirement of \$2,224,767 which includes a revenue deficiency of \$378,893 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
- 2) Approval of the 2025 capital expenditures of \$310,844 as supported by the Distribution System Plan outlined in Exhibit 2.
- 3) Approval to adjust the Retail Transmission Rates – Network and Connection previously approved and detailed in Exhibit 8.
- 4) Approval of the proposed Loss Factors as detailed in Exhibit 8.
- 5) Approval to continue to charge Wholesale Market Services, Capacity Based Recovery, and Rural Rate Protection Charges.
- 6) Approval of Low Voltage charges as detailed in Exhibit 8.
- 7) Approval to continue the specific Service Charges (except for the MicroFIT Monthly Service charge) and Transformer Allowance as previously approved by the OEB and detailed in Exhibit 8.
- 8) Approval to continue applying the MicroFIT monthly service charge of \$10.00 as approved in the Applicant's 2018 Cost of Service (2017-0048) and detailed in Exhibit 8.
- 9) Approval of the Rate Riders for a one-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.

- 10) Disposal/recovery of 1588 & 1589 commodity account balances as of December 31st, 2023, on a final basis with Rate Riders for a one-year disposition.
- 11) Disposal of the balance in the wireline pole attachment variance account as of December 31st, 2023, as recorded in account 1508 with account disposition requested on a final balance.

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

- ✓ Exhibit 1: Administrative Documents
 - ✓ Exhibit 2: Rate Base and DSP
 - ✓ Exhibit 3: Revenues
 - ✓ Exhibit 4: Operation, Maintenance, and Administrative Costs
 - ✓ Exhibit 5: Cost of Capital
 - ✓ Exhibit 6: Revenue Requirement
 - ✓ Exhibit 7: Cost Allocation
 - ✓ Exhibit 8: Rate Design
 - ✓ Exhibit 9: Deferral and Variance Accounts
-
- ✓ EB-2024-0031 HHI 2025 Benchmarking Forecast Model
 - ✓ EB-2024-0031 HHI 2025 Cost Allocation
 - ✓ EB-2024-0031 HHI 2025 LRAMVA Workform
 - ✓ EB-2024-0031 HHI 2025 PILs Workform
 - ✓ EB-2024-0031 HHI 2025 Rev Req Workform
 - ✓ EB-2024-0031 HHI 2025 RTSR Workform
 - ✓ EB-2024-0031 HHI 2025 Load Forecast Model
 - ✓ EB-2024-0031 HHI 2025 Update Demand Data
 - ✓ EB-2024-0031 HHI 2025 COS Checklist
 - ✓ EB-2024-0031 HHI 2025 DVA Continuity Schedule
 - ✓ EB-2024-0031 HHI 2025 Chapter 2 Appendices

HHI confirms that it has used the same methodology to determine its rates as it did in its previous applications.

Contact Information.

The key contacts for this application are as follow:

Applicants Name: Hydro Hawkesbury Inc.
Applicant Address: 850 Tupper St
Hawkesbury, ON
Internet Address : <https://hydrohawkesbury.ca/>
Social Media Address: n/a

HHI's Contact Info. Michel Poulin
General Manager
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613-632-6689

HHI's Regulatory Consultant Manuela Ris-Schofield
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416-562-9295

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

HHI confirms the following administrative information:

- All documents have been submitted to the OEB via RESS.
- HHI confirms that the application contains no confidential information and complies with the practice direction regarding the handling of such information.
- This application is supported by written evidence. HHI requests that under Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing but understands that if specific issues remain unsettled post-settlement, the utility may be asked to participate in an oral hearing. HHI notes that it has no special conditions in its license.

Notice of Application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspaper with the highest circulation in its service area. Le Carillon and Le Regional are the highest bilingual unpaid local publications in the area.

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

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

Certification of Accuracy of Evidence

HHI, Michel Poulin, General Manager of Hydro Hawkesbury, hereby certifies that the application has been reviewed and approved by me. I can attest that the information and evidence contained herein is accurate to the best of HHI's knowledge.

As a small utility, the General Manager assumes the responsibilities of Chief Executive Officer, Chief Financial Officer, or their equivalent. Accordingly, I confirm, to the best of my knowledge and ability, that HHI has established and maintains the appropriate processes and internal controls for the preparation, review, verification, and oversight of all deferral and variance accounts, irrespective of whether such accounts are proposed for disposition.

Michel Poulin
General Manager

Proposed Issues List

1. Capital Spending and Rate Base
 - 1.1 Are the proposed capital expenditures and in-service additions appropriate?
 - 1.2 Are the proposed rate base and depreciation amounts appropriate?
2. OM&A
 - 2.1 Are the proposed OM&A expenditures appropriate?
 - 2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?
3. Cost of Capital, PILs, and Revenue Requirement
 - 3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?

- 3.2 Is the proposed PILs (or Tax) amount appropriate?
 - 3.3 Is the proposed Other Revenue forecast appropriate?
 - 3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
 - 3.5 Is the proposed calculation of the Revenue Requirement appropriate?
4. Load Forecast
- 4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?
5. Cost Allocation, Rate Design, and Other Charges
- 5.1 Are the proposed cost allocation methodology, allocations, and revenue-to cost ratios, appropriate?
 - 5.2 Is the proposed rate design, including fixed/variable splits, appropriate?
 - 5.3 Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate?
 - 5.4 Are the proposed loss factors appropriate?
 - 5.5 Are the Specific Service Charges and Retail Service Charges appropriate?
 - 5.6 Are rate mitigation proposals required and appropriate?
6. Deferral and Variance Accounts
- 6.1 Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?
7. Other
- 7.1 Is the proposed effective date appropriate?
 - 7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

Confirmation of Privacy Protection

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

Financial and Load Information filed in this application.

Due to the late filing, HHI has updated its 2024 projections to reflect 6 months of projections to determine its 2024 bridge year. The 2025 Test Year are projections. HHI notes that its 2023 financial and load information have been audited.

HHI has not changed any of its proposed methodologies from its last cost of service unless dictated explicitly by the regulator through a policy change.

Capital Spending

- 2018-2023: Audited balances
- 2024: 6 months actuals/6 months projected.
- 2025: Budgeted balances.

Operating Expenses

- 2018-2023: Audited balances
- 2024: 6 months actuals/6 months projected.
- 2025: Budgeted balances.

Other Revenues

- 2018-2023: Audited balances
- 2024: 6 months actuals/6 months projected.
- 2025: Budgeted balances.

Load Forecast

- 2012-2023 Wholesale: Actuals.
- 2024-2025 Wholesale: forecasted using regression analysis.

RTSR

- 2023: Actuals.

LV Charges

- 2023: Actuals consumption at 2024 rates.

Cost of Power

- Most current RPP/non-RPP split: 2023 Actuals applied to 2025 Load Forecast.

Cost of Capital

- Per Cost of Capital Parameters for 2024 Cost-Based Rates Issued by the OEB in a letter dated October 31^h, 2023.

Deferral and Variance Accounts

- 2023: Actuals (MNP calculated balances)
- GA Workform: 2023 Actuals

Statement of Deviation of Filing Requirements

Except where specifically identified in the Application, HHI followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated December 15, 2022 (the "Filing Requirements") and the updates in the OEB letter dated March 14, 2024. The excel version of the completed 2025 Cost of Service checklist is being filed in conjunction with this application. HHI has, as applicable, utilized the OEB's models as updated for 2025 Cost of Service applications in accordance with the OEB's letter dated April 11, 2024.

Materiality Threshold.

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

HHI has also used its best judgment to provide justification and analysis for variances that are below the established threshold. At times, HHI discusses even minor variances to ensure a comprehensive understanding of all factors influencing its financial and operational performance, recognizing the significance of transparency and accountability.

1.2. SUMMARY OF APPLICATION

1.2.1 Distribution Rates

The table below shows HHI’s yearly OEB-approved fixed and variable rate from the last cost of Service in 2018 to the proposed 2025 rates. Rates in between the Cost-of-Service applications were adjusted through IRM applications to reflect the Price Cap in effect at that time. HHI is seeking an increase in its distribution rates from its current 2023 rates in all of its customer classes.

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

Customer class name	2018 BA	2019	2020	2021	2022	2023	2024	2025	
	CoS	IRM	IRM	IRM	IRM	IRM	IRM	CoS	Var from 2018
Price cap applied		1.50	2.00	0.00%	3.30	3.70	3.70		
FIXED									
Residential	15.15	17.76	18.12	18.12	18.72	19.41	19.41	\$23.00	\$7.85
General service less than 50 kw	15.47	15.7	16.01	16.01	16.54	17.15	17.15	\$20.28	\$4.81
General service 50 to 4,999 kw	100.99	102.5	104.55	104.55	108	112.00	112.00	\$112.00	\$11.01
Unmetered scattered load	7.12	7.23	7.37	7.37	7.61	7.89	7.89	\$9.33	\$2.21
Sentinel lighting	1.66	1.68	1.71	1.71	1.77	1.84	1.84	\$0.92	-\$0.74
Street lighting	0.59	0.6	0.61	0.61	0.63	0.65	0.65	\$0.77	\$0.18
VOLUMETRIC									
Residential	0.0027							-	-\$0.0027
General service less than 50 kw	0.0071	0.0072	0.0073	0.0073	0.0075	0.0078	0.0078	0.0092	\$0.0021
General service 50 to 4,999 kw	2.1023	2.1338	2.1765	2.1765	2.2483	2.3315	2.3315	2.1596	\$0.0573
Unmetered scattered load	0.0042	0.0043	0.0044	0.0044	0.0045	0.0047	0.0047	0.0056	\$0.0014
Sentinel lighting	3.8961	3.9545	4.0336	4.0336	4.1667	4.3209	4.3209	2.1540	-\$1.7421
Street lighting	6.402	6.498	6.628	6.628	6.8467	7.1000	7.1000	8.3954	\$1.9934

1.2.2 Revenue Requirement

The table below shows the change in HHI's revenue requirement from the last Cost of Service in 2018 compared to the proposed 2025 Test Year.

The proposed Revenue Requirement for the 2025 test year of \$2,224,767 reflects an increase of \$499,673 from the 2018 Board Approved. The increase is primarily due to;

- a) An increase in OM&A of \$483,115
- b) An increase in the Regulated Return on Capital due to additions of assets to the Rate Base.
- c) An increase in "Other Revenues," which is explained in Exhibit 3.

Table 2 – Revenue Requirement

Particular	\$	Reason and References
Operation Maintenance Admin Costs	\$483,114.99	Increase in Operating expenses to reflect increases in unplanned and inflationary costs
Depreciation Expense	\$8,070.04	
Net Fixed Assets	\$3,510,752.08	Increase in Average Net Fixed Assets
Working Capital Allowance	-\$87,682.70	Reduction in WCA as a result of lower Cost of Power
<i>Rate Base</i>	-\$402,771.30	Movement in Rate (Asset) Base
Return on Capital	\$9,239.32	Increase in Return on Capital
PILs	-\$58.95	Increase in PILs due to increase in Assets
Property Taxes	\$10,037	
Other Revenues	-\$29,775.94	Increase in Other Revenues (shown as a negative/deduction from the revenue requirement)
Increase in Revenue Requirement	\$480,626.47	
2025 Revenue Requirement	\$2,224,767.27	

1.2.3 Load Forecast

HHI used the same methodology to determine its forecast as it did in its previous applications. The load forecast for 2025 is based on a standard multiple regression analysis that relates historical monthly wholesale kWh usage to various variables, which explains the variation in monthly electricity consumption. HHI's load is influenced by four main factors – weather (e.g., heating and cooling), which is by far the most dominant effect on most systems, the number of days per month, and a "Spring and Fall" flag.

Weather normalized values are determined using the regression equation with a "10-year average monthly degree days (2014-2023)".

Allocation to specific weather-sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual wholesale kWh for the 2014 to 2023 period. As discussed in Exhibit 3, HHI reviewed the effect of COVID-19 on its 2020 and 2021 loads and determined that there was no impact material enough to warrant any specific adjustments to its forecast for 2025.

The 2025 Load Forecast is presented on the next page, and detailed explanations of the load forecast can be found in Exhibit 3.

Table 3 – Load Forecast

	Year	2018	2025	Var
Residential	Cust/Conn	4836	4,938	102
	kWh	50,454,856	50,447,580	-7276
GS < 50 kW	Cust/Conn	618	607	-10
	kWh	17,883,115	18,034,273	151,158
GS > 50 to 4999 kW	Cust/Conn	89	85	-4
	kWh	85,142,906	73,757,579	-11,385,328
	kW	221,782	186,745	-35,037
USL	Cust/Conn	10	17	7
	kWh	432,358	421,393	-10,966
Sentinel	Cust/Conn	47	41	-16
	kWh	84,626	49,171	-35455
	kW	240	855	615
Streetlights	Cust/Conn	1199	1,269	57
	kWh	646,505	524,794	-121,711
	kW	1,857	1,445	-412
Total	Cust/Conn	6820	6,956	136
	kWh	154,644,367	143,234,789	-11,409,578
	kW	223,879	189,044	-34,834

1.2.4 Rate Base and Distribution System Planning

The proposed Rate Base for the 2025 test year of \$8,353,914 represents a \$177,056 drop from HHI's 2018 Board Approved Rate Base. The decline is the result of accumulated depreciation surpassing capital additions.

The historical and proposed capital expenditures represent a reasonable and appropriate investment in distribution assets for the utility. HHI believes that the proposed Rate Base between 2018 and 2025 meets regulatory requirements such as the "obligation to connect" future expansion and the necessity to maintain electrical safety standards. Capital objectives include replacing deteriorating poles and transformers, maintaining as well as installing new distribution assets to support new services. Exhibit 2 shows details on HHI's historical and anticipated capital spending.

Table 4 – Rate Base

Particulars	Last Board Approved	2025	Var
Net Capital Assets in Service:			
Year End CapEx	\$7,973,514	\$9,571,346	\$1,597,832
Year End Accumulated Depreciation	\$923,622	\$2,836,543	\$1,912,920
Net Book	\$7,049,892	\$6,734,804	-\$315,089
Working Capital Allowance	\$1,481,078	\$1,393,395	-\$87,683
Total Rate Base	\$8,530,970	\$8,128,199	-\$402,771

1.2.5 Operating Expenses (OM&A)

The table below shows a summary of recoverable OM&A expenses for relevant years. As can be seen, the level of spending has remained relatively stable since the last Board approval in 2018, with a total increase of \$483,115 or 41.11%.

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

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

	Board Approved	2025	Var \$	Var %
Operations	\$92,648	\$208,000	\$115,352	124.51%
Maintenance	\$198,496	\$232,800	\$34,304	17.28%
Billing and collecting	\$462,970	\$572,330	\$109,360	23.62%
Community Relations	\$0	\$0	\$0	0.00%
Administrative and General+LEAP	\$421,000	\$645,099	\$224,099	53.23%
Total	\$1,175,114	\$1,658,229	\$483,115	41.11%

1.2.6 Cost of Capital

HHI seeks to recover a weighted average cost of capital of 6.00% through rates in the 2025 Test Year. As per the OEB’s prescribed Cost of Capital Parameters published for 2024 Cost of Service applications, HHI has used the OEB’s deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, as well as the most recent, published allowed return on equity (ROE) rate of 9.21%. HHI commits to updating its proposed cost of capital parameters to reflect the OEB’s prescribed Cost of Capital Parameters for 2025 Cost of Service Applications once available.

HHI's cost of capital and return on rate base for 2025 Test Year is shown in table 1 below.

Table 6 – Cost of Capital Parameters

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
Debt				
Long-term Debt	56.00%	\$4,551,791	3.59%	\$163,409
Short-term Debt	4.00%	\$325,128	6.23%	\$20,255
Total Debt	60.00%	\$4,876,919	3.77%	\$183,665
Equity				
Common Equity	40.00%	\$3,251,279	9.21%	\$299,443
Preferred Shares	0.00%	\$ -		\$ -
Total Equity	40.00%	\$3,251,279	9.21%	\$299,443
Total	100.00%	\$8,128,199	5.94%	\$483,108

1.2.7 Cost Allocation

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate. HHI has prepared a Cost Allocation Study based on an allocation of the 2025 test year costs (i.e., the 2025 forecast revenue requirement) to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc. Further details on Cost Allocation can be found in Exhibit 7.

Table 7 – Cost Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range	
				Floor	Ceiling
Residential	0.98	0.98	0.00	0.85	1.15
General Service < 50 kW	0.98	0.98	0.00	0.80	1.20
General Service > 50 to 4999 kW	1.06	1.06	0.00	0.80	1.20
Unmetered Scattered Load	0.91	0.91	0.00	0.80	1.20
Sentinel	2.72	1.20	1.52	0.80	1.20
Street Lighting	0.96	0.96	0.00	0.80	1.20

1.2.8 Deferral and Variance Account Disposition

HHI proposes to dispose of a refund of (\$578,707) related to Group 1 including account 1589 and 1588 and a refund of (\$114,577) related to Group 2 accounts.

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

Table 8 – Deferral and Variance Accounts

		Balance sought for disposal	Allocator
LV Variance Account	1550	101,005	kWh
Smart Metering Entity Charge Variance Account	1551	(27,788)	# of Customers
RSVA - Wholesale Market Service Charge	1580	37,327	kWh
RSVA - Retail Transmission Network Charge	1584	238,579	kWh
RSVA - Retail Transmission Connection Charge	1586	99,007	kWh
RSVA - Power (excluding Global Adjustment)	1588	(616,035)	kWh
RSVA - Global Adjustment	1589	(377,952)	Non-RPP kWh
Total Group 1 accounts above (excluding 1589)		(167,904)	
Pole Attachment Revenue Variance	1508	(113,312)	Distribution Rev.
Customer Choice Initiative Costs	1508	12,888	kWh
Retail Cost Variance Account - Retail	1518	(16,084)	# of Customers
Retail Cost Variance Account - STR	1548	24,637	# of Customers
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(22,707)	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		410,803	
Total of Account 1580 and 1588 (not allocated to WMPs)		(578,707)	
Account 1589 (allocated to non-WMPs)		(388,337)	
Total Group 2 Accounts		(114,577)	

1.3. ABOUT THE UTILITY

1.3.1 Distribution System Overview & Operating Environment

Geographical Location

Hawkesbury is a municipality located in the eastern region of Southern Ontario. It lies on the southern bank of the Ottawa River, which marks the natural boundary between the provinces of Quebec and Ontario. The town is strategically positioned approximately midway between two major cities: downtown Ottawa and downtown Montreal.

The Long-Sault Bridge provides a vital connection from Hawkesbury to Grenville, Quebec, which lies to the north. This bridge facilitates cross-border travel and commerce between the two provinces.

Bilingualism and Demographics

Hawkesbury is recognized as the third most bilingual town in Ontario. The town is notable for its linguistic diversity, with over 70% of its residents being proficient in both English and French, Canada's two official languages.

- Bilingual Population: Over 70% of residents are fluent in both English and French.
- French-Speaking Population: The Franco-Ontarian community constitutes approximately 89% of the total population.

Administrative Structure

Hawkesbury is an integral part of Russell Township, which falls within the administrative boundaries of Prescott and Russell United Counties. This governance structure helps manage municipal services and regional planning.

Geography and Population Density

Surface Area: Hawkesbury covers a total area of 8 square kilometers.

Utility customer density: The utility has a customer count of 10263 (2016) or 1282 customer per km

Climate

Hawkesbury experiences a humid continental climate with distinct seasonal variations:

Winter Average Temperature: Approximately -5.9°C.

Summer Average Temperature: Around 12.25°C.

These temperatures reflect a climate with cold winters and mild summers, typical of the region.

Future Development

Hawkesbury currently does not anticipate or plan for significant growth within its service area. The focus remains on maintaining the existing infrastructure and services without major expansions.

Key Points of Hydro Hawkesbury

HHI's service area is an embedded utility completely contained within the municipal boundaries of the town of Hawkesbury therefore the utility only serves the community of Hawkesbury. The area is embedded within Hydro One Networks Inc. The map below shows the utility's service area. A more detailed PDF version of the map can be found at Appendix C. The utility's operating environment has not changed since its last Cost of Service in 2018.

HHI relies on approximately 73 km of circuits to deliver 141,170,474.00 kWh of energy and 190,506 kW of power to 5,670 customers. The circuits can be broken down into roughly 57 km of overhead lines and 16 km of underground conductor.

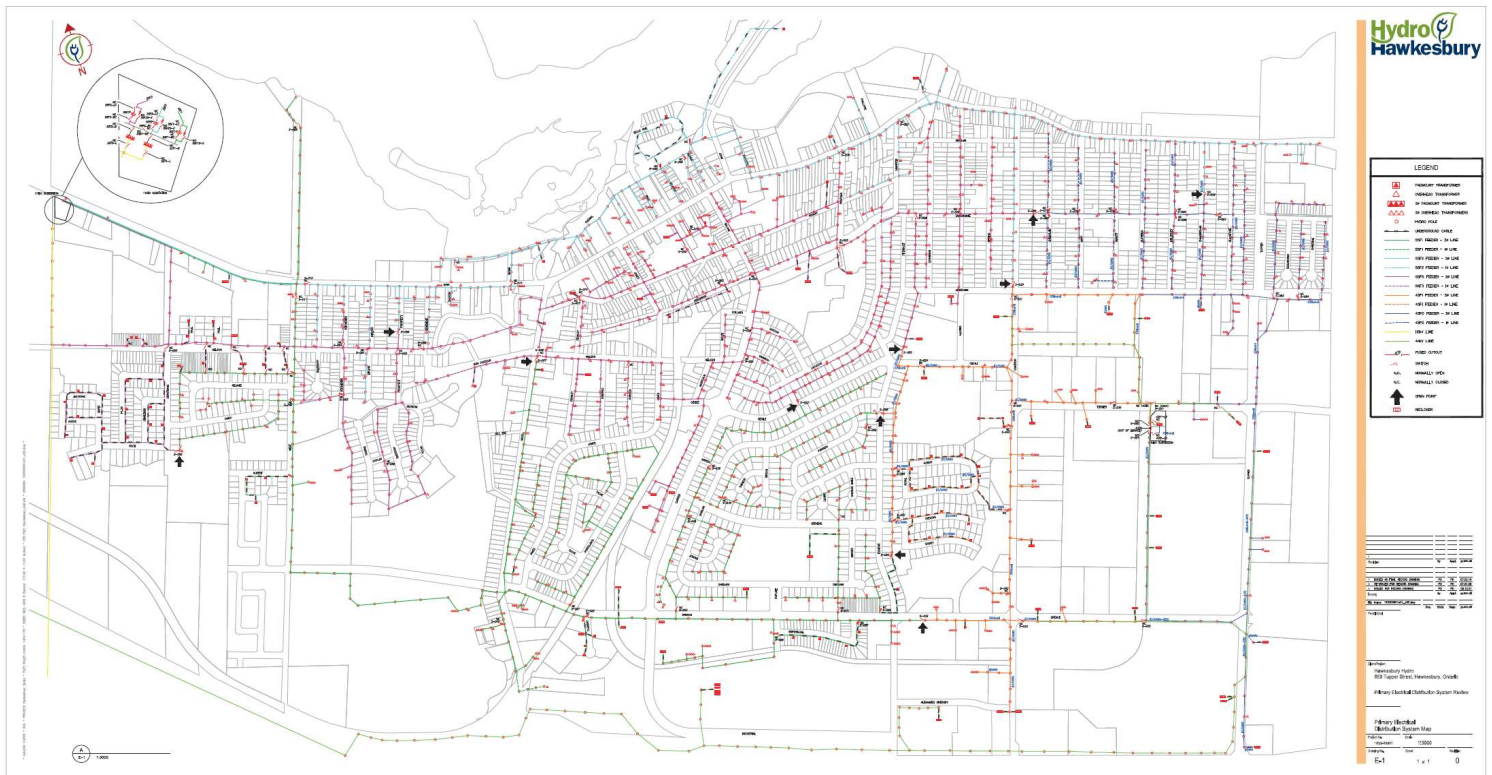
HHI's service territory is surrounded by Hydro One Networks Inc. HHI is directly connected to Hydro One's transmission system at 115 KV and 44KV and is not an embedded LDC that takes delivery of electricity from another LDC.

HHI does not host any utilities within its service area, nor do they have any embedded utilities within its service area.

HHI is an embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc. HHI also purchases power from the IESO.

HHI does not have any embedded distributors within its territory.

Table 4 - Map of Service Area



HHI is a registered Market Participant dealing directly with the IESO. Details of the utility's capital assets are presented in the Distribution System Plan in Exhibit 2.

The General Manager manages all internal and external activities creating budgets and monitoring the company's progress in meeting financial goals, managing metering, information systems, collaborating with regulatory bodies like the OEB, coordinating with accountants, purchasing of services and capital assets. The accountant (Assistant Manager) works with banks and other financial institutions, presenting financial reports to shareholders. The General Manager must ensure contractor safety, maintain and repair the distribution system to ensure its reliability, and immediately provide electricity service to customers in accordance with rules.

HHI's entire workforce is accountable for addressing customer inquiries, offering support to one another as necessary, and upholding efficient communication across the organization.

