

EXHIBIT 1 – ADMINISTRATIVE
DOCUMENTS
2025 Cost of Service

Hydro 2000 Inc.
EB-2024-0030

TABLE OF CONTENTS

Table of Contents	2
1.1 Legal application & Administrative Matters	4
Contact Information.	6
Notice of Application.	7
Certification of Accuracy of Evidence	7
Confirmation of Privacy Protection.....	8
Financial and Load Information filed in this application	8
Statement of Deviation of Filing Requirements	10
Amendments to OEB models	10
Materiality Threshold.	10
1.2. Summary of Application	11
1.2.1 Distribution Rates	11
1.2.2 Revenue Requirement.....	12
1.2.3 Load Forecast.....	13
1.2.4 Rate Base and Distribution System Planning.....	14
1.2.5 Operating Expenses (OM&A)	15
1.2.6 Cost of Capital	16
1.2.7 Cost Allocation.....	17
1.2.8 Deferral and Variance Account Disposition.....	18
1.2.9 Bill Impacts	19
1.3. About the utility	20
1.3.1 Distribution System Overview & Operating Environment	20
1.3.3 Directives from Previous Decisions.....	23
1.3.4 Business Plan.....	24
SWOT Analysis	25
Strengths	25
Weaknesses.....	25
Opportunities	25
Threats	25
Impact of Small Scale on Financial Sensitivity	26
1.3.5 Addressing Ongoing Changes in the Sector	27
1.4. Customer Engagement	28
1.4.1 Notice to Customers	29
1.4.1 Customer Satisfaction Survey.....	31
Customer Care Representative Performance	31

Recent Customer Interactions	31
Awareness of Payment Options.....	31
Restoration of Service During Outages.....	31
Reachability During Outages	32
Impact of Electrical Service Costs on Household Budget.....	32
Website Usage	32
Website Navigation Challenges	32
1.5. Performance Measurement, Benchmarking	33
1.5.1 Benchmarking and Scorecard Analysis.....	33
1.5.2 Activity & Performance-Based Benchmarking.....	37
1.6. Financial Information	39
1.6.1 Accounting Information	42
1.7. LDC Consolidation	43
1.8. Impact of Covid-19	44
Appendices	45
Appendices A	46
Appendices B	47
Appendices C	48

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 2000 for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1st, 2025.

Hydro 2000 Inc. ("H2000," "the utility," "the applicant") is a licensed distributor of electricity under distribution license ED-2002-0542 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

H2000 hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1st, 2025.

H2000 respectfully requests that this application be reviewed under the filing requirements specific to very small utilities. H2000's customer count falls well below the 5,000 threshold and the nature of H2000'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.

H2000 accordingly applies to the Board for the following Order or Orders: (List of Approvals)

- 1) Approval to charge distribution rates, effective May 1st, 2025, to recover a base revenue requirement of \$786,407 which includes a revenue deficiency of \$156,448 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 \$97,600 including \$5,000 in capital contribution 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 \$4.55 as approved in the Applicant's 2020 Cost of Service (2019-0041) 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-2024-0030 H2000 2025 Benchmarking Forecast Model
 - ✓ EB-2024-0030 H2000 2025 Cost Allocation
 - ✓ EB-2024-0030 H2000 2025 LRAMVA Workform
 - ✓ EB-2024-0030 H2000 PILs Workform
 - ✓ EB-2024-0030 H2000 2025 Rev Req Workform
 - ✓ EB-2024-0030 H2000 2025 RTSR Workform
 - ✓ EB-2024-0030 H2000 2025 Update Demand Data
 - ✓ EB-2024-0030 H2000 2025 COS Checklist
 - ✓ EB-2024-0030 H2000 2025 DVA Continuity Schedule
 - ✓ EB-2024-0030 H2000 2025 Chapter 2 Appendices
 - ✓ EB-2024-0030 H2000 2025 GA Workform
 - ✓ EB