HHI must also maintain a careful equilibrium between dependence on third-party contractors and consultants and maximizing the utilization of its own labor for the benefit of the customer and community.

The Conditions of Service of HHI were most recently revised in 2019. HHI monitors changes and commits to updating the document when necessary. The link to the Conditions of Service is.

https://hydrohawkesbury.ca/wp-content/uploads/2023/10/hhi_conditions_of_service_2019_.pdf

1.3.2 Corporate Organization and Governance

HHI employs a workforce of 5 people.

- A General Manager,
- An Accountant-Assistant manager
- Two customer service representatives
- One billing clerk.

The above relationships are shown in the Utility Organization Chart at the next page.

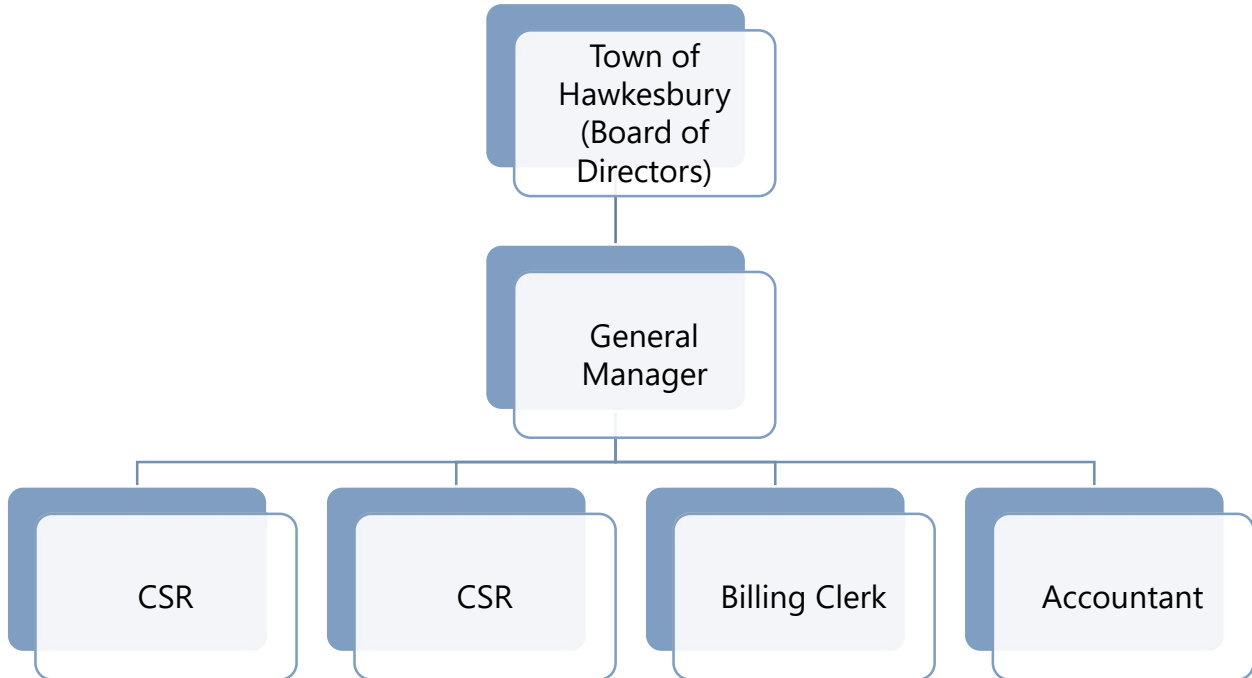
The General Manager is responsible for the following activities:

- designing and planning the utility's distribution system; along with implementing other emerging distribution technologies.
- ensuring that employees, contractors, and the public remain safe when interfacing with the distribution system.
- ensuring the reliable operation – including maintenance and repair – of the distribution system; and
- ensuring that customer requests for electricity service are provided promptly and in accordance to code.
- responsible for external communications with customers, public and media; providing a single point of contact for customer enquiries.

The General Manager is also responsible for providing human resource support including salary and benefit services; maintaining effective communications throughout the company; and ensuring that operations and office staff have access to the highest quality information and training to allow them to perform their work safely and efficiently.

The accountant is responsible for human resources activities and all internal and external financial activities of the company including liaison with banks and other financial institutions; The Organizational and Corporate Charts are shown in a single table below.

Table 3 - Organizational and Corporate Structure Chart.



1.3.3 Directives from Previous Decisions

2018 Rates (EB-2017-0048)

2018 Rates were determined through a cost-of-service process and approved by way of complete settlement. The OEB found that the settlement proposal, including the refund related to the 110kV substation, benefits consumers and produces outcomes that are consistent with the operational effectiveness and other performance objectives of the RRF.

Two tasks were agreed to by the parties in the 2018 Settlement Agreement and Decision and Order. The first being that HHI commits to carrying out an asset condition assessment to be filed in its next Cost of Service (Exhibit 2). The second HHI commits to filing a detailed contract with its 3rd party contracting firms. Both of which have been conducted (Exhibit 4).

2019 Rates (EB-2018-0040)

2019 Rates were determined through an IRM process. The OEB found that Hydro Hawkesbury's request for a **1.50%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Hawkesbury Hydro's new rates were made effective January 1st, 2019.

The OEB approved the disposition of a credit balance of \$138,231 as of December 31, 2017, including interest projected to December 31, 2018, for Group 1 accounts on an interim basis.

2020 Rates (EB-2019-0042)

2020 Rates were determined through an IRM process. The OEB found that Hydro Hawkesbury's request for a **2.00%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Hydro Hawkesbury's new rates were made effective January 1st, 2020.

The OEB accepted Hydro Hawkesbury's request to keep the disposition of its 2018 Group 1 balances interim and not to dispose of the 2018 balances in Accounts 1588 and 1589 in the 2020 application.

The OEB agreed that Hydro Hawkesbury would benefit from having more time to review the accuracy of the Account 1588 balance, especially in the context of the OEB's new accounting guidance, to determine whether further adjustments would be required. The OEB expected that Hydro Hawkesbury would report back on the findings of its analysis as part of its next IRM application.

The OEB approved the interim disposition of the remaining 2018 Group 1 account balances, exclusive of Accounts 1588 and 1589, which totals a credit balance of \$160,026 with interest projected to December 31, 2020. Table 6.1 identifies the principal and interest amounts, which the OEB approved for disposition.

2021 Rates (EB-2020-0029)

The OEB approved Hydro Hawkesbury's request to forego an increase to its base rates. It is appropriate to forego a Price Cap adjustment in light of the continued uncertainty regarding the severity and duration of the COVID-19 emergency, and its impact on customers. In addition, as Hydro Hawkesbury indicated in its application, it significantly over-earned in 2019.

The OEB noted that Hydro Hawkesbury had provided explanations for the issues identified in response to OEB staff questions and has determined that its commodity balances were reasonable. The OEB further noted that Hydro Hawkesbury had confirmed its adoption of the OEB's accounting guidance and explained how that adoption has impacted past balances that have yet to be approved on a final basis.

The OEB approved the disposition of a credit balance of \$345,573 as of December 31, 2019, including interest projected to December 31, 2021, for Group 1 accounts on a final basis. The OEB further approved, on a final basis, the disposition of the December 31, 2018, Account 1588 and 1589 balances that were previously not disposed. The OEB also found that the December 31, 2017, Group 1 balances, as well as the December 31, 2018 Group 1 balances that were previously disposed on an interim basis were to be made final.

2022 Rates (EB-2021-0031)

2022 Rates were determined through an IRM process. The OEB found that Hydro Hawkesbury's request for a **3.30%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Hydro Hawkesbury's new rates were made effective January 1st, 2022.

The OEB approved Hydro Hawkesbury's request to defer disposition of the balances, as of December 31, 2020, in Accounts 1588 and 1589. The OEB found Hydro Hawkesbury's request to be reasonable and encourages the utility to work with its external accounting firm to investigate the variances in these accounts in closer detail.

The OEB expected Hydro Hawkesbury to bring forth the results of this review, including any resulting adjustments made to Account 1588 and 1589 balances, as part of its application for 2023 rates.

The OEB approved the disposition of a credit balance of \$195,460 as of December 31, 2020, including interest projected to December 31, 2021, for Group 1 accounts (excluding Accounts 1588 and 1589) on a final basis.

2023 Rates (EB-2022-0039)

2022 Rates were determined through an IRM process. The OEB found that Hydro Hawkesbury's request for a **3.70%** rate adjustment was per the annually updated parameters set by the OEB. The adjustment was approved, and Hydro Hawkesbury's new rates were made effective January 1st, 2023.

The OEB approved Hydro Hawkesbury's request to defer disposition of the balances, as of December 31, 2021, in Accounts 1588 and 1589. The OEB found Hydro Hawkesbury's request to be reasonable and encourages the utility to work with its external accounting firm to investigate the variances in these accounts in closer detail.

The OEB expected Hydro Hawkesbury to bring forth the results of this review, including any resulting adjustments made to Account 1588 and 1589 balances, as part of its application for 2023 rates.

The OEB approved the disposition of a credit balance of \$62,612 as of December 31, 2021, including interest projected to December 31, 2022, for Group 1 accounts (excluding Accounts 1588 and 1589) on a final basis.

HHI did not file and IRM application in 2024 and its rates 2023 rates remain effective today.

1.3.4 Business Plan

HHI notes that the business strategy presented in its last Cost of Service has not been revised and updated as a result of a series of unforeseen and urgent challenges. The Covid-19 pandemic significantly taxed HHIs limited staff resources. This strain was further exacerbated by the auditing of concerning variance accounts (1588/1589), critical personnel issues as described in Exhibit 4, severe weather-related damages, and equipment defects described in the DSP and exhibit 4. For a small utility such as HHI, navigating these complexities has been particularly difficult, making it challenging to revise the business plan in the face of these urgent demands.

HHI recognizes the importance of establishing a strategic plan, particularly in light of the manager's impending retirement in the next 18-24 months. Consequently, the utility is dedicated to collaborating with its Board of Directors to revise its business plan including a succession plan once the Cost of Service has completed.

HHI recognizes that the primary areas of focus listed below are typical, intuitive, and applicable to any utility. Nevertheless, HHI upholds these principles when making decisions for the utility.

Key Areas of Focus

1. Safe, Efficient, and Reliable Delivery of Electricity

Objective: Ensure that all operations related to electricity delivery are conducted safely, efficiently, and with minimal disruptions to customers.

Key Initiatives:

- **Maintenance and Upgrades:** Schedule regular maintenance checks and system upgrades to prevent outages and extend the life of infrastructure.
- **Safety Programs:** Requires its contractor to Implement rigorous safety protocols for field operations and ensure regular training for employees on safety procedures.

Performance Indicators:

- **Frequency of Power Outages:** Monitor the number of outages per year and aim for a reduction when under HHI's control.
- **Response Time to Outages:** Track the average time taken to respond to and resolve outages currently tracked through SAIFI and SAIDI.
- **Customer Satisfaction:** Survey customers to gauge their satisfaction with service reliability and responsiveness.

2. Cost Management and Efficiency

Objective: Maintain reasonable costs, find cost efficiencies, and make prudent investments to serve the best interests of customers.

Key Initiatives:

- **Cost Control Measures:** Review and optimize operational processes to reduce costs without compromising service quality.
- **Rate Shock Avoidance:** Manage its costs in a manner that minimises rate shock to its customers.
- **Capital Planning:** Develop a capital investment plan that prioritizes projects based on cost-benefit analyses and long-term value.

Performance Indicators:

- **Operational Cost per Unit of Electricity Delivered:** Track and aim to reduce costs while maintaining service quality.

3. Planning and Delivering System Improvements

Objective: Ensure that system improvements are planned and delivered to enhance service reliability.

Key Initiatives:

- **Long-Term Planning:** Develop and maintain a long-term strategic plan for system improvements based on future demand forecasts.
- **Infrastructure Upgrades:** Identify and prioritize infrastructure upgrades to ensure reliability and support future capacity needs should it arise.
- **Regulatory Compliance:** Ensure all system improvements comply with regulatory requirements and standards.

Performance Indicators:

- **Completion of Improvement Projects:** Track the cost as well as the timely completion of system improvement projects. (Actual vs DSP)
- **Regulatory Compliance:** Track compliance with regulatory standards for system improvements. (ESA standards)

4. Workforce Planning and Succession Management

Objective: Develop a workforce plan to ensure the successful transition of leadership and maintain operational continuity.

Key Initiatives:

- **Succession Planning:** To create a comprehensive succession plan for the general manager and other key positions.
- **Talent Development:** Invest in training and development of internal candidates.
- **Knowledge Transfer:** Establish processes for knowledge transfer from retiring employees to new hires.

- **Recruitment Strategies:** Develop strategies for attracting and retaining skilled personnel.

SWOT Analysis

HHI Strengths

The utility stands out for its exceptional cost-efficiency, consistently earning the top ranking in the province since the release of the OEB Report in 2009. The utility continues to uphold its position as the top-ranked entity.

HHI takes pride in maintaining the lowest rates in Ontario for more than a decade.

One of the main reasons for the low charges is that it makes use of third-party contractors for its operations. HHI's costs are comparatively lower than those other utilities of similar size.

HHI Weaknesses

The utility is concerned about the substantial rise in salary necessary to maintain competitiveness with the Ottawa region utilities and government positions. HHI is facing growing challenges in recruiting skilled personnel, which is causing noticeable weaknesses in key areas such as finance, business strategy, and accounting.

HHI made wage adjustments to maintain competitiveness with the industry standard. Salary adjustments are necessary to decrease the number of unfilled positions. A significant number of comparable companies are seeing a loss of people who are transitioning to government employment.

The excessive regulation and complex process of tracking discrepancies in account balances and reconciling electricity accounts is becoming burdensome for both utilities and external accountants. HHI has regrettably experienced discrepancies in DVA tracking and reporting over the past several years.

HHI Threat

Employee retention as described above is the primary concern for Hydro Hawkesbury, with regulatory burden being a significant secondary concern.

On the topic of regulatory burden, the Fraser Institute recently (2024) published an article entitled "Canada' Regulatory Overburden" which states the following:

A recent study published by the Canadian Federation of Independent Business (CFIB)—Canada's Red Tape Report—found that "the cost of regulation from all three levels of government to Canadian businesses totaled \$38.8 billion in 2020" (for a total of 731 million hours—the equivalent of nearly 375,000 full-time jobs).

If we apply a \$16.65 per hour cost (the federal minimum wage in Canada for 2023), CA\$12.2 billion annually is lost to regulatory compliance (Cruz et al., 2021).¹ The same report showed that regulatory costs are considered too high by small business owners, who cite excessive regulation as one of their top concerns. The smallest businesses bear a disproportionately high burden of the cost, paying up to five times more for regulatory compliance per-employee than larger businesses. “The smallest businesses pay \$7,023 per employee annually to comply with government regulation while larger businesses pay a much lower \$1,237 dollars per employee annually for regulatory compliance.” (Cruz et al., 2021).

Regulations in Canada also eat up people’s scarcest commodity, time. In 2020, average Canadian businesses consumed 677 hours in compliance with regulations. That is equivalent to 85 days of regulated businesses. Out of the 85 days dedicated to regulatory compliance, 24 days were specifically allocated to dealing with fraserinstitute.org © 2024 Fraser Institute Figure 1: Canadian Restrictions over Time, 2006–2018 unnecessary red tape regulations. Note that on average, business owners told the CFIB they felt up to 28 percent of their regulatory burden could be cut without sacrificing the public interest (Cruz et al., 2021).

Excessive regulations not only impose costs and consume employee time, they also come at a cost in terms of people’s mental health and happiness, and significantly deter people from wanting to start new businesses. Eighty-seven percent of survey respondents in Canada’s Red Tape Report said that excessive regulations strongly or somewhat add significant stress to their lives. Sixty-three percent (strongly and somewhat) would not advise their children to start a business.

Hydro Hawkesbury, like many small utilities faces significant challenges due to stringent regulatory compliance requirements. The utility is constantly at risk of penalties or losing its license if it fails to meet the complex and ever-evolving demands of the regulatory framework. Balancing the needs of customers, employees, and governing bodies remains a critical and ongoing task and threat for the utility.

HHI is optimistic that participating in the new process for very small utilities will alleviate the burden on its resources, allowing it to better allocate its limited staff to its day-to-day core demands.

HHI Opportunities

HHI intends to persist in forging strategic partnerships with like-minded LDCs to achieve enhanced efficiency, integrate inventive concepts that elevate operations, and guarantee enduring sustainability in a dynamic energy sector.

HHI is committed to maintaining the utility's reputation as a trustworthy, customer-focused LDC and to debunking common misconceptions, particularly those related to energy price rises.

HHI wants to become more visible in the community.

HHI will keep searching for workers and collaborations, develop relationships with them, earn their trust, and present HHI as an excellent partner or place to work.

1.3.5 Addressing Ongoing Changes in the Sector

Facilitating Innovation

In its previous Cost of Service application in 2018, HHI stated that the cost of innovation, can be significant for smaller utility companies and that HHI believed that a more efficient and economical method of promoting innovation needs to be implemented prior to incorporating such investment into its plans and prices.

Five years later, HHI is still of the mind that the expenses associated with innovation continue to surpass the advantages provided to customers of small rural utilities. Innovation related services can certainly be effective in larger centers, such as Toronto or Ottawa for example, where these expenses can be covered by a significant number of customers. However, the expense associated with innovation poses a significant burden on Hawkesbury's limited client base, which consists of approximately 5000 customers most of which are residential.

HHI strongly believes that conducting a cost-benefit analysis in conjunction with a consumer survey prior to imposing innovations on smaller utilities would be beneficial and that “one size fits all” is not beneficial for smaller rural communities such as Hawkesbury.

Regarding the implementation EV's as their use is a positive step to fighting climate change.

Hydro Hawkesbury has not implemented any chargers so far as it has not had any application to do as such. The town of Hawkesbury currently 5 chargers which are connected to the respective customers (1 Canadian Tire, 1 Caisse Populaire, 2 restaurant (Déjà Vue, St-Hubert) and Chevrolet Dealership).

HHI has not considered any alternative measures and continues to operate in a reactive manner. In accordance with regulatory guidance, HHI monitors the results of innovation initiatives implemented by larger utilities. This method enables HHI to capitalize on the experiences of others without incurring the initial costs and risks.

This approach to innovation, which is reactive, enables small utilities such as HHI to effectively manage their limited resources, prioritize essential services, minimize risks, and remain adaptable to changing circumstances

1.4. CUSTOMER ENGAGEMENT

HHI has found it particularly difficult to engage with its customers. The main difficulty is that HHI's small staff complement frequently wears numerous hats, restricting the availability of staff to create, implement, and monitor consumer engagement programs successfully.

One possible alternative is to pay a third party to manage these programs. However, HHI runs on a tight budget and has limited financial resources, making it financially untenable to justify customer engagement activities such as surveys, focus groups, and community outreach programs.

Furthermore, HHI frequently faces competing goals and must make difficult decisions regarding how to use our limited resources. As a result, customer engagement may be overlooked in favor of pressing operational or maintenance priorities such as providing dependable service and maintaining its distribution system. Customer engagement efforts, while crucial, must occasionally take a backseat to these core business tasks.

HHI also has an elderly customer base with diverse requirements and expectations, making it difficult to create one-size-fits-all engagement methods that are effective and cost-effective. HHI discovers that its consumers are more concerned with dependability while retaining the lowest rates in the province.

1.4.1 Notice to Customers

Application-Specific Customer Engagement

HHI has not reached out to its customers in advance of its application due to the uncertain timeframe of the application process, as communicated to the OEB. Discussions with other similarly sized utilities revealed that customer engagement during this stage often leads to frustration. Customers feel misled when the initial information on costs and bill impacts changes throughout the pre-filing process, which includes an "error checking" and an "integrity checking" phases. To address this, HHI proposes to publish a notice with the relevant information once the OEB has officially accepted the application. At that point, customers would have the opportunity to submit comments or letters and the utility could submit them as part of the response to Interrogatories.

Additionally, given that HHI's customer base is older, this approach would help minimize their concerns and frustration, ensuring they receive accurate and finalized information.

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

Ongoing Customer Engagement

HHI's customer communication priorities include the introduction of the SilverBlaze portal, which offers features such as the Ultra-Low Overnight Rate, Customer Choice, Winter RPP rates and thresholds, and the Green Button initiative.

HHI's website serves as a vital tool to inform and educate customers on various topics including powerline safety, financial assistance programs, energy efficiency, scams, emergency preparedness, and safe digging practices. Initiatives such as Ultra Low and the Green Button, along with any other relevant updates, are communicated through the website and email for those customers who have opted in for email notifications. HHI notes that the official launch of the Green Button platform was marked with a press release, featuring the MPP. HHI notes that despite advertising the Green Button live launch on many platforms, only the Mayor, MPP and one city councillor attended proving the point that Hawkesbury is particularly challenged to conduct customer outreach events.

To keep the customers updated on power issues, HHI will implement pop-ups on its website to notify them about momentary outages, as well as planned and unplanned outages, and provide information on the causes of these outages. During an outage, HHI uses Microsoft Teams messaging to ensure customers are aware of the situation and to inform them of the affected areas.

HHI employs a mix of online and traditional communication channels to cater to customer preferences, ensuring that HHI meets their expectations and keep them well-informed.

Financial Statement: The financial statements are made available on the website for easy access.

Customer Service Front Office: HHI is one of the few utilities to offer walk-in service. The dedicated team is always available to help, guide, inform, and educate the customers in person.

Customer Service Staff: Customer Service Representatives (CSRs) receive regular training and updates on programs and initiatives, ensuring they can provide the most current information and assistance.

E-Billing: Currently, 1,400 customers are registered for e-billing, receiving their bills electronically for convenience and efficiency.

Facebook: HHI utilizes the Town of Hawkesbury's Facebook page, when necessary, as HHI does not have the EFTs to perform regular maintenance and updates.

MailChimp: Under customer registration, MailChimp is used to inform customers about outages, incentives, and new programs, keeping them informed via email.

On-Bill Messages: When appropriate, HHI includes messages on customer bills to inform them about new initiatives and important updates.

Press Releases: For planned outages and other significant announcements, HHI uses local newspapers combined with other channels like the website and MailChimp to reach a broad audience.

Website: The website is the utility's central online communication channel, continuously updated with the latest information, programs, and initiatives.

By using a mix of these communication channels, HHI ensures that all customers receive timely and relevant information in their preferred format.

1.4.1 Customer Satisfaction Survey

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

HHI conducted a customer satisfaction survey in spring 2023. The survey's objectives included measuring:

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

The utility used Survey Monkey to publish its survey and posted it on its website. A bill inserts communicating the survey and prize was included in all bills. The utility established that the desired sampling margin of error (confidence interval) was no greater than (+/-) 5 percentage points at a 95% confidence level. With those parameters, the recommended sample size was determined to be 325. The margin of error is a measure of the precision of a sample estimate of the population value. It uses probability to demonstrate the accuracy of a sample estimate by providing a range of values in which a sample value would be expected to fall. In general, the margin of error provides a 95% confidence interval. The utility received 141 responses.

HHI recognizes that its consumers prioritize tangible outcomes including low rates and reliability over communication endeavors. Customer survey fatigue is the reason for the decreasing survey response rates, according to the utility. For that reason, HHI reduced the number of questions from 30+ to 10 questions. The survey addressed a wide range of topics, such as the financial impact of billing, conservation efforts, service levels, and consumer satisfaction. The survey comprised questionnaires that were distinct for consumers who were either French or English speakers. The findings suggested that a satisfaction rate of 76.52%.

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

1.5. PERFORMANCE MEASUREMENT, BENCHMARKING

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

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

Table 3 – Summary of Benchmarking Results.

	2019	2020	2021	2022	2023	2024	2025
			(History)	(History)	(History)	(Bridge)	(Test Year)
Cost Benchmarking Summary							
Actual Total Cost	1,605,522	1,699,255	1,815,627	1,832,491	2,109,977	2,155,704	2,269,948
Predicted Total Cost	3,209,180	3,351,622	3,518,903	3,706,599	3,909,412	4,109,515	4,405,720
Difference	(1,603,658)	(1,652,367)	(1,703,276)	(1,874,108)	(1,799,435)	(1,953,811)	(2,135,772)
Percentage Difference (Cost Performance)			-67.8%	-68.18%	-66.10%	-65.54%	-64.17%
Three-Year Average Performance							
Stretch Factor Cohort							
Annual Result	1	1	1	1	1	1	1
Three Year Average	1	1	1	1	1	1	1

Table 3 – Previous Benchmarking Results by Year.

Year	Percent Diff between Actual and Predicted	Grouping	Ranking in Province
2010	-61.8%	1	1
2011	-59.4%	1	1
2012	-55.8%	1	1
2013	-51.1%	1	1
2014	-64.3%	1	1
2015	-68.1%	1	1
2016	-66.4%	1	1
2017	-56.3%	1	1
2018	-57.7%	1	1
2019	-69.3%	1	1
2020	--67.9%	1	1
2021	-66.2%	1	1

2022	-70.44%	1	1
2023	-66.67	1	1
2024	-64.52	1	1
2025	-66.31	1	1

1.5.1 Benchmarking and Scorecard Analysis

The Management Discussion on Scorecard Results is presented below.

Service Quality

HHI has exceeded the minimum targets established by the OEB from 2018 to 2022. In the last 3 years, HHI has achieved perfect a perfect score on connecting services on time. Other metrics such as “Schedules met on time and Telephone Calls Answered on Time have also been consistently high.

Customer Satisfaction

HHI has conducted its bi-annual customer satisfaction survey, presented in Section 1.4 of this Exhibit. Customers are reasonably satisfied with HHI; however, in the most recent survey, customers are dissatisfied with the costs of their electricity bill, which is consistent with previous results. The customer can be frustrated with the supply loss which it assumes is the utility’s fault.

Safety

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

System Reliability

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

Asset Management

HHI has updated and simplified its Distribution System Plan to reflect the Filing Requirements for Electricity Distribution Rate Applications (Filing Requirements) for small electricity distributors issued on December 15th, 2022. The DSP can be found in Exhibit 2 of this application.

Cost Control

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

Connection of Renewable Generation

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

Financial Ratios

HHI's current liquidity rating of 1.90 increased from 1.92 in 2021, which is close to the indicator of good financial health.

Following Board policy, the utility uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates.

HHI's 2022 distribution rates were rebased and approved by the OEB in 2018, including an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

HHI's 2022 published return is 10.41%, which fell inside the +/- 3% range. Although the 2023 Benchmarking report has yet to be published, it's ROE is expected to be 0.64%

Overall Assessment and Performance Improvement Targets

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

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

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

Table 10 – 2022 Scorecard

Scorecard - Hydro Hawkesbury Inc.

8/3/2023

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	94.44%	91.30%	100.00%	100.00%	100.00%	↑	90.00%	
		Scheduled Appointments Met On Time	96.61%	98.86%	98.10%	100.00%	98.88%	↑	90.00%	
		Telephone Calls Answered On Time	99.99%	99.97%	99.96%	99.92%	99.95%	↓	85.00%	
	Customer Satisfaction	First Contact Resolution	96.13%	96.13	82.22	82	82			
		Billing Accuracy	99.98%	99.98%	99.54%	99.65%	99.95%	↓	98.00%	
		Customer Satisfaction Survey Results	87.20%	87.2	83.93	84	84			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	78.00%	76.00%	76.33%	89.00%	89.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	↔		C
		Serious Electrical Incident Index Number of General Public Incidents Rate per 10, 100, 1000 km of line	0	0	0	0	0	↔		0
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	2.92	1.01	5.63	8.10	11.91	↓		1.41
		Average Number of Times that Power to a Customer is Interrupted ²	1.92	0.68	2.66	2.11	4.65	↓		0.60
	Asset Management	Distribution System Plan Implementation Progress	Complete	complete	Completed	completed	complete.			
		Efficiency Assessment	1	1	1	1	1			
	Cost Control	Total Cost per Customer ³	\$313	\$289	\$305	\$319	\$327			
		Total Cost per Km of Line ³	\$24,783	\$22,613	\$23,523	\$24,699	\$25,176			
	Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time ⁴							
New Micro-embedded Generation Facilities Connected On Time									90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.53	1.60	1.77	1.92	1.90			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.83	0.77	0.70	0.66	0.61			
		Profitability: Regulatory Return on Equity	9.00%	9.00%	9.00%	9.00%	9.00%			
		Deemed (included in rates) Achieved	-4.10%	16.54%	6.57%	4.58%	10.41%			

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

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 ↑ up ↓ down ↔ flat
 Current year
 ● target met ● target not met

1.5.2 Activity & Performance-Based Benchmarking

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

1. Ensure that the unit cost metrics reflect the underlying business drivers of the costs themselves
2. Have the results of the unit cost models enable accurate comparability of unit costs between distributors

HHI is reporting in the table below its most recent results for 2022.

Table 11 – APB Benchmarking Analysis (Costs (\$1,000))

			2022	2018-2022 Avg	
1	Billing	O&M	270.44	249.09	-21.35
2	Metering	O&M	51.17	47.21	-3.96
3	Vegetation Mgmt.	O&M	84.68	75.54	-9.14
4	Lines	O&M	94.66	74.27	-20.38
5	Stations	O&M	5.89	15.47	9.58
6	Poles, Towers	O&M	22.70	12.35	-10.35
7	Stations	Capex	0.00	13.30	13.30
8	Poles, Towers	Capex	98.26	77.16	-21.09
9	Line Transformers	Capex	49.16	35.76	-13.39
10	Meters	Capex	57.03	34.36	-22.67

Billing

HHI is of the opinion that it has achieved the minimum cost and staffing necessary to operate the utility in a safe and reliable manner. HHI is currently operating at the lowest possible cost with respect to billing and invoicing. It employs fewer full-time equivalents (FTEs) than utilities of comparable size.

Metering

Between 2020 and 2023, HHI acquired an additional 1,000 residential meters to replace the expiring seals on all smart meters as well as have sufficient stock since delivery on smart meters since Covid is a major issue. Investing in new meters leads to reduced maintenance expenses. Meters undergo retesting and resealing in order to minimize

expenses. Moreover, this technique facilitates expedited delivery of the necessary meters because to the ongoing Covid-19 situation.

Veg Mgmt.

HHI has increased vegetation management efforts dramatically because it understands that preventative actions are essential in the event of severe and unpredictably occurring storms. Despite being rare, these storms have caused significant damage to Hydro Hawkesbury's infrastructure, necessitating expensive repairs and interruptions. HHI has set aside about \$113,500 from its OM&A budget expressly for vegetation management in order to reduce such hazards.

Given the unique problems presented by the town's landscape, this investment is essential. In many residential neighborhoods, backyards with century-old trees are crossed by overhead power lines, which makes crane use necessary for safe and efficient maintenance. The fact that the extra work required to preserve this complex environment usually depends on weather patterns emphasizes the relevance of this financial commitment. By means of its proactive approach, HHI not only safeguards its infrastructure but also ensures the community's ongoing dependence on its offerings.

Lines

HHI conducts annual inspections of the distribution system in accordance with the Regulation. All necessary improvements have been either rectified or incorporated into the future capital expenditures.

Station Maintenance

HHI's substations are now being maintained through a collaboration with Hydro Ottawa. This is discussed at Exhibit 2 and the DSP

Poles & Towers

HHI maintains its poles and towers as effectively as all its other assets. Given the relatively small size of HHI's service territory compared to other utilities, managing the pole replacement program is more controllable. The utility conducts annual pole tests and uses the results to inform its cost-of-service applications. On average, 10 poles are replaced each year.

Line Transformer Capex

HHI initiated a process of replacing deteriorating pad mount transformers and having them restored to minimize expenses and ensure a sufficient stock, as acquiring new transformers poses a difficulty due to long lead time for delivery.

Meters

Between 2020 and 2023, HHI acquired an additional 1,000 residential meters to replace the expiring seals on all smart meters as well as have sufficient stock since delivery on smart meters since Covid is a major issue. Some Residential Smart meters were also tested following the acceptance of the EDR to test the condition of existing meter and have the seal expiry increased by 7 years. A total of 125 commercial meters were purchased during the same period.

1.6. FINANCIAL INFORMATION

HHI's financial performance has remained strong over the past four years with an income of \$104,838, \$80,299, \$185,390 and \$132,611 for 2019, 2020, 2021 and 2022 respectively. The most recent financial statements were prepared under MIFRS accounting standards and are presented in Appendix A of this exhibit.

Actual Return vs. Allowed Return

Liquidity: Current Ratio (Current Assets/Current Liabilities)

HHI's historical ratios have been steady and an indicator of good financial health.

	2018	2019	2020	2021	2022
Liquidity	1.53	1.60%	1.77%	1.92%	1.90%

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

Since 2018, HHI had a total debt to equity ratio that is very steady. The ratio is diminishing as the debt is being paid off.

	2018	2019	2020	2021	2022
Liquidity	0.83	0.77	0.70	0.66	0.61

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

HHI's 2022/2023 distribution rates were rebased and approved by the OEB its 2018 Cost of Service and included an expected (deemed) return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

Profitability: Regulatory Return on Equity – Achieved

HHI's historically achieved ROE has fallen been with the 300 basis points of the Board-Approved ROE of 9.00%. HHI's budget process involves an analysis of the forecasted ROE. HHI's proposed ROE is 9.36%. HHI will continue to budget with consideration to the Board-Approved ROE and commits to staying within the 300 basis points going forward.

Table 12 - Return on Equity Table

	2018	2019	2020	2021	2022	2023
2018 Board Approved	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Actual Achieved	-4.10%	16.54%	6.57%	4.58%	10.41%	0.67%

Profit and Loss

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

- ✓ Operating Revenues for 2024 and 2025 are forecast to be \$2,216,500 and \$2,487,805
- ✓ Cost and Expenses for 2024 and 2025 are predicted to be \$1,873,072 and \$1,975,173
- ✓ Taxes for 2024 and 2025 are predicted to be \$0 and \$11,623 respectively.
- ✓ The net profit for 2025 is expected to be \$307.758

Table 13 – Profit and Loss

Income Statement	Board Approved	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected
	2018	2018	2019	2020	2021	2022	2023	2024	2025
Cost of Power	18,519,668	16,726,313	17,700,651	16,340,848	15,239,243	15,239,243	16,083,977	16,888,176	16,892,567
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
<i>Working Cap Allowance</i>	1,478,441	1,342,234	1,411,214	1,312,022	1,239,174	1,239,658	1,324,851	1,386,236	1,393,395
	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected
Derivation of Utility Income	2018	2018	2019	2020	2021	2022	2023	2024	2025
Operating Revenues			15.84%	1.90%	-0.17%	5.30%	3.91%		
Distribution Revenues	1,744,140	1,465,507	1,697,617	1,729,853	1,726,969	1,818,549	1,889,645	1,984,127	2,224,767
Other Revenue	214,216	246,083	99,365	144,023	100,720	154,182	221,308	232,373	243,992
Total Operating Revenues	1,958,356	1,711,590	1,796,982	1,873,876	1,827,689	1,972,732	2,110,953	2,216,500	2,468,759
OM&A Expenses	1,175,114	1,148,244	1,090,802	1,125,442	1,255,384	1,261,449	1,553,746	1,565,658	1,656,229
Depreciation & Amortization	281,068	270,962	268,253	268,210	272,289	277,095	271,900	278,099	289,138
Property and Taxes	17,768	19,900	22,728	25,335	25,697	26,088	26,963	27,315	27,805
Leap		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total Costs & Expenses	1,473,951	1,441,106	1,383,783	1,420,986	1,555,370	1,566,632	1,854,609	1,873,072	1,975,173
Deemed Interest Expenses	166,848	173,069	182,109	152,631	142,104	167,885	196,812	188,787	183,665
Total Expenses	1,640,799	1,614,175	1,565,892	1,573,618	1,697,473	1,734,517	2,051,421	2,061,859	2,158,837
Utility Income before Income Taxes / PILs	317,558	97,415	231,089	300,258	130,216	238,215	59,532	154,642	309,922
PILs / Income Taxes	10,538	30,991	-10,027	31,452	25,554	51,829	125,164	0	10,479
Adjustments for FS purposes (donations)		0	0	0	0	0	1	2	0
Utility Income	307,020	66,424	241,116	268,806	104,662	186,386	-65,631	154,644	299,443

1.6.1 Accounting Information

Changes in Tax Status:

HHI is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application, nor is it seeking a change in its tax status.

Existing/Proposed Accounting Order:

HHI confirms it implemented the regulatory accounting changes for depreciation and overhead capitalization in 2015. The 2025 Cost of Service Application has been filed on an MIFRS accounting basis.

Accounting Standard used in Application:

In accordance with the Filing Requirements, HHI has used MIFRS as the accounting standard for financial statements purposes since 2015.

Compliance with the Uniform System of Accounts

HHI has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application. HHI is not aware of any departures from the USoA or to any OEB accounting orders.

Accounting Treatment of Non-Utility Related Business.

HHI does not engage in non-utility related business.

Annual Report and MD&A.

HHI does not have an annual report. The MD&A Report filed with the OEB is presented at Appendix B of this Exhibit.

Reconciliation Between Financial Statements and Results Field.

HHI has reconciled its historical balances with its RRR filings. When discrepancies arise, HHI investigated and updated its RRR accordingly.

1.7. LDC CONSOLIDATION

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

“The OEB should continue to ensure that the structure and operations of the distribution sector constantly evolve towards optimal efficiency. To that end, the OEB should explore opportunities to enable proactive investment in energy infrastructure, such as protection and refurbishment, where utilities can prove there are long-term economic and reliability benefits to ratepayers. In previous years, these efficiencies have been found both through utility mergers/ acquisitions and with the formation of innovative partnerships between utilities.

Considering this, I also ask that the OEB require LDCs with fewer than 30,000 customers to file information within their cost-of-service applications on the extent to which they have investigated potential opportunities from consolidation or collaboration/partnerships with other distributors.”

HHI confirms that it has not become a party to a proposed or approved Merger and Acquisition transaction since its last cost of service application in 2018.

The topic of mergers would be discussed at a board of directors and municipal level which generally does not involve the utility. As far as the utility is aware, there is no desired to merge at this point and time.

- The distribution system is in great condition.
- The OEB’s no harm test would be hard to meet as HHI has the lowest rates in the province
- HHI’s customers could see a significant increase in rates in 5 to 10 years due to a merger or amalgamation.
- HHI retains better control over the operating costs, including reducing rates, if possible, on behalf of its current customers under its existing structure.
- HHI values and seeks to retain its position in Group 1 of the OEB’s benchmarking results.
- Potential loss of local office and customer service.
- Risk of lower quality customer service.
- Potential loss of bilingual office.
- Potential longer waits in power outages (depending on buyer)
- The cost of a MAADS application can reach-200K (\$90/customer)

HHI does not believe that a merger with a larger utility would result in better service, lower rates and a more efficiencies. So far, HHI's executive does not see any value in acquiring smaller or equal sized utilities as it would most likely hurt its performance and ranking.

APPENDICES

List of Appendices

Appendix A	Financial Statement
Appendix B	MD&A Report
Appendix C	Detailed Map

APPENDICES A

Financial Statement

Financial statements of
États financiers de
Hawkesbury Hydro Inc.
Hydro Hawkesbury Inc.

December 31, 2023
31 décembre 2023

Independent Auditors Report	1 – 4	Rapport de l'auditeur indépendant
Balance sheet	5	Bilan
Statement of loss	6	État des résultats
Statement of changes in equity	7	État des variations des capitaux propres
Statement of cash flows	8	État des flux de trésorerie
Notes to the financial statements	9 – 33	Notes complémentaires



Independent Auditor's Report

To the Directors of
Hawkesbury Hydro Inc.

Opinion

We have audited the financial statements of Hawkesbury Hydro Inc. (the "Corporation"), which comprise the balance sheet as at December 31, 2023, and the statements of loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2023, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

May 15, 2024

MNP s.r.l./LLP

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Rapport de l'auditeur indépendant

Aux administrateurs de
Hydro Hawkesbury Inc.

Opinion

Nous avons effectué l'audit des états financiers de Hydro Hawkesbury Inc. (la « Société »), qui comprennent le bilan au 31 décembre 2023, et les états des résultats, des variations des capitaux propres et des flux de trésorerie pour l'exercice clos à cette date, ainsi que les notes complémentaires, y compris le résumé des principales méthodes comptables (appelés collectivement les « états financiers »).

À notre avis, les états financiers ci-joints donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la Société au 31 décembre 2023, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date, conformément aux Normes internationales d'information financière (IFRS).

Fondement de l'opinion

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

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

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

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

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

Responsabilités de l'auditeur à l'égard de l'audit des états financiers

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

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

- Nous identifions et évaluons les risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, concevons et mettons en œuvre des procédures d'audit en réponse à ces risques, et réunissons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative résultant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne.
- Nous acquérons une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de la Société.
- Nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, de même que des informations y afférentes fournies par cette dernière.
- Nous tirons une conclusion quant au caractère approprié de l'utilisation par la direction du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la Société à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport sur les informations fournies dans les états financiers au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre rapport. Des événements ou situations futurs pourraient par ailleurs amener la Société à cesser son exploitation.
- Nous évaluons la présentation d'ensemble, la structure et le contenu des états financiers, y compris les informations fournies dans les notes, et apprécions si les états financiers représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

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

MNP s.r.l.

Comptables professionnels agréés
Experts-comptables autorisés

Le 15 mai 2024

MNP s.r.l./LLP

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Hawkesbury Hydro Inc.
Balance sheet

As at December 31, 2023

Hydro Hawkesbury Inc.
Bilan

au 31 décembre 2023

	2023	2022	
	\$	\$	
Assets			Actif
Current assets			À court terme
Cash	1,502,941	1,978,933	Encaisse
Accounts receivable (Note 4)	1,848,853	1,560,677	Débiteurs (note 4)
Inventories	57,845	88,201	Stocks
Unbilled revenues	1,813,664	1,703,087	Revenus non facturés
Income taxes	94,112	121,166	Impôts sur les bénéfices
Prepaid expenses	51,195	49,985	Frais payés d'avance
	5,368,610	5,502,049	
Property, plant and equipment (Note 5)	7,467,698	7,219,779	Immobilisations corporelles (note 5)
Intangible assets (Note 6)	11,122	16,525	Immobilisations incorporelles (note 6)
	12,847,430	12,738,353	
Regulatory deferral account debit balances (Note 7)	96,426	86,439	Soldes débiteurs des comptes de report réglementaires (note 7)
	12,943,856	12,824,792	
Liabilities			Passif
Current liabilities			À court terme
Accounts payable and accrued liabilities (Note 9)	2,960,728	2,730,325	Créditeurs et charges à payer (note 9)
Current portion of long-term debt (Note 10)	123,010	137,390	Tranche à court terme de la dette à long terme (note 10)
Current portion of other financial liabilities (Note 11)	83,554	85,379	Tranche à court terme des autres passifs financiers (note 11)
	3,167,292	2,953,094	
Long-term debt (Note 10)	2,862,870	2,985,881	Dette à long terme (note 10)
Provision for sick leave benefits	56,612	52,608	Provision pour congés de maladie
Other financial liabilities (Note 11)	292,805	364,463	Autres passifs financiers (note 11)
Deferred revenues	776,951	548,497	Revenus reportés
Deferred tax liabilities (Note 20)	154,932	29,768	Passif d'impôts différés (note 20)
	7,311,462	6,934,311	
Contingencies and commitments (Notes 18 and 19)			Éventualités et engagements (notes 18 et 19)
Shareholder's equity			Capitaux propres
Share capital (Note 12)	1,689,346	1,689,346	Capital-actions (note 12)
Retained earnings	3,249,922	3,400,019	Bénéfices non répartis
	4,939,268	5,089,365	
	12,250,730	12,023,676	
Regulatory deferral account credit balances (Note 13)	693,126	801,116	Soldes créditeurs des comptes de report réglementaires (note 13)
	12,943,856	12,824,792	

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Approved by the Board

Au nom du conseil

Director _____ administrateur

Director _____ administrateur

Hawkesbury Hydro Inc.
Statement of loss
Year ended December 31, 2023

Hydro Hawkesbury Inc.
État des résultats
Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Revenue			Revenus
Energy (Note 14)	16,622,418	16,893,109	Énergie (note 14)
Distribution (Note 14)	1,917,008	1,604,113	Distribution (note 14)
Other operating revenues	328,829	262,649	Autres revenus d'exploitation
	18,868,255	18,759,871	
Cost of power	16,799,084	17,151,409	Coût de l'énergie
	2,069,171	1,608,462	
Expenses (Note 15)			Charges (note 15)
Administrative and general	572,056	482,170	Administratives et générales
Depreciation and amortization	271,900	277,095	Amortissement
Billing and collecting	617,901	443,373	Facturation et perception
Distribution – operation and maintenance	365,485	339,488	Distribution – exploitation et entretien
Interest	138,524	133,293	Intérêts
Property taxes	26,963	26,088	Impôts fonciers
Other (Note 15)	134,785	110,482	Autres (note 15)
	2,127,614	1,811,989	
(Loss) income before regulatory items and income taxes	(58,443)	(203,527)	Résultat avant éléments réglementaires et impôts
Net movement in regulatory deferral accounts	(117,977)	(435,863)	Variations nettes des comptes de report réglementaires
Income tax expense (Note 20)	125,164	51,829	Impôts sur le résultat (note 20)
	7,187	(384,034)	
Net (loss) income	(65,630)	180,507	Résultat net

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Hawkesbury Hydro Inc.
Statement of changes in equity
 Year ended December 31, 2023

Hydro Hawkesbury Inc.
État des variations des capitaux propres
 Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Retained earnings, beginning of year	3,400,019	3,303,979	Bénéfices non répartis au début
Net (loss) income	(65,630)	180,507	Résultat net
Dividend on Class A shares	(84,467)	(84,467)	Dividende sur les actions de catégorie A
Retained earnings, end of year	3,249,922	3,400,019	Bénéfices non répartis à la fin

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Hawkesbury Hydro Inc.
Statement of cash flows
Year ended December 31, 2023

Hydro Hawkesbury Inc.
État des flux de trésorerie
Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Operating activities			Activités d'exploitation
Net (loss) income	(65,630)	180,507	Résultat net
Items not affecting cash:			Éléments sans effet sur la trésorerie :
Depreciation and amortization	271,900	277,095	Amortissement
Loss on sale of property, plant and equipment	7,049	3,003	Perte à la cession d'immobilisations corporelles
Net movement in regulatory deferral accounts	(117,977)	(435,863)	Variations nettes des comptes de report réglementaires
Deferred tax	125,164	118,884	Impôts différés
Provision for sick leave benefits	4,004	(287)	Provision pour congés de maladie
Net change in non-cash operating working capital items (Note 22)	(66,781)	(171,607)	Variation nette des éléments hors caisse du fonds de roulement (note 22)
	157,729	(28,268)	
Investing activities			Activités d'investissement
Purchase of capital assets	(584,500)	(306,102)	Acquisition d'immobilisations
Financing activities			Activités de financement
Repayment of long-term debt	(137,391)	(188,052)	Remboursement de la dette à long terme
Decrease in other financial liabilities	(73,483)	(43,854)	Diminution des autres passifs financiers
Deferred revenues received	246,120	65,854	Revenus reportés reçus
Dividend paid	(84,467)	(84,467)	Dividende payé
	(49,221)	(250,519)	
Net decrease in cash	(475,992)	(584,889)	Diminution nette de l'encaisse
Cash, beginning of year	1,978,933	2,563,822	Encaisse au début
Cash, end of year	1,502,941	1,978,933	Encaisse à la fin

See additional information presented in Note 22.

Voir les renseignements complémentaires présentés à la note 22.

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

1. Description of the business

Hawkesbury Hydro Inc. (the “Corporation”) was incorporated on October 25, 2000, under the Ontario *Business Corporations Act* and is wholly owned by the Corporation of the Town of Hawkesbury. The Corporation is incorporated and domiciled in Canada with its head and registered office located at 850 Tupper Street, Hawkesbury, Ontario, K6A 3S7.

The principal activity of the Corporation is the distribution of electricity in the service areas of the Town of Hawkesbury in the Province of Ontario, under a licence issued by the Ontario Energy Board (OEB). The Corporation is regulated under the OEB and adjustments to the distribution rates require OEB approval.

As a condition of its distribution license, the Corporation is required to meet specified Conservation and Demand Management (CDM) targets for reductions in electricity consumption and peak electricity demand. As part of this initiative, the Corporation is delivering Ontario Power Authority (OPA) funded programs in order to meet its targets.

Under the *Green Energy and Green Economy Act, 2009*, the Corporation and other Ontario electricity distributors have new opportunities and responsibilities to generate renewable energy.

2. Basis of preparation

(a) Statement of compliance

These financial statements were prepared by the management of the Corporation in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

These financial statements for the year ended December 31, 2023, were approved by the board of directors on May 15, 2024.

(b) Basis of measurement

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

(c) Presentation currency

The financial statements are presented in Canadian dollars, which is also the Corporation’s functional currency.

1. Description de l’entreprise

Hydro Hawkesbury Inc. (la « Société »), constituée le 25 octobre 2000, en vertu de la *Loi sur les sociétés par actions* de l’Ontario, est détenue à 100 % par la Corporation de la Ville de Hawkesbury. La Société a été incorporée et est résidente du Canada avec son siège social situé au 850, rue Tupper, Hawkesbury, Ontario, K6A 3S7.

L’activité principale de la Société est la distribution d’électricité dans les zones de service de la Ville de Hawkesbury dans la province de l’Ontario, en vertu d’une licence délivrée par la Commission de l’énergie de l’Ontario (CÉO). La Société est régie par la CÉO et les modifications aux tarifs de distribution nécessitent l’approbation de la CÉO.

Comme condition de sa licence de distribution, la Société est tenue d’atteindre des objectifs de conservation et de gestion de la demande (CGD) pour réduire la consommation d’électricité et la demande de pointe. Dans le cadre de cette initiative, la Société offre des programmes financés par l’Office de l’électricité de l’Ontario (OPA) dans le but d’atteindre ses objectifs.

En vertu de la *Loi de 2009 sur l’énergie verte et l’économie verte*, la Société et d’autres distributeurs d’électricité de l’Ontario ont de nouvelles opportunités et responsabilités quant à la génération d’énergie renouvelable.

2. Base de préparation

(a) Déclaration de conformité

Ces états financiers ont été préparés par la direction de la Société conformément aux Normes internationales d’information financière (IFRS) telles que publiées par l’International Accounting Standards Board (IASB).

Ces états financiers pour l’exercice clos le 31 décembre 2023 ont été approuvés par le conseil d’administration le 15 mai 2024.

(b) Base d’évaluation

Les états financiers ont été préparés sur la base du coût historique.

(c) Monnaie de présentation

Les états financiers sont présentés en dollars canadiens, ce qui est également la monnaie fonctionnelle de la Société.

2. Basis of preparation (continued)

(d) *Use of estimates and judgments (continued)*

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the amounts reported and disclosed in the financial statements. Estimates and underlying assumptions are continually reviewed and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant sources of estimation uncertainty, assumptions and judgments include the following:

(i) Unbilled revenues

The measurement of unbilled revenues is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

(ii) Useful lives of depreciable assets

Depreciation and amortization expense is based on estimates of the useful life of property, plant and equipment and intangible assets. The Corporation estimates the useful life of its property, plant and equipment and intangible assets based on management's judgment, historical experience and an asset study conducted by an independent consulting firm.

(iii) Cash Generating Units (CGU)

Determining CGU's for impairment testing is based on Management's judgment. The impairment testing requires an estimation of the value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

The Corporation has only one CGU.

(iv) Valuation of financial instruments

As described in Note 23, the Corporation uses the discounted cash flow model to estimate the fair value of the financial instruments for disclosure purposes.

(v) Other areas

There are a number of other areas in which the Corporation makes estimates; these include the allowance for doubtful accounts and income taxes. These amounts are reported based on the amounts expected to be recovered/refunded and an appropriate allowance has been provided based on the Corporation's best estimate of unrecoverable amounts.

2. Base de préparation (suite)

(d) *Utilisation d'estimations et jugements (suite)*

La préparation d'états financiers conformément aux IFRS exige que la direction ait recours à des estimations, des hypothèses et des jugements qui ont une incidence sur l'application des méthodes comptables et les montants déclarés et présentés dans les états financiers. Les estimations et les hypothèses sous-jacentes sont continuellement examinées et sont basées sur l'expérience historique et d'autres facteurs qui sont considérés comme pertinents. Les résultats réels pourraient différer de ces estimations.

Les importantes sources d'incertitude liées aux estimations, hypothèses et jugements sont les suivantes :

(i) Revenus non facturés

La mesure des revenus non facturés est basée sur une estimation de la quantité d'électricité livrée aux clients entre la date de la dernière facture et la fin de l'exercice.

(ii) Durée de vie utile des actifs amortissables

La charge d'amortissement est basée sur des estimations de la vie utile des immobilisations corporelles et des actifs incorporels. La Société estime la durée de vie utile de ses immobilisations corporelles et des actifs incorporels selon le jugement de la direction, l'expérience historique et une étude d'actifs menée par un cabinet de conseil indépendant.

(iii) Unités génératrices de trésorerie (UGT)

La détermination des UGT pour le test de dépréciation est basée sur le jugement de la direction. Le test de dépréciation nécessite une estimation de la valeur d'utilité. La valeur d'utilité nécessite une estimation des flux de trésorerie futurs attendus de l'UGT et un taux d'actualisation approprié pour calculer la valeur actuelle.

La Société dispose d'une seule UGT.

(iv) Évaluation des instruments financiers

Comme il est décrit à la note 23, la Société utilise le modèle de flux de trésorerie actualisés pour estimer la juste valeur des instruments financiers à des fins de présentation.

(v) Autres domaines

Il y a un certain nombre d'autres domaines dans lesquels la Société fait des estimations; ceux-ci comprennent la provision pour créances douteuses et les impôts sur les bénéfices. Ces montants sont présentés en fonction des montants qui devraient être recouverts/remboursés et une provision a été calculée selon la meilleure estimation de la Société des montants non recouvrables.

3. Significant accounting policies

The Corporation's financial statements are the representations of management, prepared in accordance with IFRS. The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

The financial statements reflect the following significant accounting policies:

(a) Rate regulation

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may prescribe license requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, and filing process requirements for rate-setting purposes.

The Corporation recognizes revenue when electricity is delivered to customers based on OEB approved rates. Operating costs and expenses are recorded when incurred, unless such costs qualify for recognition as part of an item of property, plant and equipment or as an intangible asset.

As prescribed by the OEB, on a monthly basis, the Corporation compares its energy revenues and expenses and puts the difference in its regulatory deferral account debit/credit balances. Being an electricity distributor, the Corporation is not allowed to make any profit on the sale of energy. The Corporation also has to transfer to its regulatory deferral account debit/credit balances, when directed by OEB, expenses which were not considered in the cost of services. Carrying charges are also calculated on the regulatory deferral account debit/credit balances on a monthly basis at a prescribed rate determined by OEB.

3. Principales conventions comptables

Les états financiers de la Société sont les déclarations de la direction, préparés conformément aux IFRS. Les méthodes comptables présentées ci-dessous ont été appliquées de manière cohérente à tous les exercices présentés dans ces états financiers, sauf indication contraire.

Les états financiers reflètent les principales conventions comptables suivantes :

(a) Tarifs réglementés

La *Loi de 1998 sur la Commission de l'énergie de l'Ontario* a donné à la CÉO des pouvoirs accrus et des responsabilités pour réglementer l'industrie de l'électricité. Ces pouvoirs et responsabilités comprennent le pouvoir d'approuver ou de fixer les taux de transmission et de distribution d'électricité, le pouvoir de fournir une protection tarifaire continue pour les clients ruraux et éloignés et la responsabilité de veiller à ce que les sociétés de distribution remplissent leurs obligations de brancher et servir les clients. La CÉO peut imposer des exigences de licence et des conditions, y compris, entre autres, des registres comptables appropriés, des principes comptables réglementaires et des exigences pour le processus d'établissement des tarifs.

La Société constate les revenus lorsque l'électricité est livrée aux clients basés sur les tarifs établis par la CÉO. Les coûts et les charges d'exploitation sont constatés lorsqu'ils sont engagés, à moins que ces coûts soient admissibles en tant qu'immobilisation corporelle ou immobilisation incorporelle.

Comme requis par la CÉO, sur une base mensuelle, la Société doit comparer ses revenus et charges d'énergie et mettre la différence dans les soldes débiteurs/crédoeurs des comptes de report réglementaires. Étant un distributeur d'énergie, la Société ne peut pas faire de profit sur les ventes d'énergie. La Société doit également transférer dans ses soldes débiteurs/crédoeurs des comptes de report réglementaires, lorsqu'exigé par la CÉO, des charges non considérées dans le coût de service. Des frais financiers sont également calculés sur les soldes débiteurs/crédoeurs des comptes de report réglementaires sur une base mensuelle au taux prescrit établi par la CÉO.

3. Significant accounting policies (continued)

(b) *Revenue recognition*

(i) Electricity distribution and sale

Revenue from the sale and distribution of electricity is recorded on the basis of cyclical billings based on electricity usage and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed. Revenue is generally comprised of the following:

- Electricity price and related rebates:
The electricity price and related rebates represent a pass through of the commodity cost of electricity.
- Distribution rate:
The distribution rate is designed to recover the costs incurred by the Corporation in delivering electricity to customers, as well as the ability to earn the OEB allowed rate of return. Distribution charges are regulated by the OEB and typically comprise a fixed charge and a usage-based (consumption) charge.
- Retail transmission rate:
The retail transmission rate represents a pass through of costs charged to the Corporation for the transmission of electricity from generating stations to the Corporation's service area. Retail transmission rates are regulated by the OEB.
- Wholesale market service charge:
The wholesale market service charge represents a pass through of various wholesale market support costs charged by Hydro One, a supplier.

(ii) Other revenue

Other revenue includes revenue from the sale of other services and interest revenues.

Revenue related to the sale of other services is recognized as services are rendered.

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers or customers ("customer contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred revenue and amortized into income over the life of the related assets. Contributions in-kind are valued at their fair value at the date of their contribution.

Government grants under CDM programs are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

3. Principales conventions comptables (suite)

(b) *Constatation des revenus*

(i) Distribution et vente d'électricité

Les revenus provenant de la vente et la distribution d'électricité sont enregistrés selon le cycle de facturation en fonction de la consommation et comprennent également des revenus non facturés à l'égard de l'électricité livrée mais non encore facturée. Les revenus sont composés des éléments suivants :

- Prix de l'électricité et rabais connexes :
Le prix de l'électricité et les rabais connexes représentent les coûts réels.
Tarifs de distribution :
Les tarifs de distribution sont conçus pour récupérer les coûts engagés par la Société pour fournir l'électricité aux clients, ainsi qu'un taux de rendement autorisé par la CÉO. Les tarifs de distribution sont réglementés par la CÉO et comprennent une charge fixe et une charge basée sur la consommation.
- Tarifs de transmission de détail :
Les tarifs de transmission de détail représentent les coûts pour la transmission de l'électricité à partir des stations de production d'électricité jusqu'aux zones de services exploitées par la Société. Les tarifs de transmission de détail sont réglementés par la CÉO.
- Frais de service du marché en gros :
Les frais de service du marché en gros représentent les coûts facturés par Hydro One, un fournisseur, pour divers coûts de support.

(ii) Autres revenus

Les autres revenus comprennent les revenus provenant de la vente de services et les revenus d'intérêts.

Les revenus liés à la vente d'autres services sont comptabilisés lorsque les services sont rendus.

Certaines immobilisations corporelles sont acquises ou construites avec l'aide financière de développeurs ou clients sous forme de contributions. Ces contributions, en espèces ou en nature, sont comptabilisées à titre de revenus reportés et sont amorties sur la durée de vie utile des immobilisations corporelles correspondantes. Les contributions en nature sont évaluées à leur juste valeur à la date de leur contribution.

Les subventions au titre des programmes de CGD sont comptabilisées lorsqu'il existe une assurance raisonnable que la subvention sera reçue et que toutes les conditions attachées seront respectées. Lorsque la subvention est liée à un élément de charge, elle est comptabilisée comme revenu au même rythme que les charges correspondantes sont comptabilisées.

3. Significant accounting policies (continued)

(c) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as loans and receivables or as other liabilities. Transaction costs for financial assets classified as loans and receivables and financial liabilities classified as other liabilities are capitalized as part of the carrying value at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortized cost using the effective interest rate method, less any impairment losses. Losses are recognized in net income when the loans and receivables are derecognized or impaired.

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and the loss event has had a negative effect on estimated future cash flows of the asset which are reliably measurable.

Loans and receivables are comprised of cash, accounts receivable and unbilled revenues.

(ii) Other liabilities

All non-derivative financial liabilities are classified as other liabilities. Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when either the Corporation is discharged from its obligation, the obligation expires, or the obligation is cancelled or replaced by a new financial liability with substantially modified terms.

Financial liabilities are further classified as current or non-current depending on whether they will fall due within twelve months after the balance sheet date or beyond.

Other liabilities are comprised of construction loan, accounts payable and accrued liabilities, long-term debt and other financial liabilities.

3. Principales conventions comptables (suite)

(c) *Instruments financiers*

Les actifs financiers et passifs financiers sont initialement comptabilisés à la juste valeur et sont subséquemment comptabilisés selon leur classification comme prêts et créances ou comme autres passifs. Les coûts de transaction pour les actifs financiers classés comme prêts et créances et les passifs financiers classés comme autres passifs sont capitalisés comme la valeur comptable à la comptabilisation initiale.

(i) Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables qui ne sont pas cotés sur un marché actif. Après la comptabilisation initiale, ces actifs financiers sont comptabilisés au coût après amortissement selon la méthode du taux d'intérêt effectif, déduction faite des pertes de valeur. Les pertes sont comptabilisées dans le résultat net lorsque les prêts et créances sont décomptabilisés ou dépréciés.

Les prêts et créances sont évalués à chaque date de clôture afin de déterminer s'il y a des preuves de dépréciation. Un actif financier est déprécié si des preuves objectives démontrent qu'un événement s'est produit après la constatation initiale de l'actif et que l'événement, qui peut être mesuré de manière fiable, a eu un effet négatif sur les flux de trésorerie futurs estimés.

Les prêts et créances sont composés de l'encaisse, des débiteurs et des revenus non facturés.

(ii) Autres passifs

Les passifs non dérivés sont classés comme autres passifs. Après la comptabilisation initiale, les autres passifs sont évalués au coût amorti selon la méthode du taux d'intérêt effectif.

Les passifs financiers sont décomptabilisés lorsque la Société est déchargée de son obligation, l'obligation prend fin, ou l'obligation est annulée ou remplacée par un nouveau passif financier avec des termes sensiblement modifiés.

Les passifs financiers sont classés comme courants ou non courants selon qu'ils arriveront à échéance dans les douze mois après la date de clôture du bilan ou plus tard.

Les autres passifs sont composés de l'emprunt pour construction, des créditeurs et charges à payer, la dette à long terme et les autres passifs financiers.

3. Significant accounting policies (continued)

(d) *Property, plant and equipment*

Property, plant and equipment (PP&E) are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and includes contracted services, cost of materials, direct labour and borrowing costs incurred in respect of qualifying assets. When parts of an item of PP&E have different useful lives, they are accounted for as separate components of PP&E.

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

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

Depreciation of PP&E is recognized on a straight-line basis over the estimated useful life of each component of PP&E. The estimated useful lives are as follows:

Building	15 to 50 years
Distribution equipment	15 to 60 years
Transmission equipment	45 years

Other assets

Computer hardware	5 years
Vehicles	8 years
Tools and equipment	8 to 10 years
Office equipment and furniture	10 years

Where an asset is composed of several significant components having different useful lives or providing economic benefits at a different pace, each component is accounted for separately, and each component is amortized on the duration of amortization of its own.

Depreciation methods and useful lives are reviewed at each financial year-end and any changes are adjusted prospectively.

3. Principales conventions comptables (suite)

(d) *Immobilisations corporelles*

Les immobilisations corporelles sont évaluées au coût moins l'amortissement cumulé et les pertes de valeur cumulées. Le coût comprend les charges qui sont directement attribuables à l'acquisition de l'actif qui inclut les services contractuels, le coût des matériaux, de la main-d'œuvre directe et les coûts d'emprunt engagés à l'égard des actifs qualifiés. Lorsque des portions d'une immobilisation corporelle ont des durées de vie utile différentes, elles sont divisées par composantes.

Les pièces de rechange principales et le matériel de secours sont reconnus comme des éléments des immobilisations corporelles.

Lorsque des immobilisations corporelles sont disposées, le gain ou la perte sur disposition est déterminé en comparant le produit de disposition à la valeur comptable et est comptabilisé dans le résultat net.

L'amortissement des immobilisations corporelles est comptabilisé selon la méthode linéaire sur la durée de vie utile estimative de chaque composante. Les durées de vie utile estimées sont les suivantes :

Immeuble	15 à 50 ans
Équipement de distribution	15 à 60 ans
Équipement de transmission	45 ans

Autres actifs

Matériel informatique	5 ans
Véhicules	8 ans
Outils et équipement	8 à 10 ans
Matériel et mobilier de bureau	10 ans

Lorsqu'une immobilisation corporelle est composée de plusieurs éléments significatifs ayant des durées d'utilité différentes ou procurant des avantages économiques selon un rythme différent, chaque élément est comptabilisé séparément, et chaque composante est amortie selon la durée d'amortissement qui lui est propre.

Les méthodes d'amortissement et les durées de vie sont révisées annuellement et les ajustements sont comptabilisés de façon prospective.

3. Significant accounting policies (continued)

(e) *Intangible assets*

Intangible assets include computer software. They are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software is amortized on a straight-line basis over the estimated useful lives from the date that they are available for use. The estimated useful life is five years.

Amortization methods and useful lives are reviewed at each financial year-end and adjusted prospectively.

Intangible assets also include land rights which are measured at cost and are not amortized.

(f) *Impairment of non-financial assets*

The carrying amounts of the Corporation's non-financial 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. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows expected to be derived from an asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of those from other assets or CGU.

Impairment losses are recognized in net income. Impairment losses relating to CGU are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. No impairment loss was recognized during the year.

In respect of 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.

3. Principales conventions comptables (suite)

(e) *Immobilisations incorporelles*

Les immobilisations incorporelles incluent les logiciels. Ils sont évalués au coût moins l'amortissement cumulé et les pertes de valeur cumulées.

Les logiciels sont amortis linéairement sur la durée de vie estimative à compter de la date à laquelle ils sont disponibles pour utilisation. La durée de vie estimée est de cinq ans.

Les méthodes d'amortissement et les durées de vie sont révisées annuellement et les ajustements sont comptabilisés de façon prospective.

Les immobilisations incorporelles incluent aussi les droits de passage qui sont évalués au coût et ne sont pas amortis.

(f) *Dépréciation d'actifs non financiers*

La valeur comptable des actifs non financiers de la Société sont examinés à chaque date de clôture afin de déterminer s'il existe un indice de perte de valeur. Si une telle indication existe, la valeur recouvrable de l'actif est estimée. Une perte de valeur est comptabilisée si la valeur comptable d'un actif ou d'une UGT excède sa valeur recouvrable.

La valeur recouvrable d'un actif ou d'une UGT est le plus élevé de sa valeur d'utilité et la juste valeur diminuée des coûts de sortie. La valeur d'utilité est calculée comme la valeur actuelle des flux de trésorerie futurs estimatifs susceptibles de découler d'un actif ou d'une UGT.

Aux fins du test de dépréciation, les actifs sont regroupés dans le plus petit groupe d'actifs qui génère des entrées de trésorerie largement indépendantes de celles d'autres actifs ou d'une UGT.

Les pertes de valeur sont comptabilisées dans le résultat net. Les pertes de valeur ayant rapport à une UGT sont réparties au prorata afin de réduire la valeur comptable des autres actifs de cette UGT. Aucune perte de valeur n'a été comptabilisée au cours de l'exercice.

En ce qui concerne les autres actifs, une perte de valeur n'est reprise que dans la mesure où la valeur comptable de l'actif ne dépasse pas la valeur comptable qui aurait été déterminée, déduction faite des amortissements, si aucune perte de valeur n'avait été reconnue.

3. Significant accounting policies (continued)

(g) *Payment in lieu of corporate income taxes (PILs)*

Under the *Electricity Act, 1998*, the Corporation is required to make payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). The payments in lieu of taxes are calculated on a basis as if the Corporation was a taxable company under the *Income Tax Act (Canada)* and the *Taxation Act, 2007 (Ontario)*.

Income tax expense comprises current and deferred tax and is recognized in net income except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is 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, using the liability method, on temporary differences arising between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized.

(h) *Provision for sick leave benefits*

Employees earn one day of sick leave benefit for every month worked. Unused benefits, which can accrue to a maximum of 130 days, are payable at 50% upon retirement. Accrued benefits above 130 days are payable at 50% at the beginning of the following year.

(i) *Customers' deposits*

Deposits are taken to guarantee the payment of utility bills or ensure contract performance by the counterparty.

3. Principales conventions comptables (suite)

(g) *Paiement en remplacement d'impôts sur les bénéfices (PILs)*

En vertu de la *Loi de 1998 sur l'électricité*, la Société est tenue d'effectuer des paiements en remplacement d'impôts sur les bénéfices à la Société financière de l'industrie de l'électricité de l'Ontario (SFIEO). Les paiements en remplacement d'impôts sur les bénéfices sont calculés comme si la Société était une société imposable en vertu de la *Loi de l'impôt sur le revenu (Canada)* et de la *Loi de 2007 sur les impôts (Ontario)*.

La charge d'impôt sur le résultat inclut l'impôt exigible et différé et est comptabilisée en résultat net, sauf dans la mesure où elle se rapporte à des éléments comptabilisés directement dans les autres éléments du résultat étendu.

L'impôt exigible est le montant des impôts à payer ou à recevoir sur le revenu imposable ou de la perte de l'exercice, selon les taux en vigueur à la date de clôture, ainsi que tout ajustement de l'impôt dû au titre des exercices précédents.

L'impôt différé est comptabilisé selon la méthode des impôts futurs, sur les différences temporaires entre la valeur comptable des éléments du bilan et leur valeur fiscale, en utilisant les taux d'imposition pratiquement en vigueur pour les exercices où les écarts devraient se résorber.

En outre, l'impôt différé n'est pas reconnu pour les différences temporelles imposables liées à la comptabilisation initiale de l'achalandage.

Un actif d'impôt différé est comptabilisé pour les différences temporelles déductibles, dans la mesure où il est probable qu'un bénéfice imposable futur sera disponible pour être appliqué contre ces montants.

(h) *Provision pour congés de maladie*

Les employé(e)s accumulent une journée de maladie pour chaque mois travaillé. Les journées non utilisées, qui peuvent être accumulées jusqu'à un maximum de 130 jours, sont payables à la retraite à 50 %. Les journées accumulées au-delà de 130 jours sont payables à 50 % au début de l'exercice suivant.

(i) *Dépôts de clients*

Des dépôts sont pris en garantie de paiement des factures de services publics ou pour assurer l'exécution du contrat par la contrepartie.

4. Accounts receivable

4. Débiteurs

	2023	2022	
	\$	\$	
Electrical energy	1,683,729	1,362,680	Énergie électrique
Town of Hawkesbury	93,133	77,870	Ville de Hawkesbury
Commodity taxes receivable	13,134	32,668	Taxes à la consommation à recevoir
Other	84,706	90,249	Autres
	1,874,702	1,563,467	
Allowance for doubtful accounts	(25,849)	(2,790)	Provision pour créances douteuses
	1,848,853	1,560,677	

5. Property, plant and equipment

5. Immobilisations corporelles

Cost	Land/ Terrain	Building/ Immeuble	Distribution equipment/ Équipement de distribution	Transmission equipment/ Équipement de transmission	Other assets/ Autres actifs	Construction in progress/ Construction en cours	Total	Coût	
								\$	\$
Balance as at December 31, 2021	48,300	678,021	2,790,567	5,439,543	70,304	-	9,026,735	Solde au 31 décembre 2021	
Additions	-	-	268,807	56,556	2,210	-	327,573	Acquisitions	
Disposals	-	-	(4,804)	-	-	-	(4,804)	Dispositions	
Balance as at December 31, 2022	48,300	678,021	3,054,570	5,496,099	72,514	-	9,349,504	Solde au 31 décembre 2022	
Additions	-	1,995	275,042	12,153	3,821	246,120	539,131	Acquisitions	
Disposals	-	-	(13,393)	-	-	-	(13,393)	Dispositions	
Balance as at December 31, 2023	48,300	680,016	3,316,219	5,508,252	76,335	246,120	9,875,242	Solde au 31 décembre 2023	
Accumulated depreciation									
Balance as at December 31, 2021	-	279,877	810,999	702,766	53,468	-	1,847,110	Solde au 31 décembre 2021	
Depreciation	-	35,501	121,706	122,898	4,311	-	284,416	Amortissement	
Disposals	-	-	(1,801)	-	-	-	(1,801)	Dispositions	
Balance as at December 31, 2022	-	315,378	930,904	825,664	57,779	-	2,129,725	Solde au 31 décembre 2022	
Depreciation	-	35,556	120,415	124,151	4,041	-	284,163	Amortissement	
Disposals	-	-	(6,344)	-	-	-	(6,344)	Dispositions	
Balance as at December 31, 2023	-	350,934	1,044,975	949,815	61,820	-	2,407,544	Solde au 31 décembre 2023	
Net carrying amounts									
As at December 31, 2022	48,300	362,643	2,123,666	4,670,435	14,735	-	7,219,779	Valeur comptable nette Au 31 décembre 2022	
As at December 31, 2023	48,300	329,082	2,271,244	4,558,437	14,515	246,120	7,467,698	Au 31 décembre 2023	

6. Intangible assets

	Computer software/ Logiciels	Land rights/ Droits de passage	Total	
	\$	\$	\$	
Cost				Coût
Balance as at December 31, 2021, 2022 and 2023	123,977	5,980	129,957	Solde au 31 décembre 2021, 2022 et 2023
Accumulated amortization				Amortissement cumulé
Balance as at December 31, 2021	104,169	-	104,169	Solde au 31 décembre 2021
Amortization	9,263	-	9,263	Amortissement
Balance as at December 31, 2022	113,432	-	113,432	Solde au 31 décembre 2022
Amortization	5,403	-	5,403	Amortissement
Balance as at December 31, 2023	118,835	-	118,835	Solde au 31 décembre 2023
Net carrying amounts				Valeur comptable nette
As at December 31, 2022	10,545	5,980	16,525	Au 31 décembre 2022
As at December 31, 2023	5,142	5,980	11,122	Au 31 décembre 2023

6. Immobilisations incorporelles

7. Regulatory deferral account debit balances

	2023	2022	
	\$	\$	
Low voltage charges	96,007	86,439	Distribution à faible tension
Amounts recoverable from clients	419	-	Montants à récupérer des clients
	96,426	86,439	

7. Soldes débiteurs des comptes de report réglementaires

8. Bank loan

The Corporation has an authorized line of credit of \$1,000,000 (\$1,000,000 as at December 31, 2022), at prime rate, which remained unused as at December 31, 2023 and 2022.

There are no covenants to be met.

8. Emprunt bancaire

La Société dispose d'une marge de crédit de 1 000 000 \$ (1 000 000 \$ au 31 décembre 2022), au taux préférentiel, dont la totalité est inutilisée aux 31 décembre 2023 et 2022.

Il n'y a pas de ratios à respecter.

9. Accounts payable and accrued liabilities

	2023	2022	
	\$	\$	
Accounts payable – energy purchases	2,602,878	2,363,394	Créditeurs – achats d'énergie
Payroll payable	95,198	86,222	Rémunération à payer
Customers receivable with credit balances	145,901	165,079	Clients à recevoir avec soldes créditeurs
Town of Hawkesbury	183	1,170	Ville de Hawkesbury
Other accounts payable and accrued liabilities	116,568	114,460	Autres créditeurs et charges à payer
	2,960,728	2,730,325	

9. Créditeurs et charges à payer

10. Long-term debt

	2023	2022
	\$	\$
Loan, reimbursed during the year	-	18,738
Loan, 3.94%, payable until June 2037 in monthly instalments of \$3,934 including interest, secured by a general security agreement over all the assets of the Corporation	493,644	520,819
Loan, 3.29%, payable until June 2042 in monthly instalments of \$7,586 including interest, secured by a general security agreement over all the assets of the Corporation	1,260,263	1,308,962
Loan, 3.77%, payable until March 2043 in monthly instalments of \$7,509 including interest, secured by a general security agreement over all the assets of the Corporation	1,231,973	1,274,752
	2,985,880	3,123,271
Current portion	123,010	137,390
	2,862,870	2,985,881

10. Dette à long terme

Emprunt, remboursé au cours de l'exercice
Emprunt, 3,94 %, remboursable jusqu'en juin 2037 par versements mensuels de 3 934 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société
Emprunt, 3,29 %, remboursable jusqu'en juin 2042 par versements mensuels de 7 586 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société
Emprunt, 3,77 %, remboursable jusqu'en mars 2043 par versements mensuels de 7 509 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société
Tranche à court terme

Principal payments required in each of the next five years are as follows:

	\$
2024	123,010
2025	127,528
2026	132,214
2027	137,073
2028	142,112

Les versements de capital requis au cours des cinq prochains exercices sont les suivants :

Under the terms of the loan agreements, the Corporation must satisfy certain restrictive covenants as to minimum financial ratios, regarding the disposal of capital assets, must not increase the line of credit or the letter of guarantee, must not invest in subsidiaries and must not distribute to the shareholder more than the permitted annual distribution limit. The Corporation meets all the restrictive covenants.

Selon les conditions rattachées aux emprunts, la Société est soumise à certaines clauses restrictives en ce qui concerne le maintien de ratios financiers minimaux, au sujet de la disposition d'immobilisations, ne doit pas augmenter sa marge de crédit ou sa lettre de garantie, ne doit pas investir dans des filiales, et ne doit pas distribuer à l'actionnaire plus que la limite annuelle permise. La Société respecte toutes les clauses restrictives.

11. Other financial liabilities

	2023	2022
	\$	\$
Customers' deposits	376,359	449,842
Current portion	83,554	85,379
	292,805	364,463

11. Autres passifs financiers

Dépôts des clients
Tranche à court terme

12. Share capital

Authorized share capital:

An unlimited number of shares in each of the following categories:

Voting Class A shares

Voting Class B shares, non-participating

Non-voting Class C shares, non-participating

<i>Issued</i>	2023	2022
	\$	\$
1 Class A share	1,689,346	1,689,346

12. Capital-actions

Informations sur le capital-actions autorisé :

Un nombre illimité d'actions de chacune des catégories suivantes :

Actions de catégorie A, avec droit de vote

Actions de catégorie B, avec droit de vote, non participantes

Actions de catégorie C, sans droit de vote, non participantes

<i>Émis</i>	2023	2022
	\$	\$
1 action de catégorie A	1,689,346	1,689,346

13. Regulatory deferral account credit balances

	2023	2022
	\$	\$
Other regulatory liabilities	95,254	72,771
Smart meters	8,223	7,850
Retail settlement variance account	589,649	606,289
Amounts payable to clients	-	114,206
	693,126	801,116

13. Soldes créditeurs des comptes de report réglementaires

	2023	2022
	\$	\$
Autres passifs réglementés	95,254	72,771
Compteurs intelligents	8,223	7,850
Écart de prix avec les détaillants	589,649	606,289
Montants à payer à des clients	-	114,206
	693,126	801,116

14. Revenues

	2023	2022
	\$	\$
<i>Energy</i>		
Residential	4,859,798	5,258,351
General < 50 kW	5,997,548	4,951,025
General > 50 kW	2,354,225	3,384,360
Street lights	6,309	21,636
Sentinel	2,616	3,540
Retailers	578,241	752,651
Regulatory charges	2,823,681	2,521,546
	16,622,418	16,893,109

14. Revenus

	2023	2022
	\$	\$
<i>Énergie</i>		
Résidentiel	4,859,798	5,258,351
Général < 50 kW	5,997,548	4,951,025
Général > 50 kW	2,354,225	3,384,360
Éclairage des rues	6,309	21,636
Sentinelles	2,616	3,540
Détaillants	578,241	752,651
Frais réglementés	2,823,681	2,521,546
	16,622,418	16,893,109

Distribution

Residential	1,158,555	1,024,689
General < 50 kW	255,821	223,825
General > 50 kW	463,856	318,481
Street lights	19,934	18,422
Sentinel	1,311	1,205
Regulatory charges	17,531	17,491
	1,917,008	1,604,113

Distribution

Résidentiel	1,158,555	1,024,689
Général < 50 kW	255,821	223,825
Général > 50 kW	463,856	318,481
Éclairage des rues	19,934	18,422
Sentinelles	1,311	1,205
Frais réglementés	17,531	17,491
	1,917,008	1,604,113

15. Expenses

	2023	2022	
	\$	\$	
Salaries and benefits	490,140	404,818	Salaires et avantages sociaux
Contract/consulting	363,864	235,925	Contrat/consultant
Materials	863,186	760,858	Matériaux
Depreciation and amortization	271,900	277,095	Amortissement
Interest	138,524	133,293	Intérêts
	2,127,614	1,811,989	
Other expenses			Autres charges
Jobs for clients	116,788	96,692	Travaux pour des clients
Loss on sale of property, plant and equipment	7,049	3,003	Perte à la cession d'immobilisations corporelles
Other	10,948	10,787	Autres
	134,785	110,482	

15. Charges

16. Insurance

With respect to liability insurance, the Corporation is a member of the Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousands of dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage is \$30,000,000 for liability insurance, including directors and officers.

17. Pension plan

The Corporation makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of seven members (five in 2022) of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2023 is \$37,156 (\$30,597 in 2022) for current service and is included as an expense in the statement of income.

16. Assurance

En ce qui concerne l'assurance responsabilité, la Société est membre du Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE). Un échange d'assurance réciproque peut être défini comme un groupe de personnes formé dans le but d'échanger des contrats réciproques d'indemnisation ou d'assurance avec l'autre. MEARIE est autorisé à fournir une assurance de responsabilité civile générale à ses membres.

Les primes d'assurance facturées à chaque membre se composent d'un prélèvement par millier de dollars de revenus de services sujet à un crédit ou un supplément basé sur l'expérience des réclamations de chaque membre. La couverture maximale pour l'assurance responsabilité, y compris les administrateurs et dirigeants, est de 30 000 000 \$.

17. Régime de retraite

La Société contribue au régime de retraite des employés municipaux de l'Ontario (RREMO), qui est un régime interemployeurs, pour sept membres (cinq en 2022) de son personnel. Il s'agit d'un régime à prestations déterminées qui prévoit le niveau de pension à être reçu par les employés en se basant sur les années de service et le taux de rémunération.

Le montant contribué à RREMO en 2023 est de 37 156 \$ (30 597 \$ en 2022) pour services courants et est inclus dans les charges à l'état du résultat.

18. Contingencies

Letter of guarantee

A letter of guarantee in the amount of \$399,528 was issued in favour of the Independent Electricity System Operator and is renewable in September 2024. The Corporation of the Town of Hawkesbury endorsed this letter of guarantee.

18. Éventualités

Lettre de garantie

Une lettre de garantie d'un montant de 399 528 \$ a été émise en faveur de la Société indépendante d'exploitation du réseau d'électricité et est renouvelable en septembre 2024. La Corporation de la Ville de Hawkesbury a endossé cette lettre de garantie.

19. Commitments

The Corporation signed various contracts. The amounts for services or equipment not received at year-end total \$174,611.

19. Engagements

La Société a signé divers contrats. Les montants pour les services ou l'équipement non reçus à la fin d'exercice totalisent 174 611 \$.

20. Income taxes

(a) *Income tax expense*

PILs recognized in net income include the following:

	2023	2022
	\$	\$
Current tax	-	(67,055)
Deferred tax	125,164	118,884
Income tax expense	125,164	51,829

20. Impôts sur les bénéfices

(a) *Impôts sur le résultat*

Les PILs constatés dans le résultat net comprennent :

	2023	2022	
	\$	\$	
Current tax	-	(67,055)	Impôts exigibles
Deferred tax	125,164	118,884	Impôts différés
Income tax expense	125,164	51,829	Impôts sur le résultat

(b) *Reconciliation of effective tax rate*

The income tax expense differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rates. The reconciliation between the statutory and effective tax rates is as follows:

	2023	2022
	\$	\$
Income before taxes	54,534	232,336
Statutory Canadian federal and provincial income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	15,777	61,569
Decrease in income taxes resulting from:		
Small business deduction	-	(9,740)
Other adjustments	109,387	-
Total income tax expense	125,164	51,829

(b) *Rapprochement du taux d'imposition*

La charge d'impôt diffère de celle qui sera établie avec le taux statutaire combiné fédéral et provincial. Le rapprochement entre les taux statutaires et les taux effectifs est comme suit :

	2023	2022	
	\$	\$	
Income before taxes	54,534	232,336	Résultat avant impôts
Statutory Canadian federal and provincial income tax rates	26.5%	26.5%	Taux statutaire d'impôt canadien fédéral et provincial
Expected tax provision on income at statutory rates	15,777	61,569	Provision attendue sur le résultat au taux statutaire
Decrease in income taxes resulting from:			Réduction des impôts résultant de :
Small business deduction	-	(9,740)	Déduction accordée aux petites entreprises
Other adjustments	109,387	-	Autres ajustements
Total income tax expense	125,164	51,829	Impôts sur le résultat total

Statutory Canadian income tax rates for the current year comprise 15.0% (15.0% in 2022) for federal corporate tax and 11.5% (11.5% in 2022) for corporate tax in Ontario.

Au fédéral, le taux statutaire d'imposition des sociétés pour l'exercice courant est 15,0 % (15,0 % en 2022) et 11,5 % (11,5 % en 2022) pour l'impôt des sociétés en Ontario.

20. Income taxes (continued)

(c) *Deferred tax*

Deferred tax (assets) liabilities are attributable to the following:

	2023	2022
	\$	\$
Property, plant and equipment	360,441	246,818
Intangible assets	212	1,141
Regulatory deferral account	(158,125)	(218,191)
Fiscal losses	(47,596)	-
	154,932	29,768

Movement in deferred tax balances during the year were as follows:

	2023	2022
	\$	\$
Balance as at January 1 st	29,768	(89,116)
Recognized in net income	125,164	118,884
Balance as at December 31	154,932	29,768

20. Impôts sur les bénéfices (suite)

(c) *Impôts différés*

Les (actifs) passifs d'impôts différés sont attribuables à :

Immobilisations corporelles
 Immobilisations incorporelles
 Comptes de report réglementaires
 Pertes fiscales

Les variations des soldes des impôts différés au cours de l'exercice sont comme suit :

Solde au 1^{er} janvier
 Constaté dans le résultat net
 Solde au 31 décembre

21. Related party balances and transactions

(a) *Balances and transactions with the shareholder*

The amounts (receivable from) payable to the shareholder are presented in Notes 4 and 9.

Significant related party transactions with the shareholder not otherwise disclosed separately in the financial statements, are summarized below:

	2023	2022
	\$	\$
Revenues		
Energy and distribution	914,045	880,251
Expenses		
Distribution	-	1,695
Property taxes	26,963	26,088
	26,963	27,883

These transactions are in the normal course of operations and are recorded at the exchange amount.

21. Soldes et transactions avec les parties liées

(a) *Soldes et transactions avec l'actionnaire*

Les montants (à recevoir) payables à l'actionnaire sont présentés aux notes 4 et 9.

Les transactions importantes avec l'actionnaire, qui ne sont pas présentées séparément dans les états financiers, sont résumées ci-dessous :

Revenus
 Énergie et distribution
 Charges
 Distribution
 Impôts fonciers

Ces transactions sont dans le cours normal des opérations et sont constatées à la valeur d'échange.

(b) *Key management personnel compensation*

Key management personnel is comprised of the Corporation's manager and the members of the board of directors. The compensation paid or payable to key management personnel is as follows:

	2023	2022
	\$	\$
Salaries and short-term employment benefits	161,110	150,611

(b) *Rémunération des principaux dirigeants*

Les principaux dirigeants sont le gérant de la Société et les membres du conseil d'administration. La rémunération versée ou payable aux principaux dirigeants est comme suit :

	2023	2022	
	\$	\$	
Salaries and short-term employment benefits	161,110	150,611	Salaires et avantages sociaux à court terme

22. Net change in non-cash operating working capital items

	2023	2022
	\$	\$
Accounts receivable	(288,176)	233,993
Inventories	30,356	(10,281)
Unbilled revenues	(110,577)	(62,404)
Income taxes	27,054	8,668
Prepaid expenses	(1,210)	(22,680)
Accounts payable and accrued liabilities	275,772	(318,903)
	(66,781)	(171,607)

22. Variation nette des éléments hors caisse du fonds de roulement

	2023	2022	
	\$	\$	
Accounts receivable	(288,176)	233,993	Débiteurs
Inventories	30,356	(10,281)	Stocks
Unbilled revenues	(110,577)	(62,404)	Revenus non facturés
Income taxes	27,054	8,668	Impôts sur les bénéfices
Prepaid expenses	(1,210)	(22,680)	Frais payés d'avance
Accounts payable and accrued liabilities	275,772	(318,903)	Créditeurs et charges à payer
	(66,781)	(171,607)	

Non-cash transactions

During the year, capital assets were acquired at an aggregate cost of \$539,131 (\$327,573 in 2022), of which \$8,620 (\$53,989 in 2022) were paid after year-end and \$530,511 (\$273,584 in 2022) were paid during the year.

Opérations sans effets sur la trésorerie

Au cours de l'exercice, des immobilisations ont été acquises pour un coût total de 539 131 \$ (327 573 \$ en 2022), dont un montant de 8 620 \$ (53 989 \$ en 2022) a été payé après la fin de l'exercice et un montant de 530 511 \$ (273 584 \$ en 2022) a été payé au cours de l'exercice.

**23. Financial instruments and risk management
 (continued)**

(a) Fair value of financial instruments (continued)

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

- Level 1: inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The fair value hierarchy is classified as Level 2 for long-term debt and other financial liabilities. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis. The most significant inputs are the contractual terms of the instrument discounted, and the market discount rates that reflects the credit risk of counterparties.

(b) Risk factors

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 and liquidity risk as well as related mitigation strategies have been discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(c) Credit risk

The Corporation's credit risk is primarily attributable to its accounts receivable and unbilled revenues. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts, estimated by the management of the Corporation based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The Corporation does not have significant exposure to any individual customer and has not incurred any significant bad debts during the year. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

**23. Instruments financiers et gestion des risques
 (suite)**

(a) Juste valeur des instruments financiers (suite)

Les instruments financiers qui sont présentés à la juste valeur doivent être classés selon une hiérarchie à trois niveaux. Chaque niveau reflète les données utilisées pour évaluer les justes valeurs des passifs financiers et sont comme suit :

- Niveau 1 : les données qui sont fondées sur les prix non rajustés, sur le marché, pour des actifs ou passifs identiques;
- Niveau 2 : les données autres que les prix cotés visés au niveau 1, qui sont observables pour l'actif ou le passif, directement ou indirectement;
- Niveau 3 : les données pour les actifs ou passifs qui ne sont pas fondées sur les données de marché observables.

La hiérarchie de la juste valeur de la dette à long terme et des autres passifs financiers est classée au niveau 2. La classification à des fins de divulgation a été déterminée conformément aux modèles d'évaluation généralement reconnus, fondés sur l'analyse des flux de trésorerie actualisés. Les données principales sont les conditions contractuelles de l'instrument escompté et les taux d'actualisation du marché qui reflètent le risque de crédit des contreparties.

(b) Facteurs de risque

La Société comprend les risques inhérents à son domaine d'activité et les définit comme étant tout ce qui pourrait influencer sur sa capacité à réaliser ses objectifs stratégiques. L'exposition de la Société à une variété de risques tels que le risque de crédit et le risque de liquidité ainsi que les stratégies d'atténuation connexes ont été discutées ci-dessous. Cependant, les risques décrits ci-dessous ne sont pas exhaustifs et les stratégies d'atténuation n'élimineront pas l'exposition de la Société à tous les risques énumérés.

(c) Risque de crédit

Le risque de crédit de la Société est principalement imputable à ses débiteurs et ses revenus non facturés. Les montants présentés dans le bilan ont été réduits de la provision pour créances douteuses, laquelle a fait l'objet d'une estimation par la direction de la Société en fonction de l'expérience antérieure et de son évaluation de la conjoncture économique actuelle. Afin de réduire le risque, la direction a adopté des politiques de crédit qui comprennent une révision régulière des limites de crédit. La Société n'est exposée à aucun risque important à l'égard d'un client particulier et n'a eu aucune créance irrécouvrable importante au cours de l'exercice. Le risque de crédit lié à l'encaisse est limité puisque les contreparties sont des banques à charte jouissant de cotes de solvabilité élevées attribuées par des agences de notation nationales.

23. Financial instruments and risk management (continued)

(c) *Credit risk (continued)*

As at December 31, 2023, the aging of accounts receivable was as follows:

	2023		2022	
	\$	%	\$	%
Trade				
Current	1,741,984	93	1,506,914	96
Aged between 31 and 90 days	26,942	1	41,113	3
Aged greater than 90 days	105,776	6	15,440	1
	1,874,702	100	1,563,467	100
Allowance for doubtful accounts	(25,849)	(1)	(2,790)	-
	1,848,853	99	1,560,677	100

23. Instruments financiers et gestion des risques (suite)

(c) *Risque de crédit (suite)*

Au 31 décembre 2023, le classement par échéance des débiteurs était le suivant :

Clients
Courant
Entre 31 et 90 jours
Plus de 90 jours
Provision pour créances douteuses

23. Financial instruments and risk management (continued)

d) Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. The Corporation has the following financial liabilities as at December 31:

23. Instruments financiers et gestion des risques (suite)

d) Risque de liquidité

L'objectif de la Société est de disposer de liquidité suffisante pour être en mesure de remplir ses obligations financières à leur échéance. La Société surveille le solde de son encaisse et ses flux de trésorerie qui découlent de son exploitation pour être en mesure de respecter ses engagements. Au 31 décembre, les passifs financiers de la Société étaient les suivants :

	December 31, 2023	2024	2025-2028	2029-2033	After/ Après 2033	Au 31 décembre 2023
	Carrying amount/ Valeur comptable	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,960,728	2,960,728	-	-	-	Créditeurs et charges à payer
Long-term debt	2,985,880	123,010	538,927	792,906	1,531,037	Dettes à long terme
Other financial liabilities	376,359	83,554	292,805	-	-	Autres passifs financiers
	6,322,967	3,167,292	831,732	792,906	1,531,037	
	Carrying amount/ Valeur comptable	\$	\$	\$	\$	
December 31, 2022		2023	2024-2027	2028-2032	After/ Après 2032	31 décembre 2022
	\$	\$	\$	\$	\$	
Accounts payable and accrued liabilities	2,730,325	2,730,325	-	-	-	Créditeurs et charges à payer
Long-term debt	3,123,271	137,391	519,826	764,776	1,701,278	Dettes à long terme
Other financial liabilities	449,842	85,379	364,463	-	-	Autres passifs financiers
	6,303,438	2,953,095	884,289	764,776	1,701,278	

24. Rate regulation

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may prescribe license requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, and filing process requirements for rate-setting purposes.

Every five years, each electricity distributor must go through an extensive review of their distribution costs which is called a cost of service.

On an annual basis, between each cost of service, each distributor goes through a less extensive review. There are three rate-setting methods under this category: 4th generation incentive rate-setting (Price Cap IR), Custom incentive rate-setting (Custom IR) and Annual incentive rate-setting index (Annual IR Index).

On an annual basis, each distributor must go through another process to recover regulatory deferral account balances (debits and credits). This process is called Incentive rate-setting mechanism (IRM). Every five years, this process is addressed through the cost of service.

For all of those rate-setting mechanisms, there are different applications, models and reports which must be submitted by the distributors to OEB. Consumer groups and other affected groups may also take part in the process and provide comments. The OEB decides whether or not to approve any or all of the applications and then sets the rates for the distributors to charge.

In order to meet OEB's requirements, the Corporation must record some amounts in regulatory deferral accounts. Those amounts will be recovered from or reimbursed to clients over a period of time agreed in the rate-setting process. Amounts recorded in regulatory accounts include the difference between various energy revenues and expenses components (Retail settlement variance account and Low voltage charges) and expenses (Other regulatory assets) which are not considered in the actual rates because they were unknown or could not be evaluated when the cost of service was approved.

24. Réglementation des tarifs

La *Loi de 1998 sur la Commission de l'énergie de l'Ontario* a donné à la CÉO des pouvoirs accrus et des responsabilités pour réglementer l'industrie de l'électricité. Ces pouvoirs et responsabilités comprennent le pouvoir d'approuver ou de fixer les taux de transmission et de distribution d'électricité, le pouvoir de fournir une protection tarifaire continue pour les clients ruraux et éloignés et la responsabilité de veiller à ce que les sociétés de distribution remplissent leurs obligations de brancher et servir les clients. La CÉO peut imposer des exigences de licence et des conditions, y compris, entre autres, des registres comptables appropriés, des principes comptables réglementaires et des exigences pour le processus d'établissement des tarifs.

Tous les cinq ans, chaque distributeur d'électricité doit subir un examen plus approfondi de ses coûts de distribution qui est appelé un coût de service.

Chaque distributeur doit subir un examen moins approfondi sur une base annuelle entre les coûts de service. Dans cette catégorie, il existe trois méthodes pour fixer les taux : l'établissement des taux incitatifs de 4^e génération, l'établissement des taux d'incitation personnalisés et l'indice annuel d'établissement des taux d'incitation.

Sur une base annuelle, chaque distributeur doit passer par un autre procédé afin de récupérer les soldes de comptes de report réglementaires (débiteurs et créditeurs). Ce mécanisme est appelé mécanisme d'établissement des taux incitatif. Tous les cinq ans, ce processus est inclus dans le coût de service.

Pour tous ces mécanismes d'établissement des taux, il existe différents applications, modèles et rapports qui doivent être soumis par les distributeurs à la CÉO. Les groupes de consommateurs et d'autres groupes concernés peuvent également prendre part au processus et fournir des commentaires. La CÉO décide d'approuver ou non, l'ensemble ou une portion des applications et fixe les taux que les distributeurs doivent facturer.

Afin de répondre aux exigences de la CÉO, la Société doit enregistrer certains montants dans les comptes de report réglementaires. Ces montants seront récupérés ou remboursés aux clients sur une période convenue dans le processus d'approbation des tarifs. Les montants inscrits dans les comptes de report réglementaires comprennent la différence entre diverses composantes des revenus et charges d'énergie (écarts de prix avec les détaillants et distribution à faible tension) et les dépenses (autres tarifs réglementés) qui ne sont pas prises en compte dans les taux courants parce qu'ils étaient inconnus ou ne pouvaient pas être déterminés lorsque le coût de service a été approuvé.

24. Rate regulation (continued)

When the regulatory deferral account balances are approved for disposal (to be recovered from or remitted to clients) in the IRM or cost of service, the approved rates are based on a number of clients and a level of consumption. The portion expected to be recovered or remitted with a fixed charge, will vary with the number of clients over the recovery or remittance period. The portion expected to be recovered or remitted with a usage charge, will vary with the consumption over the recovery or remittance period. The remaining balance between the amounts approved and the amounts recovered or remitted over the approved period, will be considered in a future IRM or cost of service.

Carrying charges are calculated on the regulatory deferral account balances. They are calculated on a monthly basis, at a rate established by OEB, on the balances at the beginning of the month. Carrying charges are calculated on the capital amounts only, not on the accumulated carrying charges.

24. Réglementation des tarifs (suite)

Lorsque les soldes de comptes de report réglementaires sont approuvés pour être disposés (récupérés ou remis aux clients) lors du mécanisme d'établissement des taux incitatif ou lors du coût de service, les tarifs approuvés sont basés sur un nombre de clients et un niveau de consommation. La portion qui devrait être récupérée ou remboursée par une charge fixe variera en fonction du nombre de clients au cours de la période de récupération ou de remboursement. La portion qui devrait être récupérée ou remboursée par des frais d'utilisation variera en fonction de la consommation des clients au cours de la période de récupération ou de remboursement. Le solde entre les montants approuvés et les montants récupérés ou remboursés au cours de la période approuvée sera considéré lors d'un mécanisme d'établissement des taux incitatif ou lors d'un coût de service futur.

Des frais financiers sont calculés sur les soldes de comptes de report réglementaires. Ils sont calculés sur une base mensuelle, avec un taux établi par la CÉO, sur les soldes au début du mois. Les frais financiers sont calculés sur les montants de capital et non sur les frais financiers cumulés.

25. Capital structure / objectives

The Corporation's main objectives in the management of capital are to:

- (i) Ensure that there is access to various funding options at the lowest possible rates for the various capital initiatives and working capital requirements necessary for the rate-regulated business;
- (ii) Consistently maintain a high credit rating for the Corporation; and
- (iii) Deliver appropriate financial returns to the shareholder.

25. Structure du capital et objectifs

Les principaux objectifs de la Société dans la gestion de son capital sont :

- (i) S'assurer d'avoir accès à des sources de financement variées à des taux raisonnables pour ses diverses initiatives et un fonds de roulement nécessaire au fonctionnement de ses activités réglementées;
- (ii) Maintenir une excellente évaluation de crédit pour la Société;
- (iii) Rapporter un rendement financier satisfaisant à l'actionnaire.

Financial statements of
États financiers de
Hawkesbury Hydro Inc.
Hydro Hawkesbury Inc.

December 31, 2022
31 décembre 2022

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Independent Auditor's Report

To the Directors of
Hawkesbury Hydro Inc.

Opinion

We have audited the financial statements of Hawkesbury Hydro Inc. (the "Corporation"), which comprise the balance sheet as at December 31, 2022, and the statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2022, 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

June 9, 2023

Rapport de l'auditeur indépendant

Aux administrateurs de
Hydro Hawkesbury Inc.

Opinion

Nous avons effectué l'audit des états financiers de Hydro Hawkesbury Inc. (la « Société »), qui comprennent le bilan au 31 décembre 2022, et les états des résultats, des variations des capitaux propres et des flux de trésorerie pour l'exercice clos à cette date, ainsi que les notes complémentaires, y compris le résumé des principales méthodes comptables (appelés collectivement les « états financiers »).

À notre avis, les états financiers ci-joints donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la Société au 31 décembre 2022, ainsi que de sa performance financière et de ses flux de trésorerie pour l'exercice clos à cette date, conformément aux Normes internationales d'information financière (IFRS).

Fondement de l'opinion

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

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

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

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

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

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Responsabilités de l'auditeur à l'égard de l'audit des états financiers

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

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

- Nous identifions et évaluons les risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs, concevons et mettons en œuvre des procédures d'audit en réponse à ces risques, et réunissons des éléments probants suffisants et appropriés pour fonder notre opinion. Le risque de non-détection d'une anomalie significative résultant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne.
- Nous acquérons une compréhension des éléments du contrôle interne pertinents pour l'audit afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de la Société.
- Nous apprécions le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, de même que des informations y afférentes fournies par cette dernière.
- Nous tirons une conclusion quant au caractère approprié de l'utilisation par la direction du principe comptable de continuité d'exploitation et, selon les éléments probants obtenus, quant à l'existence ou non d'une incertitude significative liée à des événements ou situations susceptibles de jeter un doute important sur la capacité de la Société à poursuivre son exploitation. Si nous concluons à l'existence d'une incertitude significative, nous sommes tenus d'attirer l'attention des lecteurs de notre rapport sur les informations fournies dans les états financiers au sujet de cette incertitude ou, si ces informations ne sont pas adéquates, d'exprimer une opinion modifiée. Nos conclusions s'appuient sur les éléments probants obtenus jusqu'à la date de notre rapport. Des événements ou situations futurs pourraient par ailleurs amener la Société à cesser son exploitation.
- Nous évaluons la présentation d'ensemble, la structure et le contenu des états financiers, y compris les informations fournies dans les notes, et apprécions si les états financiers représentent les opérations et événements sous-jacents d'une manière propre à donner une image fidèle.

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

MNP s.r.l

Comptables professionnels agréés
Experts-comptables autorisés

Le 9 juin 2023

Hawkesbury Hydro Inc.
Balance sheet

As at December 31, 2022

Hydro Hawkesbury Inc.
Bilan

au 31 décembre 2022

	2022	2021	
	\$	\$	
Assets			Actif
Current assets			À court terme
Cash	1,978,933	2,563,822	Encaisse
Accounts receivable (Note 4)	1,560,677	1,794,670	Débiteurs (note 4)
Inventories	88,201	77,920	Stocks
Unbilled revenues	1,703,087	1,640,683	Revenus non facturés
Income taxes	121,166	129,834	Impôts sur les bénéfices
Prepaid expenses	49,985	27,305	Frais payés d'avance
	5,502,049	6,234,234	
Property, plant and equipment (Note 5)	7,219,779	7,179,625	Immobilisations corporelles (note 5)
Intangible assets (Note 6)	16,525	25,788	Immobilisations incorporelles (note 6)
Deferred tax assets (Note 20)	-	89,116	Actif d'impôts différés (note 20)
	12,738,353	13,528,763	
Regulatory deferral account debit balances (Note 7)	86,439	47,478	Soldes débiteurs des comptes de report réglementaires (note 7)
	12,824,792	13,576,241	
Liabilities			Passif
Current liabilities			À court terme
Accounts payable and accrued liabilities (Note 9)	2,730,325	3,027,757	Créditeurs et charges à payer (note 9)
Current portion of long-term debt (Note 10)	137,390	188,052	Tranche à court terme de la dette à long terme (note 10)
Current portion of other financial liabilities (Note 11)	85,379	90,248	Tranche à court terme des autres passifs financiers (note 11)
	2,953,094	3,306,057	
Long-term debt (Note 10)	2,985,881	3,123,271	Dette à long terme (note 10)
Provision for sick leave benefits	52,608	52,895	Provision pour congés de maladie
Other financial liabilities (Note 11)	364,463	403,448	Autres passifs financiers (note 11)
Deferred revenues	548,497	499,227	Revenus reportés
Deferred tax liabilities (Note 20)	29,768	-	Passif d'impôts différés (note 20)
	6,934,311	7,384,898	
Contingencies and commitments (Notes 18 and 19)			Éventualités et engagements (notes 18 et 19)
Shareholder's equity			Capitaux propres
Share capital (Note 12)	1,689,346	1,689,346	Capital-actions (note 12)
Retained earnings	3,400,019	3,303,979	Bénéfices non répartis
	5,089,365	4,993,325	
	12,023,676	12,378,223	
Regulatory deferral account credit balances (Note 13)	801,116	1,198,018	Soldes créditeurs des comptes de report réglementaires (note 13)
	12,824,792	13,576,241	

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Approved by the Board

Au nom du conseil

Director _____ administrateur

Director _____ administrateur

Hawkesbury Hydro Inc.
Statement of income
Year ended December 31, 2022

Hydro Hawkesbury Inc.
État des résultats
Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Revenue			Revenus
Energy (Note 14)	16,893,109	16,510,369	Énergie (note 14)
Distribution (Note 14)	1,604,113	1,402,970	Distribution (note 14)
Other operating revenues	262,649	355,231	Autres revenus d'exploitation
	18,759,871	18,268,570	
Cost of power	17,151,409	16,242,426	Coût de l'énergie
	1,608,462	2,026,144	
Expenses (Note 15)			Charges (note 15)
Administrative and general	482,170	471,808	Administratives et générales
Depreciation and amortization	277,095	272,289	Amortissement
Billing and collecting	443,373	440,696	Facturation et perception
Distribution – operation and maintenance	339,488	344,287	Distribution – exploitation et entretien
Interest	133,293	132,172	Intérêts
Property taxes	26,088	25,697	Impôts fonciers
Other (Note 15)	110,482	237,347	Autres (note 15)
	1,811,989	1,924,296	
(Loss) income before regulatory items and income taxes	(203,527)	101,848	Résultat avant éléments réglementaires et impôts
Net movement in regulatory deferral accounts	(435,863)	(28,367)	Variations nettes des comptes de report réglementaires
Income tax expense (Note 20)	51,829	25,554	Impôts sur le résultat (note 20)
	(384,034)	(2,813)	
Net income	180,507	104,661	Résultat net

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Hawkesbury Hydro Inc.
Statement of changes in equity
 Year ended December 31, 2022

Hydro Hawkesbury Inc.
État des variations des capitaux propres
 Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Retained earnings, beginning of year	3,303,979	3,283,785	Bénéfices non répartis au début
Net income	180,507	104,661	Résultat net
Dividend on Class A shares	(84,467)	(84,467)	Dividende sur les actions de catégorie A
Retained earnings, end of year	3,400,019	3,303,979	Bénéfices non répartis à la fin

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

Hawkesbury Hydro Inc.
Statement of cash flows
Year ended December 31, 2022

Hydro Hawkesbury Inc.
État des flux de trésorerie
Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Operating activities			Activités d'exploitation
Net income	180,507	104,661	Résultat net
Items not affecting cash:			Éléments sans effet sur la trésorerie :
Depreciation and amortization	277,095	272,289	Amortissement
Loss on sale of property, plant and equipment	3,003	-	Perte à la cession d'immobilisations corporelles
Net movement in regulatory deferral accounts	(435,863)	(28,367)	Variations nettes des comptes de report réglementaires
Deferred tax	118,884	42,339	Impôts différés
Provision for sick leave benefits	(287)	5,524	Provision pour congés de maladie
Net change in non-cash operating working capital items (Note 22)	(171,607)	(139,266)	Variation nette des éléments hors caisse du fonds de roulement (note 22)
	(28,268)	257,180	
Investing activities			Activités d'investissement
Purchase of capital assets	(306,102)	(250,558)	Acquisition d'immobilisations
Financing activities			Activités de financement
Repayment of long-term debt	(188,052)	(181,884)	Remboursement de la dette à long terme
Decrease in other financial liabilities	(43,854)	79,080	Diminution des autres passifs financiers
Deferred revenues received	65,854	80,474	Revenus reportés reçus
Dividend paid	(84,467)	(84,467)	Dividende payé
	(250,519)	(106,797)	
Net decrease in cash	(584,889)	(100,175)	Diminution nette de l'encaisse
Cash, beginning of year	2,563,822	2,663,997	Encaisse au début
Cash, end of year	1,978,933	2,563,822	Encaisse à la fin

See additional information presented in Note 22.

Voir les renseignements complémentaires présentés à la note 22.

The accompanying notes are an integral part of the financial statements.

Les notes complémentaires font partie intégrante des états financiers.

1. Description of the business

Hawkesbury Hydro Inc. (the "Corporation") was incorporated on October 25, 2000, under the Ontario *Business Corporations Act* and is wholly owned by the Corporation of the Town of Hawkesbury. The Corporation is incorporated and domiciled in Canada with its head and registered office located at 850 Tupper Street, Hawkesbury, Ontario, K6A 3S7.

The principal activity of the Corporation is the distribution of electricity in the service areas of the Town of Hawkesbury in the Province of Ontario, under a licence issued by the Ontario Energy Board (OEB). The Corporation is regulated under the OEB and adjustments to the distribution rates require OEB approval.

As a condition of its distribution license, the Corporation is required to meet specified Conservation and Demand Management (CDM) targets for reductions in electricity consumption and peak electricity demand. As part of this initiative, the Corporation is delivering Ontario Power Authority (OPA) funded programs in order to meet its targets.

Under the *Green Energy and Green Economy Act, 2009*, the Corporation and other Ontario electricity distributors have new opportunities and responsibilities to generate renewable energy.

2. Basis of preparation

(a) Statement of compliance

These financial statements were prepared by the management of the Corporation in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

These financial statements for the year ended December 31, 2022, were approved by the board of directors on June 9, 2023.

(b) Basis of measurement

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

(c) Presentation currency

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

1. Description de l'entreprise

Hydro Hawkesbury Inc. (la « Société »), constituée le 25 octobre 2000, en vertu de la *Loi sur les sociétés par actions* de l'Ontario, est détenue à 100 % par la Corporation de la Ville de Hawkesbury. La Société a été incorporée et est résidente du Canada avec son siège social situé au 850, rue Tupper, Hawkesbury, Ontario, K6A 3S7.

L'activité principale de la Société est la distribution d'électricité dans les zones de service de la Ville de Hawkesbury dans la province de l'Ontario, en vertu d'une licence délivrée par la Commission de l'énergie de l'Ontario (CÉO). La Société est régie par la CÉO et les modifications aux tarifs de distribution nécessitent l'approbation de la CÉO.

Comme condition de sa licence de distribution, la Société est tenue d'atteindre des objectifs de conservation et de gestion de la demande (CGD) pour réduire la consommation d'électricité et la demande de pointe. Dans le cadre de cette initiative, la Société offre des programmes financés par l'Office de l'électricité de l'Ontario (OPA) dans le but d'atteindre ses objectifs.

En vertu de la *Loi de 2009 sur l'énergie verte et l'économie verte*, la Société et d'autres distributeurs d'électricité de l'Ontario ont de nouvelles opportunités et responsabilités quant à la génération d'énergie renouvelable.

2. Base de préparation

(a) Déclaration de conformité

Ces états financiers ont été préparés par la direction de la Société conformément aux Normes internationales d'information financière (IFRS) telles que publiées par l'International Accounting Standards Board (IASB).

Ces états financiers pour l'exercice clos le 31 décembre 2022 ont été approuvés par le conseil d'administration le 9 juin 2023.

(b) Base d'évaluation

Les états financiers ont été préparés sur la base du coût historique.

(c) Monnaie de présentation

Les états financiers sont présentés en dollars canadiens, ce qui est également la monnaie fonctionnelle de la Société.

2. Basis of preparation (continued)

(d) *Use of estimates and judgments (continued)*

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the amounts reported and disclosed in the financial statements. Estimates and underlying assumptions are continually reviewed and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant sources of estimation uncertainty, assumptions and judgments include the following:

(i) Unbilled revenues

The measurement of unbilled revenues is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

(ii) Useful lives of depreciable assets

Depreciation and amortization expense is based on estimates of the useful life of property, plant and equipment and intangible assets. The Corporation estimates the useful life of its property, plant and equipment and intangible assets based on management's judgment, historical experience and an asset study conducted by an independent consulting firm.

(iii) Cash Generating Units (CGU)

Determining CGU's for impairment testing is based on Management's judgment. The impairment testing requires an estimation of the value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

The Corporation has only one CGU.

(iv) Valuation of financial instruments

As described in Note 23, the Corporation uses the discounted cash flow model to estimate the fair value of the financial instruments for disclosure purposes.

(v) Other areas

There are a number of other areas in which the Corporation makes estimates; these include the allowance for doubtful accounts and income taxes. These amounts are reported based on the amounts expected to be recovered/refunded and an appropriate allowance has been provided based on the Corporation's best estimate of unrecoverable amounts.

2. Base de préparation (suite)

(d) *Utilisation d'estimations et jugements (suite)*

La préparation d'états financiers conformément aux IFRS exige que la direction ait recours à des estimations, des hypothèses et des jugements qui ont une incidence sur l'application des méthodes comptables et les montants déclarés et présentés dans les états financiers. Les estimations et les hypothèses sous-jacentes sont continuellement examinées et sont basées sur l'expérience historique et d'autres facteurs qui sont considérés comme pertinents. Les résultats réels pourraient différer de ces estimations.

Les importantes sources d'incertitude liées aux estimations, hypothèses et jugements sont les suivantes :

(i) Revenus non facturés

La mesure des revenus non facturés est basée sur une estimation de la quantité d'électricité livrée aux clients entre la date de la dernière facture et la fin de l'exercice.

(ii) Durée de vie utile des actifs amortissables

La charge d'amortissement est basée sur des estimations de la vie utile des immobilisations corporelles et des actifs incorporels. La Société estime la durée de vie utile de ses immobilisations corporelles et des actifs incorporels selon le jugement de la direction, l'expérience historique et une étude d'actifs menée par un cabinet de conseil indépendant.

(iii) Unités génératrices de trésorerie (UGT)

La détermination des UGT pour le test de dépréciation est basée sur le jugement de la direction. Le test de dépréciation nécessite une estimation de la valeur d'utilité. La valeur d'utilité nécessite une estimation des flux de trésorerie futurs attendus de l'UGT et un taux d'actualisation approprié pour calculer la valeur actuelle.

La Société dispose d'une seule UGT.

(iv) Évaluation des instruments financiers

Comme il est décrit à la note 23, la Société utilise le modèle de flux de trésorerie actualisés pour estimer la juste valeur des instruments financiers à des fins de présentation.

(v) Autres domaines

Il y a un certain nombre d'autres domaines dans lesquels la Société fait des estimations; ceux-ci comprennent la provision pour créances douteuses et les impôts sur les bénéfices. Ces montants sont présentés en fonction des montants qui devraient être recouverts/remboursés et une provision a été calculée selon la meilleure estimation de la Société des montants non recouvrables.

3. Significant accounting policies

The Corporation's financial statements are the representations of management, prepared in accordance with IFRS. The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

The financial statements reflect the following significant accounting policies:

(a) Rate regulation

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may prescribe license requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, and filing process requirements for rate-setting purposes.

The Corporation recognizes revenue when electricity is delivered to customers based on OEB approved rates. Operating costs and expenses are recorded when incurred, unless such costs qualify for recognition as part of an item of property, plant and equipment or as an intangible asset.

As prescribed by the OEB, on a monthly basis, the Corporation compares its energy revenues and expenses and puts the difference in its regulatory deferral account debit/credit balances. Being an electricity distributor, the Corporation is not allowed to make any profit on the sale of energy. The Corporation also has to transfer to its regulatory deferral account debit/credit balances, when directed by OEB, expenses which were not considered in the cost of services. Carrying charges are also calculated on the regulatory deferral account debit/credit balances on a monthly basis at a prescribed rate determined by OEB.

3. Principales conventions comptables

Les états financiers de la Société sont les déclarations de la direction, préparés conformément aux IFRS. Les méthodes comptables présentées ci-dessous ont été appliquées de manière cohérente à tous les exercices présentés dans ces états financiers, sauf indication contraire.

Les états financiers reflètent les principales conventions comptables suivantes :

(a) Tarifs réglementés

La *Loi de 1998 sur la Commission de l'énergie de l'Ontario* a donné à la CÉO des pouvoirs accrus et des responsabilités pour réglementer l'industrie de l'électricité. Ces pouvoirs et responsabilités comprennent le pouvoir d'approuver ou de fixer les taux de transmission et de distribution d'électricité, le pouvoir de fournir une protection tarifaire continue pour les clients ruraux et éloignés et la responsabilité de veiller à ce que les sociétés de distribution remplissent leurs obligations de brancher et servir les clients. La CÉO peut imposer des exigences de licence et des conditions, y compris, entre autres, des registres comptables appropriés, des principes comptables réglementaires et des exigences pour le processus d'établissement des tarifs.

La Société constate les revenus lorsque l'électricité est livrée aux clients basés sur les tarifs établis par la CÉO. Les coûts et les charges d'exploitation sont constatés lorsqu'ils sont engagés, à moins que ces coûts soient admissibles en tant qu'immobilisation corporelle ou immobilisation incorporelle.

Comme requis par la CÉO, sur une base mensuelle, la Société doit comparer ses revenus et charges d'énergie et mettre la différence dans les soldes débiteurs/crédoeurs des comptes de report réglementaires. Étant un distributeur d'énergie, la Société ne peut pas faire de profit sur les ventes d'énergie. La Société doit également transférer dans ses soldes débiteurs/crédoeurs des comptes de report réglementaires, lorsqu'exigé par la CÉO, des charges non considérées dans le coût de service. Des frais financiers sont également calculés sur les soldes débiteurs/crédoeurs des comptes de report réglementaires sur une base mensuelle au taux prescrit établi par la CÉO.

3. Significant accounting policies (continued)

(b) Revenue recognition

(i) Electricity distribution and sale

Revenue from the sale and distribution of electricity is recorded on the basis of cyclical billings based on electricity usage and also includes unbilled revenue accrued in respect of electricity delivered but not yet billed. Revenue is generally comprised of the following:

- Electricity price and related rebates:
The electricity price and related rebates represent a pass through of the commodity cost of electricity.
- Distribution rate:
The distribution rate is designed to recover the costs incurred by the Corporation in delivering electricity to customers, as well as the ability to earn the OEB allowed rate of return. Distribution charges are regulated by the OEB and typically comprise a fixed charge and a usage-based (consumption) charge.
- Retail transmission rate:
The retail transmission rate represents a pass through of costs charged to the Corporation for the transmission of electricity from generating stations to the Corporation's service area. Retail transmission rates are regulated by the OEB.
- Wholesale market service charge:
The wholesale market service charge represents a pass through of various wholesale market support costs charged by Hydro One, a supplier.

(ii) Other revenue

Other revenue includes revenue from the sale of other services and interest revenues.

Revenue related to the sale of other services is recognized as services are rendered.

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers or customers ("customer contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred revenue and amortized into income over the life of the related assets. Contributions in-kind are valued at their fair value at the date of their contribution.

Government grants under CDM programs are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

3. Principales conventions comptables (suite)

(b) Constatation des revenus

(i) Distribution et vente d'électricité

Les revenus provenant de la vente et la distribution d'électricité sont enregistrés selon le cycle de facturation en fonction de la consommation et comprennent également des revenus non facturés à l'égard de l'électricité livrée mais non encore facturée. Les revenus sont composés des éléments suivants :

- Prix de l'électricité et rabais connexes :
Le prix de l'électricité et les rabais connexes représentent les coûts réels.
Tarifs de distribution :
Les tarifs de distribution sont conçus pour récupérer les coûts engagés par la Société pour fournir l'électricité aux clients, ainsi qu'un taux de rendement autorisé par la CÉO. Les tarifs de distribution sont réglementés par la CÉO et comprennent une charge fixe et une charge basée sur la consommation.
- Tarifs de transmission de détail :
Les tarifs de transmission de détail représentent les coûts pour la transmission de l'électricité à partir des stations de production d'électricité jusqu'aux zones de services exploitées par la Société. Les tarifs de transmission de détail sont réglementés par la CÉO.
- Frais de service du marché en gros :
Les frais de service du marché en gros représentent les coûts facturés par Hydro One, un fournisseur, pour divers coûts de support.

(ii) Autres revenus

Les autres revenus comprennent les revenus provenant de la vente de services et les revenus d'intérêts.

Les revenus liés à la vente d'autres services sont comptabilisés lorsque les services sont rendus.

Certaines immobilisations corporelles sont acquises ou construites avec l'aide financière de développeurs ou clients sous forme de contributions. Ces contributions, en espèces ou en nature, sont comptabilisées à titre de revenus reportés et sont amorties sur la durée de vie utile des immobilisations corporelles correspondantes. Les contributions en nature sont évaluées à leur juste valeur à la date de leur contribution.

Les subventions au titre des programmes de CGD sont comptabilisées lorsqu'il existe une assurance raisonnable que la subvention sera reçue et que toutes les conditions attachées seront respectées. Lorsque la subvention est liée à un élément de charge, elle est comptabilisée comme revenu au même rythme que les charges correspondantes sont comptabilisées.

3. Significant accounting policies (continued)

(c) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as loans and receivables or as other liabilities. Transaction costs for financial assets classified as loans and receivables and financial liabilities classified as other liabilities are capitalized as part of the carrying value at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortized cost using the effective interest rate method, less any impairment losses. Losses are recognized in net income when the loans and receivables are derecognized or impaired.

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and the loss event has had a negative effect on estimated future cash flows of the asset which are reliably measurable.

Loans and receivables are comprised of cash, accounts receivable and unbilled revenues.

(ii) Other liabilities

All non-derivative financial liabilities are classified as other liabilities. Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when either the Corporation is discharged from its obligation, the obligation expires, or the obligation is cancelled or replaced by a new financial liability with substantially modified terms.

Financial liabilities are further classified as current or non-current depending on whether they will fall due within twelve months after the balance sheet date or beyond.

Other liabilities are comprised of construction loan, accounts payable and accrued liabilities, long-term debt and other financial liabilities.

3. Principales conventions comptables (suite)

(c) *Instruments financiers*

Les actifs financiers et passifs financiers sont initialement comptabilisés à la juste valeur et sont subséquemment comptabilisés selon leur classification comme prêts et créances ou comme autres passifs. Les coûts de transaction pour les actifs financiers classés comme prêts et créances et les passifs financiers classés comme autres passifs sont capitalisés comme la valeur comptable à la comptabilisation initiale.

(i) Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables qui ne sont pas cotés sur un marché actif. Après la comptabilisation initiale, ces actifs financiers sont comptabilisés au coût après amortissement selon la méthode du taux d'intérêt effectif, déduction faite des pertes de valeur. Les pertes sont comptabilisées dans le résultat net lorsque les prêts et créances sont décomptabilisés ou dépréciés.

Les prêts et créances sont évalués à chaque date de clôture afin de déterminer s'il y a des preuves de dépréciation. Un actif financier est déprécié si des preuves objectives démontrent qu'un événement s'est produit après la constatation initiale de l'actif et que l'événement, qui peut être mesuré de manière fiable, a eu un effet négatif sur les flux de trésorerie futurs estimés.

Les prêts et créances sont composés de l'encaisse, des débiteurs et des revenus non facturés.

(ii) Autres passifs

Les passifs non dérivés sont classés comme autres passifs. Après la comptabilisation initiale, les autres passifs sont évalués au coût amorti selon la méthode du taux d'intérêt effectif.

Les passifs financiers sont décomptabilisés lorsque la Société est déchargée de son obligation, l'obligation prend fin, ou l'obligation est annulée ou remplacée par un nouveau passif financier avec des termes sensiblement modifiés.

Les passifs financiers sont classés comme courants ou non courants selon qu'ils arriveront à échéance dans les douze mois après la date de clôture du bilan ou plus tard.

Les autres passifs sont composés de l'emprunt pour construction, des créditeurs et charges à payer, la dette à long terme et les autres passifs financiers.

3. Significant accounting policies (continued)

(d) *Property, plant and equipment*

Property, plant and equipment (PP&E) are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and includes contracted services, cost of materials, direct labour and borrowing costs incurred in respect of qualifying assets. When parts of an item of PP&E have different useful lives, they are accounted for as separate components of PP&E.

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

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

Depreciation of PP&E is recognized on a straight-line basis over the estimated useful life of each component of PP&E. The estimated useful lives are as follows:

Building	15 to 50 years
Distribution equipment	15 to 60 years
Transmission equipment	45 years

Other assets

Computer hardware	5 years
Vehicles	8 years
Tools and equipment	8 to 10 years
Office equipment and furniture	10 years

Where an asset is composed of several significant components having different useful lives or providing economic benefits at a different pace, each component is accounted for separately, and each component is amortized on the duration of amortization of its own.

Depreciation methods and useful lives are reviewed at each financial year-end and any changes are adjusted prospectively.

3. Principales conventions comptables (suite)

(d) *Immobilisations corporelles*

Les immobilisations corporelles sont évaluées au coût moins l'amortissement cumulé et les pertes de valeur cumulées. Le coût comprend les charges qui sont directement attribuables à l'acquisition de l'actif qui inclut les services contractuels, le coût des matériaux, de la main-d'œuvre directe et les coûts d'emprunt engagés à l'égard des actifs qualifiés. Lorsque des portions d'une immobilisation corporelle ont des durées de vie utile différentes, elles sont divisées par composantes.

Les pièces de rechange principales et le matériel de secours sont reconnus comme des éléments des immobilisations corporelles.

Lorsque des immobilisations corporelles sont disposées, le gain ou la perte sur disposition est déterminé en comparant le produit de disposition à la valeur comptable et est comptabilisé dans le résultat net.

L'amortissement des immobilisations corporelles est comptabilisé selon la méthode linéaire sur la durée de vie utile estimative de chaque composante. Les durées de vie utile estimées sont les suivantes :

Immeuble	15 à 50 ans
Équipement de distribution	15 à 60 ans
Équipement de transmission	45 ans

Autres actifs

Matériel informatique	5 ans
Véhicules	8 ans
Outils et équipement	8 à 10 ans
Matériel et mobilier de bureau	10 ans

Lorsqu'une immobilisation corporelle est composée de plusieurs éléments significatifs ayant des durées d'utilité différentes ou procurant des avantages économiques selon un rythme différent, chaque élément est comptabilisé séparément, et chaque composante est amortie selon la durée d'amortissement qui lui est propre.

Les méthodes d'amortissement et les durées de vie sont révisées annuellement et les ajustements sont comptabilisés de façon prospective.

3. Significant accounting policies (continued)

(e) *Intangible assets*

Intangible assets include computer software. They are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software is amortized on a straight-line basis over the estimated useful lives from the date that they are available for use. The estimated useful life is five years.

Amortization methods and useful lives are reviewed at each financial year-end and adjusted prospectively.

Intangible assets also include land rights which are measured at cost and are not amortized.

(f) *Impairment of non-financial assets*

The carrying amounts of the Corporation's non-financial 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. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows expected to be derived from an asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of those from other assets or CGU.

Impairment losses are recognized in net income. Impairment losses relating to CGU are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. No impairment loss was recognized during the year.

In respect of 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.

3. Principales conventions comptables (suite)

(e) *Immobilisations incorporelles*

Les immobilisations incorporelles incluent les logiciels. Ils sont évalués au coût moins l'amortissement cumulé et les pertes de valeur cumulées.

Les logiciels sont amortis linéairement sur la durée de vie estimative à compter de la date à laquelle ils sont disponibles pour utilisation. La durée de vie estimée est de cinq ans.

Les méthodes d'amortissement et les durées de vie sont révisées annuellement et les ajustements sont comptabilisés de façon prospective.

Les immobilisations incorporelles incluent aussi les droits de passage qui sont évalués au coût et ne sont pas amortis.

(f) *Dépréciation d'actifs non financiers*

La valeur comptable des actifs non financiers de la Société sont examinés à chaque date de clôture afin de déterminer s'il existe un indice de perte de valeur. Si une telle indication existe, la valeur recouvrable de l'actif est estimée. Une perte de valeur est comptabilisée si la valeur comptable d'un actif ou d'une UGT excède sa valeur recouvrable.

La valeur recouvrable d'un actif ou d'une UGT est le plus élevé de sa valeur d'utilité et la juste valeur diminuée des coûts de sortie. La valeur d'utilité est calculée comme la valeur actuelle des flux de trésorerie futurs estimatifs susceptibles de découler d'un actif ou d'une UGT.

Aux fins du test de dépréciation, les actifs sont regroupés dans le plus petit groupe d'actifs qui génère des entrées de trésorerie largement indépendantes de celles d'autres actifs ou d'une UGT.

Les pertes de valeur sont comptabilisées dans le résultat net. Les pertes de valeur ayant rapport à une UGT sont réparties au prorata afin de réduire la valeur comptable des autres actifs de cette UGT. Aucune perte de valeur n'a été comptabilisée au cours de l'exercice.

En ce qui concerne les autres actifs, une perte de valeur n'est reprise que dans la mesure où la valeur comptable de l'actif ne dépasse pas la valeur comptable qui aurait été déterminée, déduction faite des amortissements, si aucune perte de valeur n'avait été reconnue.

3. Significant accounting policies (continued)

(g) *Payment in lieu of corporate income taxes (PILs)*

Under the *Electricity Act, 1998*, the Corporation is required to make payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). The payments in lieu of taxes are calculated on a basis as if the Corporation was a taxable company under the *Income Tax Act (Canada)* and the *Taxation Act, 2007 (Ontario)*.

Income tax expense comprises current and deferred tax and is recognized in net income except to the extent that it relates to items recognized directly in other comprehensive income.

Current tax is 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, using the liability method, on temporary differences arising between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized.

(h) *Provision for sick leave benefits*

Employees earn one day of sick leave benefit for every month worked. Unused benefits, which can accrue to a maximum of 130 days, are payable at 50% upon retirement. Accrued benefits above 130 days are payable at 50% at the beginning of the following year.

(i) *Customers' deposits*

Deposits are taken to guarantee the payment of utility bills or ensure contract performance by the counterparty.

3. Principales conventions comptables (suite)

(g) *Paiement en remplacement d'impôts sur les bénéfices (PILs)*

En vertu de la *Loi de 1998 sur l'électricité*, la Société est tenue d'effectuer des paiements en remplacement d'impôts sur les bénéfices à la Société financière de l'industrie de l'électricité de l'Ontario (SFIEO). Les paiements en remplacement d'impôts sur les bénéfices sont calculés comme si la Société était une société imposable en vertu de la *Loi de l'impôt sur le revenu (Canada)* et de la *Loi de 2007 sur les impôts (Ontario)*.

La charge d'impôt sur le résultat inclut l'impôt exigible et différé et est comptabilisée en résultat net, sauf dans la mesure où elle se rapporte à des éléments comptabilisés directement dans les autres éléments du résultat étendu.

L'impôt exigible est le montant des impôts à payer ou à recevoir sur le revenu imposable ou de la perte de l'exercice, selon les taux en vigueur à la date de clôture, ainsi que tout ajustement de l'impôt dû au titre des exercices précédents.

L'impôt différé est comptabilisé selon la méthode des impôts futurs, sur les différences temporaires entre la valeur comptable des éléments du bilan et leur valeur fiscale, en utilisant les taux d'imposition pratiquement en vigueur pour les exercices où les écarts devraient se résorber.

En outre, l'impôt différé n'est pas reconnu pour les différences temporelles imposables liées à la comptabilisation initiale de l'achalandage.

Un actif d'impôt différé est comptabilisé pour les différences temporelles déductibles, dans la mesure où il est probable qu'un bénéfice imposable futur sera disponible pour être appliqué contre ces montants.

(h) *Provision pour congés de maladie*

Les employé(e)s accumulent une journée de maladie pour chaque mois travaillé. Les journées non utilisées, qui peuvent être accumulées jusqu'à un maximum de 130 jours, sont payables à la retraite à 50 %. Les journées accumulées au-delà de 130 jours sont payables à 50 % au début de l'exercice suivant.

(i) *Dépôts de clients*

Des dépôts sont pris en garantie de paiement des factures de services publics ou pour assurer l'exécution du contrat par la contrepartie.

4. Accounts receivable

4. Débiteurs

	2022	2021	
	\$	\$	
Electrical energy	1,362,680	1,439,783	Énergie électrique
Town of Hawkesbury	77,870	88,073	Ville de Hawkesbury
Commodity taxes receivable	32,668	42,446	Taxes à la consommation à recevoir
Other	90,249	231,986	Autres
	1,563,467	1,802,288	
Allowance for doubtful accounts	(2,790)	(7,618)	Provision pour créances douteuses
	1,560,677	1,794,670	

5. Property, plant and equipment

5. Immobilisations corporelles

	Land/ Terrain	Building/ Immeuble	Distribution equipment/ Équipement de distribution	Transmission equipment/ Équipement de transmission	Other assets/ Autres actifs	Total	Coût
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance as at December 31, 2020	48,300	678,021	2,529,133	5,439,543	69,059	8,764,056	Solde au 31 décembre 2020
Additions	-	-	261,434	-	1,245	262,679	Acquisitions
Balance as at December 31, 2021	48,300	678,021	2,790,567	5,439,543	70,304	9,026,735	Solde au 31 décembre 2021
Additions	-	-	268,807	56,556	2,210	327,573	Acquisitions
Disposals	-	-	(4,804)	-	-	(4,804)	Dispositions
Balance as at December 31, 2022	48,300	678,021	3,054,570	5,496,099	72,514	9,349,504	Solde au 31 décembre 2022
Accumulated depreciation							Amortissement cumulé
Balance as at December 31, 2020	-	244,376	697,021	580,068	48,556	1,570,021	Solde au 31 décembre 2020
Depreciation	-	35,501	113,978	122,698	4,912	277,089	Amortissement
Balance as at December 31, 2021	-	279,877	810,999	702,766	53,468	1,847,110	Solde au 31 décembre 2021
Depreciation	-	35,501	121,706	122,898	4,311	284,416	Amortissement
Disposals	-	-	(1,801)	-	-	(1,801)	Dispositions
Balance as at December 31, 2022	-	315,378	930,904	825,664	57,779	2,129,725	Solde au 31 décembre 2022
Net carrying amounts							Valeur comptable nette
As at December 31, 2021	48,300	398,144	1,979,568	4,736,777	16,836	7,179,625	Au 31 décembre 2021
As at December 31, 2022	48,300	362,643	2,123,666	4,670,435	14,735	7,219,779	Au 31 décembre 2022

6. Intangible assets

	Computer software/ Logiciels	Land rights/ Droits de passage	Total	
	\$	\$	\$	
Cost				Coût
Balance as at December 31, 2020	114,627	5,980	120,607	Solde au 31 décembre 2020
Acquisitions	9,350	-	9,350	Acquisitions
Balance as at December 31, 2021	123,977	5,980	129,957	Solde au 31 décembre 2021
Acquisitions	-	-	-	Acquisitions
Balance as at December 31, 2022	123,977	5,980	129,957	Solde au 31 décembre 2022
Accumulated amortization				Amortissement cumulé
Balance as at December 31, 2020	95,290	-	95,290	Solde au 31 décembre 2020
Amortization	8,879	-	8,879	Amortissement
Balance as at December 31, 2021	104,169	-	104,169	Solde au 31 décembre 2021
Amortization	9,263	-	9,263	Amortissement
Balance as at December 31, 2022	113,432	-	113,432	Solde au 31 décembre 2022
Net carrying amounts				Valeur comptable nette
As at December 31, 2021	19,808	5,980	25,788	Au 31 décembre 2021
As at December 31, 2022	10,545	5,980	16,525	Au 31 décembre 2022

6. Immobilisations incorporelles

7. Regulatory deferral account debit balances

	2022	2021	
	\$	\$	
Low voltage charges	86,439	47,478	Distribution à faible tension

7. Soldes débiteurs des comptes de report réglementaires

8. Bank loan

The Corporation has an authorized line of credit of \$1,000,000 (\$1,000,000 as at December 31, 2021), at prime rate, which remained unused as at December 31, 2022 and 2021.

There are no covenants to be met.

8. Emprunt bancaire

La Société dispose d'une marge de crédit de 1 000 000 \$ (1 000 000 \$ au 31 décembre 2021), au taux préférentiel, dont la totalité est inutilisée aux 31 décembre 2022 et 2021.

Il n'y a pas de ratios à respecter.

9. Accounts payable and accrued liabilities

	2022	2021	
	\$	\$	
Accounts payable – energy purchases	2,363,394	2,411,895	Créditeurs – achats d'énergie
Payroll payable	86,222	85,052	Rémunération à payer
Customers receivable with credit balances	165,079	228,311	Clients à recevoir avec soldes créditeurs
Town of Hawkesbury	1,170	171	Ville de Hawkesbury
Other accounts payable and accrued liabilities	114,460	302,328	Autres créditeurs et charges à payer
	2,730,325	3,027,757	

9. Créditeurs et charges à payer

10. Long-term debt

	2022	2021
	\$	\$
Loan, 2.92%, payable until March 2023 in monthly instalments of \$6,277 including interest, secured by a general security agreement over all the assets of the Corporation	18,738	92,341
Loan, 3.94%, payable until June 2037 in monthly instalments of \$3,934 including interest, secured by a general security agreement over all the assets of the Corporation	520,819	546,945
Loan, 3.29%, payable until June 2042 in monthly instalments of \$7,586 including interest, secured by a general security agreement over all the assets of the Corporation	1,308,962	1,356,088
Loan, 3.77%, payable until March 2043 in monthly instalments of \$7,509 including interest, secured by a general security agreement over all the assets of the Corporation	1,274,752	1,315,949
	3,123,271	3,311,323
Current portion	137,390	188,052
	2,985,881	3,123,271

10. Dette à long terme

Emprunt, 2,92 %, remboursable jusqu'en mars 2023 par versements mensuels de 6 277 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société

Emprunt, 3,94 %, remboursable jusqu'en juin 2037 par versements mensuels de 3 934 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société

Emprunt, 3,29 %, remboursable jusqu'en juin 2042 par versements mensuels de 7 586 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société

Emprunt, 3,77 %, remboursable jusqu'en mars 2043 par versements mensuels de 7 509 \$ incluant les intérêts, garanti par un contrat de sûreté générale sur tous les actifs de la Société

Tranche à court terme

Principal payments required in each of the next five years are as follows:

	\$
2023	137,390
2024	123,010
2025	127,528
2026	132,214
2027	137,073

Les versements de capital requis au cours des cinq prochains exercices sont les suivants :

Under the terms of the loan agreements, the Corporation must satisfy certain restrictive covenants as to minimum financial ratios, regarding the disposal of capital assets, must not increase the line of credit or the letter of guarantee, must not invest in subsidiaries and must not distribute to the shareholder more than the permitted annual distribution limit. The Corporation meets all the restrictive covenants.

Selon les conditions rattachées aux emprunts, la Société est soumise à certaines clauses restrictives en ce qui concerne le maintien de ratios financiers minimaux, au sujet de la disposition d'immobilisations, ne doit pas augmenter sa marge de crédit ou sa lettre de garantie, ne doit pas investir dans des filiales, et ne doit pas distribuer à l'actionnaire plus que la limite annuelle permise. La Société respecte toutes les clauses restrictives.

11. Other financial liabilities

	2022	2021
	\$	\$
Customers' deposits	449,842	493,696
Current portion	85,379	90,248
	364,463	403,448

11. Autres passifs financiers

Dépôts des clients

Tranche à court terme

12. Share capital

Authorized share capital:

An unlimited number of shares in each of the following categories:

Voting Class A shares

Voting Class B shares, non-participating

Non-voting Class C shares, non-participating

<i>Issued</i>	2022	2021
	\$	\$
1 Class A share	1,689,346	1,689,346

12. Capital-actions

Informations sur le capital-actions autorisé :

Un nombre illimité d'actions de chacune des catégories suivantes :

Actions de catégorie A, avec droit de vote

Actions de catégorie B, avec droit de vote, non participantes

Actions de catégorie C, sans droit de vote, non participantes

<i>Émis</i>	2022	2021
	\$	\$
1 action de catégorie A	1,689,346	1,689,346

13. Regulatory deferral account credit balances

	2022	2021
	\$	\$
Other regulatory liabilities	72,771	50,798
Smart meters	7,850	7,708
Retail settlement variance account	606,289	1,013,218
Amounts payable to clients	114,206	126,294
	801,116	1,198,018

13. Soldes créditeurs des comptes de report réglementaires

	2022	2021
	\$	\$
Autres passifs réglementés	72,771	50,798
Compteurs intelligents	7,850	7,708
Écart de prix avec les détaillants	606,289	1,013,218
Montants à payer à des clients	114,206	126,294
	801,116	1,198,018

14. Revenues

	2022	2021
	\$	\$
<i>Energy</i>		
Residential	5,258,351	5,169,699
General < 50 kW	4,951,025	6,488,225
General > 50 kW	3,384,360	2,132,521
Street lights	21,636	13,288
Sentinel	3,540	3,966
Retailers	752,651	420,781
Regulatory charges	2,521,546	2,281,889
	16,893,109	16,510,369

14. Revenus

	2022	2021
	\$	\$
<i>Énergie</i>		
Résidentiel	5,258,351	5,169,699
Général < 50 kW	4,951,025	6,488,225
Général > 50 kW	3,384,360	2,132,521
Éclairage des rues	21,636	13,288
Sentinel	3,540	3,966
Détaillants	752,651	420,781
Frais réglementés	2,521,546	2,281,889
	16,893,109	16,510,369

Distribution

Residential	1,024,689	968,276
General < 50 kW	223,825	206,870
General > 50 kW	318,481	192,520
Street lights	18,422	16,697
Sentinel	1,205	1,229
Regulatory charges	17,491	17,378
	1,604,113	1,402,970

Distribution

Résidentiel	1,024,689	968,276
Général < 50 kW	223,825	206,870
Général > 50 kW	318,481	192,520
Éclairage des rues	18,422	16,697
Sentinel	1,205	1,229
Frais réglementés	17,491	17,378
	1,604,113	1,402,970

15. Expenses

	2022	2021	
	\$	\$	
Salaries and benefits	404,818	428,860	Salaires et avantages sociaux
Contract/consulting	235,925	211,010	Contrat/consultant
Materials	760,858	879,965	Matériaux
Depreciation and amortization	277,095	272,289	Amortissement
Interest	133,293	132,172	Intérêts
	1,811,989	1,924,296	
Other expenses			Autres charges
Energy conservation programs	-	453	Programmes de conservation d'énergie
Jobs for clients	96,692	226,203	Travaux pour des clients
Loss on sale of property, plant and equipment	3,003	-	Perte à la cession d'immobilisations corporelles
Other	10,787	10,691	Autres
	110,482	237,347	

15. Charges

16. Insurance

With respect to liability insurance, the Corporation is a member of the Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members.

Insurance premiums charged to each member consist of a levy per thousands of dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage is \$30,000,000 for liability insurance, including directors and officers.

16. Assurance

En ce qui concerne l'assurance responsabilité, la Société est membre du Municipal Electricity Association Reciprocal Insurance Exchange (MEARIE). Un échange d'assurance réciproque peut être défini comme un groupe de personnes formé dans le but d'échanger des contrats réciproques d'indemnisation ou d'assurance avec l'autre. MEARIE est autorisé à fournir une assurance de responsabilité civile générale à ses membres.

Les primes d'assurance facturées à chaque membre se composent d'un prélèvement par millier de dollars de revenus de services sujet à un crédit ou un supplément basé sur l'expérience des réclamations de chaque membre. La couverture maximale pour l'assurance responsabilité, y compris les administrateurs et dirigeants, est de 30 000 000 \$.

17. Pension plan

The Corporation makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of five members (six in 2021) of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2022 is \$30,597 (\$31,175 in 2021) for current service and is included as an expense in the statement of income.

17. Régime de retraite

La Société contribue au régime de retraite des employés municipaux de l'Ontario (RREMO), qui est un régime interemployeurs, pour cinq membres (six en 2021) de son personnel. Il s'agit d'un régime à prestations déterminées qui prévoit le niveau de pension à être reçu par les employés en se basant sur les années de service et le taux de rémunération.

Le montant contribué à RREMO en 2022 est de 30 597 \$ (31 175 \$ en 2021) pour services courants et est inclus dans les charges à l'état du résultat.

18. Contingencies

Letter of guarantee

A letter of guarantee in the amount of \$399,528 was issued in favour of the Independent Electricity System Operator and is renewable in September 2023. The Corporation of the Town of Hawkesbury endorsed this letter of guarantee.

18. Éventualités

Lettre de garantie

Une lettre de garantie d'un montant de 399 528 \$ a été émise en faveur de la Société indépendante d'exploitation du réseau d'électricité et est renouvelable en septembre 2023. La Corporation de la Ville de Hawkesbury a endossé cette lettre de garantie.

19. Commitments

The Corporation signed various contracts. The amounts for services or equipment not received at year-end total \$199,982.

19. Engagements

La Société a signé divers contrats. Les montants pour les services ou l'équipement non reçus à la fin d'exercice totalisent 199 982 \$.

20. Income taxes

(a) *Income tax expense*

PILs recognized in net income include the following:

	2022	2021
	\$	\$
Current tax	(67,055)	(16,785)
Deferred tax	118,884	42,339
Income tax expense	51,829	25,554

20. Impôts sur les bénéfices

(a) *Impôts sur le résultat*

Les PILs constatés dans le résultat net comprennent :

	2022	2021	
	\$	\$	
Current tax	(67,055)	(16,785)	Impôts exigibles
Deferred tax	118,884	42,339	Impôts différés
Income tax expense	51,829	25,554	Impôts sur le résultat

(b) *Reconciliation of effective tax rate*

The income tax expense differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rates. The reconciliation between the statutory and effective tax rates is as follows:

	2022	2021
	\$	\$
Income before taxes	232,336	130,215
Statutory Canadian federal and provincial income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	61,569	34,507
Decrease in income taxes resulting from:		
Small business deduction	(9,740)	(8,953)
Total income tax expense	51,829	25,554

(b) *Rapprochement du taux d'imposition*

La charge d'impôt diffère de celle qui sera établie avec le taux statutaire combiné fédéral et provincial. Le rapprochement entre les taux statutaires et les taux effectifs est comme suit :

	2022	2021	
	\$	\$	
Income before taxes	232,336	130,215	Résultat avant impôts
Statutory Canadian federal and provincial income tax rates	26.5%	26.5%	Taux statutaire d'impôt canadien fédéral et provincial
Expected tax provision on income at statutory rates	61,569	34,507	Provision attendue sur le résultat au taux statutaire
Decrease in income taxes resulting from:			Réduction des impôts résultant de :
Small business deduction	(9,740)	(8,953)	Déduction accordée aux petites entreprises
Total income tax expense	51,829	25,554	Impôts sur le résultat total

Statutory Canadian income tax rates for the current year comprise 15.0% (15.0% in 2021) for federal corporate tax and 11.5% (11.5% in 2021) for corporate tax in Ontario.

Au fédéral, le taux statutaire d'imposition des sociétés pour l'exercice courant est 15,0 % (15,0 % en 2021) et 11,5 % (11,5 % en 2021) pour l'impôt des sociétés en Ontario.

20. Income taxes (continued)

(c) *Deferred tax*

Deferred tax (assets) liabilities are attributable to the following:

	2022	2021
	\$	\$
Property, plant and equipment	246,818	213,354
Intangible assets	1,141	2,894
Regulatory deferral account	(218,191)	(305,364)
	29,768	(89,116)

Movement in deferred tax balances during the year were as follows:

	2022	2021
	\$	\$
Balance as at January 1 st	(89,116)	(131,455)
Recognized in net income	118,884	42,339
Balance as at December 31	29,768	(89,116)

20. Impôts sur les bénéfices (suite)

(c) *Impôts différés*

Les (actifs) passifs d'impôts différés sont attribuables à :

Immobilisations corporelles
Immobilisations incorporelles
Comptes de report réglementaires

Les variations des soldes des impôts différés au cours de l'exercice sont comme suit :

Solde au 1 ^{er} janvier
Constaté dans le résultat net
Solde au 31 décembre

21. Related party balances and transactions

(a) *Balances and transactions with the shareholder*

The amounts (receivable from) payable to the shareholder are presented in Notes 4 and 9.

Significant related party transactions with the shareholder not otherwise disclosed separately in the financial statements, are summarized below:

	2022	2021
	\$	\$
Revenues		
Energy and distribution	880,251	879,219
Expenses		
Distribution	1,695	1,000
Property taxes	26,088	25,697
	27,883	26,697

These transactions are in the normal course of operations and are recorded at the exchange amount.

(b) *Key management personnel compensation*

Key management personnel is comprised of the Corporation's manager and the members of the board of directors. The compensation paid or payable to key management personnel is as follows:

	2022	2021
	\$	\$
Salaries and short-term employment benefits	150,611	150,623

21. Soldes et transactions avec les parties liées

(a) *Soldes et transactions avec l'actionnaire*

Les montants (à recevoir) payables à l'actionnaire sont présentés aux notes 4 et 9.

Les transactions importantes avec l'actionnaire, qui ne sont pas présentées séparément dans les états financiers, sont résumées ci-dessous :

Revenus
Énergie et distribution
Charges
Distribution
Impôts fonciers

Ces transactions sont dans le cours normal des opérations et sont constatées à la valeur d'échange.

(b) *Rémunération des principaux dirigeants*

Les principaux dirigeants sont le gérant de la Société et les membres du conseil d'administration. La rémunération versée ou payable aux principaux dirigeants est comme suit :

Salaires et avantages sociaux à court terme

22. Net change in non-cash operating working capital items

	2022	2021
	\$	\$
Accounts receivable	233,993	163,828
Inventories	(10,281)	(560)
Unbilled revenues	(62,404)	339,026
Income taxes	8,668	(171,510)
Prepaid expenses	(22,680)	(546)
Accounts payable and accrued liabilities	(318,903)	(469,504)
	(171,607)	(139,266)

22. Variation nette des éléments hors caisse du fonds de roulement

	2022	2021
	\$	\$
Débiteurs	163,828	163,828
Stocks	(560)	(560)
Revenus non facturés	339,026	339,026
Impôts sur les bénéfices	(171,510)	(171,510)
Frais payés d'avance	(546)	(546)
Créditeurs et charges à payer	(469,504)	(469,504)
	(139,266)	(139,266)

Non-cash transactions

During the year, capital assets were acquired at an aggregate cost of \$327,573 (\$272,029 in 2021), of which \$53,989 (\$32,518 in 2021) were paid after year-end and \$273,584 (\$239,511 in 2021) were paid during the year.

Opérations sans effets sur la trésorerie

Au cours de l'exercice, des immobilisations ont été acquises pour un coût total de 327 573 \$ (272,029 \$ en 2021), dont un montant de 53 989 \$ (32 518 \$ en 2021) a été payé après la fin de l'exercice et un montant de 273 584 \$ (239 511 \$ en 2021) a été payé au cours de l'exercice.

23. Instruments financiers et gestion des risques

(a) *Fair value of financial instruments*

The Corporation's accounting policies relating to the recognition and measurement of financial instruments are disclosed in Note 3(c).

The carrying amount of cash, accounts receivable, unbilled revenues and accounts payable and accrued liabilities approximates fair value because of the short maturity of these instruments. The carrying value and fair value of the Corporation's other financial instruments are as follows:

Description	2022		2021	
	Carrying value/ Valeur comptable	Fair value/ Juste valeur	Carrying value/ Valeur comptable	Fair value/ Juste valeur
Liabilities		\$		\$
Long-term debt	3,123,271	3,123,000	3,311,323	3,311,000
Other financial liabilities	449,842	450,000	493,696	494,000

The carrying amounts shown in the table are included in the balance sheet under the indicated title.

(a) *Juste valeur des instruments financiers*

Les conventions comptables de la Société relatives à la comptabilisation et l'évaluation des instruments financiers sont présentées à la note 3(c).

La valeur comptable de l'encaisse, des débiteurs, des revenus non facturés et des crédateurs et charges à payer sont près de la juste valeur en raison de l'échéance rapprochée de ces instruments. La valeur comptable et la juste valeur des autres instruments financiers de la Société sont les suivants :

Description	2022		2021	
	Carrying value/ Valeur comptable	Fair value/ Juste valeur	Carrying value/ Valeur comptable	Fair value/ Juste valeur
Passif		\$		\$
Dettes à long terme	3,123,271	3,123,000	3,311,323	3,311,000
Autres passifs financiers	449,842	450,000	493,696	494,000

Les valeurs comptables démontrées dans le tableau figurent au bilan sous la rubrique indiquée.

**23. Financial instruments and risk management
 (continued)**

(a) Fair value of financial instruments (continued)

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

- Level 1: inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The fair value hierarchy is classified as Level 2 for long-term debt and other financial liabilities. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis. The most significant inputs are the contractual terms of the instrument discounted, and the market discount rates that reflects the credit risk of counterparties.

(b) Risk factors

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 and liquidity risk as well as related mitigation strategies have been discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(c) Credit risk

The Corporation's credit risk is primarily attributable to its accounts receivable and unbilled revenues. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts, estimated by the management of the Corporation based on previous experience and its assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The Corporation does not have significant exposure to any individual customer and has not incurred any significant bad debts during the year. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

**23. Instruments financiers et gestion des risques
 (suite)**

(a) Juste valeur des instruments financiers (suite)

Les instruments financiers qui sont présentés à la juste valeur doivent être classés selon une hiérarchie à trois niveaux. Chaque niveau reflète les données utilisées pour évaluer les justes valeurs des passifs financiers et sont comme suit :

- Niveau 1 : les données qui sont fondées sur les prix non rajustés, sur le marché, pour des actifs ou passifs identiques;
- Niveau 2 : les données autres que les prix cotés visés au niveau 1, qui sont observables pour l'actif ou le passif, directement ou indirectement;
- Niveau 3 : les données pour les actifs ou passifs qui ne sont pas fondées sur les données de marché observables.

La hiérarchie de la juste valeur de la dette à long terme et des autres passifs financiers est classée au niveau 2. La classification à des fins de divulgation a été déterminée conformément aux modèles d'évaluation généralement reconnus, fondés sur l'analyse des flux de trésorerie actualisés. Les données principales sont les conditions contractuelles de l'instrument escompté et les taux d'actualisation du marché qui reflètent le risque de crédit des contreparties.

(b) Facteurs de risque

La Société comprend les risques inhérents à son domaine d'activité et les définit comme étant tout ce qui pourrait influencer sur sa capacité à réaliser ses objectifs stratégiques. L'exposition de la Société à une variété de risques tels que le risque de crédit et le risque de liquidité ainsi que les stratégies d'atténuation connexes ont été discutées ci-dessous. Cependant, les risques décrits ci-dessous ne sont pas exhaustifs et les stratégies d'atténuation n'élimineront pas l'exposition de la Société à tous les risques énumérés.

(c) Risque de crédit

Le risque de crédit de la Société est principalement imputable à ses débiteurs et ses revenus non facturés. Les montants présentés dans le bilan ont été réduits de la provision pour créances douteuses, laquelle a fait l'objet d'une estimation par la direction de la Société en fonction de l'expérience antérieure et de son évaluation de la conjoncture économique actuelle. Afin de réduire le risque, la direction a adopté des politiques de crédit qui comprennent une révision régulière des limites de crédit. La Société n'est exposée à aucun risque important à l'égard d'un client particulier et n'a eu aucune créance irrécouvrable importante au cours de l'exercice. Le risque de crédit lié à l'encaisse est limité puisque les contreparties sont des banques à charte jouissant de cotes de solvabilité élevées attribuées par des agences de notation nationales.

23. Financial instruments and risk management (continued)

(c) *Credit risk (continued)*

As at December 31, 2022, the aging of accounts receivable was as follows:

	2022		2021	
	\$	%	\$	%
Trade				
Current	1,506,914	96	1,756,767	98
Aged between 31 and 90 days	41,113	3	23,684	1
Aged greater than 90 days	15,440	1	21,837	1
	1,563,467	100	1,802,288	100
Allowance for doubtful accounts	(2,790)	-	(7,618)	-
	1,560,677	100	1,794,670	100

23. Instruments financiers et gestion des risques (suite)

(c) *Risque de crédit (suite)*

Au 31 décembre 2022, le classement par échéance des débiteurs était le suivant :

Clients
Courant
Entre 31 et 90 jours
Plus de 90 jours
Provision pour créances douteuses

23. Financial instruments and risk management (continued)

d) Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. The Corporation has the following financial liabilities as at December 31:

23. Instruments financiers et gestion des risques (suite)

d) Risque de liquidité

L'objectif de la Société est de disposer de liquidité suffisante pour être en mesure de remplir ses obligations financières à leur échéance. La Société surveille le solde de son encaisse et ses flux de trésorerie qui découlent de son exploitation pour être en mesure de respecter ses engagements. Au 31 décembre, les passifs financiers de la Société étaient les suivants :

	December 31, 2022	2023	2024-2027	2028-2032	After/ Après 2032
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,730,325	2,730,325	-	-	-
Long-term debt	3,123,271	137,391	519,826	764,776	1,701,278
Other financial liabilities	449,842	85,379	364,463	-	-
	6,303,438	2,953,095	884,289	764,776	1,701,278
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
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	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	Carrying amount/ Valeur comptable	\$	\$	\$	\$
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	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
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	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
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	\$	\$	\$	\$	\$
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Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891	737,649	1,865,179
	Carrying amount/ Valeur comptable	\$	\$	\$	\$
December 31, 2021		2022	2023-2026	2027-2031	After/ Après 2031
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,027,757	3,027,757	-	-	-
Long-term debt	3,311,323	188,052	520,443	737,649	1,865,179
Other financial liabilities	493,696	90,248	403,448	-	-
	6,832,776	3,306,057	923,891		

24. Rate regulation

The *Ontario Energy Board Act, 1998* gave the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers. The OEB may prescribe license requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, and filing process requirements for rate-setting purposes.

Every five years, each electricity distributor must go through an extensive review of their distribution costs which is called a cost of service.

On an annual basis, between each cost of service, each distributor goes through a less extensive review. There are three rate-setting methods under this category: 4th generation incentive rate-setting (Price Cap IR), Custom incentive rate-setting (Custom IR) and Annual incentive rate-setting index (Annual IR Index).

On an annual basis, each distributor must go through another process to recover regulatory deferral account balances (debits and credits). This process is called Incentive rate-setting mechanism (IRM). Every five years, this process is addressed through the cost of service.

For all of those rate-setting mechanisms, there are different applications, models and reports which must be submitted by the distributors to OEB. Consumer groups and other affected groups may also take part in the process and provide comments. The OEB decides whether or not to approve any or all of the applications and then sets the rates for the distributors to charge.

In order to meet OEB's requirements, the Corporation must record some amounts in regulatory deferral accounts. Those amounts will be recovered from or reimbursed to clients over a period of time agreed in the rate-setting process. Amounts recorded in regulatory accounts include the difference between various energy revenues and expenses components (Retail settlement variance account and Low voltage charges) and expenses (Other regulatory assets) which are not considered in the actual rates because they were unknown or could not be evaluated when the cost of service was approved.

24. Réglementation des tarifs

La *Loi de 1998 sur la Commission de l'énergie de l'Ontario* a donné à la CÉO des pouvoirs accrus et des responsabilités pour réglementer l'industrie de l'électricité. Ces pouvoirs et responsabilités comprennent le pouvoir d'approuver ou de fixer les taux de transmission et de distribution d'électricité, le pouvoir de fournir une protection tarifaire continue pour les clients ruraux et éloignés et la responsabilité de veiller à ce que les sociétés de distribution remplissent leurs obligations de brancher et servir les clients. La CÉO peut imposer des exigences de licence et des conditions, y compris, entre autres, des registres comptables appropriés, des principes comptables réglementaires et des exigences pour le processus d'établissement des tarifs.

Tous les cinq ans, chaque distributeur d'électricité doit subir un examen plus approfondi de ses coûts de distribution qui est appelé un coût de service.

Chaque distributeur doit subir un examen moins approfondi sur une base annuelle entre les coûts de service. Dans cette catégorie, il existe trois méthodes pour fixer les taux : l'établissement des taux incitatifs de 4^e génération, l'établissement des taux d'incitation personnalisés et l'indice annuel d'établissement des taux d'incitation.

Sur une base annuelle, chaque distributeur doit passer par un autre procédé afin de récupérer les soldes de comptes de report réglementaires (débiteurs et créditeurs). Ce mécanisme est appelé mécanisme d'établissement des taux incitatif. Tous les cinq ans, ce processus est inclus dans le coût de service.

Pour tous ces mécanismes d'établissement des taux, il existe différents applications, modèles et rapports qui doivent être soumis par les distributeurs à la CÉO. Les groupes de consommateurs et d'autres groupes concernés peuvent également prendre part au processus et fournir des commentaires. La CÉO décide d'approuver ou non, l'ensemble ou une portion des applications et fixe les taux que les distributeurs doivent facturer.

Afin de répondre aux exigences de la CÉO, la Société doit enregistrer certains montants dans les comptes de report réglementaires. Ces montants seront récupérés ou remboursés aux clients sur une période convenue dans le processus d'approbation des tarifs. Les montants inscrits dans les comptes de report réglementaires comprennent la différence entre diverses composantes des revenus et charges d'énergie (écarts de prix avec les détaillants et distribution à faible tension) et les dépenses (autres tarifs réglementés) qui ne sont pas prises en compte dans les taux courants parce qu'ils étaient inconnus ou ne pouvaient pas être déterminés lorsque le coût de service a été approuvé.

24. Rate regulation (continued)

When the regulatory deferral account balances are approved for disposal (to be recovered from or remitted to clients) in the IRM or cost of service, the approved rates are based on a number of clients and a level of consumption. The portion expected to be recovered or remitted with a fixed charge, will vary with the number of clients over the recovery or remittance period. The portion expected to be recovered or remitted with a usage charge, will vary with the consumption over the recovery or remittance period. The remaining balance between the amounts approved and the amounts recovered or remitted over the approved period, will be considered in a future IRM or cost of service.

Carrying charges are calculated on the regulatory deferral account balances. They are calculated on a monthly basis, at a rate established by OEB, on the balances at the beginning of the month. Carrying charges are calculated on the capital amounts only, not on the accumulated carrying charges.

24. Réglementation des tarifs (suite)

Lorsque les soldes de comptes de report réglementaires sont approuvés pour être disposés (récupérés ou remis aux clients) lors du mécanisme d'établissement des taux incitatif ou lors du coût de service, les tarifs approuvés sont basés sur un nombre de clients et un niveau de consommation. La portion qui devrait être récupérée ou remboursée par une charge fixe variera en fonction du nombre de clients au cours de la période de récupération ou de remboursement. La portion qui devrait être récupérée ou remboursée par des frais d'utilisation variera en fonction de la consommation des clients au cours de la période de récupération ou de remboursement. Le solde entre les montants approuvés et les montants récupérés ou remboursés au cours de la période approuvée sera considéré lors d'un mécanisme d'établissement des taux incitatif ou lors d'un coût de service futur.

Des frais financiers sont calculés sur les soldes de comptes de report réglementaires. Ils sont calculés sur une base mensuelle, avec un taux établi par la CÉO, sur les soldes au début du mois. Les frais financiers sont calculés sur les montants de capital et non sur les frais financiers cumulés.

25. Capital structure / objectives

The Corporation's main objectives in the management of capital are to:

- (i) Ensure that there is access to various funding options at the lowest possible rates for the various capital initiatives and working capital requirements necessary for the rate-regulated business;
- (ii) Consistently maintain a high credit rating for the Corporation; and
- (iii) Deliver appropriate financial returns to the shareholder.

26. Reclassification

Certain corresponding figures have been reclassified to conform to the current year's presentation.

25. Structure du capital et objectifs

Les principaux objectifs de la Société dans la gestion de son capital sont :

- (i) S'assurer d'avoir accès à des sources de financement variées à des taux raisonnables pour ses diverses initiatives et un fonds de roulement nécessaire au fonctionnement de ses activités réglementées;
- (ii) Maintenir une excellente évaluation de crédit pour la Société;
- (iii) Rapporter un rendement financier satisfaisant à l'actionnaire.

26. Reclassement

Certains chiffres correspondants ont été reclassés afin que leur présentation soit conforme à celle adoptée pour l'exercice considéré.

APPENDICES B

MD&A Report

Hydro Hawkesbury Inc.

2022 Scorecard Management Discussion and Analysis (“2022 Scorecard MD&A”)

Scorecard MD&A - General Overview

In 2022, Hydro Hawkesbury Inc. (“HHI”) met or exceeded all but one area of performance target. HHI fell marginally under the System Reliability measure. HHI continues to seek new control measures leading to improvements in all categories. HHI has been ranked first in the province in terms of efficiency since 2006. The utility continues to seek cost-saving solutions and encourage cost-sharing with neighbouring utilities.

Service Quality

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

In 2022 HHI connected 53 services, of which 100% were connected to its system within the five-day timeline prescribed by the Ontario Energy Board (OEB). HHI coordinates connection activities with local municipalities and other agencies to further enhance the coordination between municipal and electrical distribution construction activities.

- **Scheduled Appointments Met on Time**

In 2022, HHI scheduled 185 appointments with its customers to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. The utility met 100% of these appointments on time, significantly exceeding the industry target of 90%. HHI reported 88 out of 89 appointments involving meeting a customer or the customer’s representative where the appointment date and time were completed resulting in 98.88%.

- **Telephone Calls Answered on Time**

In 2022 HHI customer service received 6580 calls from its customers. Agents answered calls in 30 seconds or less in all except three calls resulting in an achievement rate of 99.95%. This result significantly exceeds the OEB-mandated 65% target for timely call response.

Customer Satisfaction

- **First Contact Resolution**

Using its customer satisfaction survey, HHI tracks its “First Contact Resolution” metric. To comply with this requirement, the utility used an average of the following survey questions below.

Customer Service Representative

- 1) During the past 12 months, have you contacted the utility’s customer service for any information or assistance?
- 2) Thinking about your most recent contact with Hydro Hawkesbury Inc., did the customer care representative provide you with the
- 3) If not, what information did you need that the customer care representative did not provide?
- 4) Overall, how would you rate the customer care representative’s performance in handling your request for information?

The utility reported results of 88.22%.

HHI notes that it last conducted its biannual satisfaction survey in the spring of 2023. HHI will use the new results in next year’s MD&A

- **Billing Accuracy**

Billing accuracy represents the number of customer invoices within the utility’s control that were created without errors. For 2022, HHI issued more than 67581 bills and achieved a billing accuracy of 99.65% with only 239, which was erroneous. This compares favourably to the prescribed OEB target of 98%.

HHI continues to monitor its billing accuracy results and processes to identify opportunities for improvement.

- **Customer Satisfaction Survey Results**

HHI conducted a customer satisfaction survey in the Spring of 2023. The results will be used in subsequent years’ MD&A. For 2022, the same results are last year are being used. The survey’s objectives included measuring:

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

The utility used Survey Monkey to publish its survey and posted it on its website. A bill insert communicating the survey and prize was included in all bills. The utility established that the desired sampling margin of error (confidence interval) was no more significant than (+/-) 5 percentage points at a 95% confidence level. The margin of error measures the precision of a sample estimate of the population value. It uses probability to demonstrate the accuracy of a sample estimate by providing a range of values in which a sample value would be expected to fall. In general, the margin of error provides a 95% confidence interval. The utility received 88 responses.

The survey yielded a customer satisfaction ranking of 83.93%.

HHI notes that it conducted its survey in the spring of 2021.

The utility intends to survey its customers bi-annually to monitor and assess residential and commercial customer knowledge, perceptions and satisfaction regarding utility services.

Safety

- **Component A – Public Awareness of Electrical Safety**

The intent of the Public Awareness Electrical Safety component of the public safety measure is to measure the awareness of critical electrical safety precautions among the public within the electricity distributor's service territory. It measures the effectiveness of distributors' activities in preventing electrical accidents. The utility conducted an online survey between December 2021 to February 2022. The results of the survey indicated an 89% score on Public Awareness. In the future, the utility plans on improving its outcomes by communicating safety measures to its customers

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

As a licensed distributor, HHI must comply with Ontario Regulation 22/04 Electrical Distribution Safety, and compliance with this regulation is subject to annual Audits and Declarations of Compliance. HHI has established practices and procedures that comply with Ontario Regulation 22/04 and has reported satisfactory Audits. HHI must also submit an annual Declaration of Compliance for certain sections of the regulation; these have also indicated compliance. ESA also undertakes a series of Due Diligence Inspections with all distributors. No significant items were raised from these inspections.

- **Component C – Serious Electrical Incident Index**

HHI did not have any severe electrical incidents to report in 2022

System Reliability

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

HHI experienced an increase in the average number of hours that power to a customer was interrupted during 2022 compared to previous years. A total of 38 interruptions resulted in 296,471 customer hours. Factors which affected the distribution system performance involved;

- 1) January 2022: HHI's distribution system experienced issues as a result of extreme cold weather. At temperatures of -26 degrees Celsius for a period of 3 days, HHI experienced a faulty circuit switcher at the 115 kV. The inability to maintain the gas at functional pressure levels cause an outage for 2700 customers. The issue required the assistance of 3rd parties to rectify.
- 2) May 2022: HHI experience an extremely violent storm (Derecho/Tornado) which involved damages and outages for a period up to 3 days.
- 3) August 2022: Hydro One who supplies power to Hydro Hakwesbury experienced an outage on the 44KV as well as a planned maintenance on the 115KV

HHI continues to view the reliability of electricity service as a high priority. The utility continues to monitor its distribution assets regularly.

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

HHI experienced a reduction in the average number of interruptions during 2022 for the above reasons. The results reported show that the interruptions increased from 2.11 in 2021 to 4.85 in 2022

Asset Management

- **Distribution System Plan Implementation Progress**

HHI filed a Distribution System Plan ("DSP") in its 2018 Cost of Service application

Cost Control

- **Efficiency Assessment**

The Pacific Economics Group LLC evaluates the total costs for Ontario local electricity distribution companies on behalf of the OEB to produce a single efficiency ranking. HHI has been placed in group I, representing the most efficient group for as long as the report has existed in 2006.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of HHI's capital and operating costs and dividing this cost figure by the total number of customers HHI serves. The cost performance result in 2022 of \$327/customer is up from \$319/customer in 2021.

The increase in costs is due to an increase in capital costs related to maintenance of the distribution system which was needed for reliability purposes.

HHI will continue proactively replacing distribution assets along a carefully managed timeframe that balances system risks and customer rate impacts, as demonstrated in its 2018 Cost of Service application. HHI will continue implementing productivity and improvement initiatives to help offset some of the costs associated with future system improvement and enhancements. Customer engagement initiatives will continue to ensure customers have an opportunity to share their viewpoints on HHI's capital spending plans.

- **Total Cost per Km of Line RRR (2.1.5 utility characteristics)**

HHI's 2022 rate per km of the line of \$25,176 represents an increase of \$477 from the 2021 figures of 24,699/km of lines. The reasons are the same as explained in the cost per customer above.

HHI continues to seek innovative solutions to help ensure the cost/km of line remains competitive and within acceptable limits to its customers.

Conservation & Demand Management

- **Net Annual Peak Demand Savings (Percent of target achieved) & Net Cumulative Energy Savings (Percent of target achieved)**
- As a result of the Minister of Energy, Northern Development and Mines' directive on March 20, 2020, the IESO's Conservation First Framework (CFF) was revoked. All electricity CDM activity for 2020 and 2021 will be centralized and administered by the IESO.
- As distributors are no longer working towards the former 2015-2021 CDM targets, reporting on CDM targets and results and no longer applicable.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

HHI did not have any Fit projects in 2022 and, as such, did not need Connection Impact Assessments

- **New Micro-embedded Generation Facilities Connected On Time**

HHI did not connect MicroFit projects in 2022.

Financial Ratios

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

HHI's current liquidity rating of 1.90 increased from 2.18 in 2021, which is close to the indicator of good financial health.

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

Following Board policy, the utility uses a deemed capital structure of 60% debt and 40% equity for electricity distributors when establishing rates.

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

HHI's 2022 distribution rates were rebased and approved by the OEB in 2018, including an expected (deemed) regulatory return on equity of 9.00%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

- **Profitability: Regulatory Return on Equity – Achieved**

HHI's current return is 10.41% which fell inside the +/- 3% range.

Note to Readers of 2022 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to several risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions, and the weather. For these reasons, the information on future performance is intended to be management's best judgment on the reporting date of the performance scorecard. It could be markedly different in the future.

APPENDICES C

Detailed map

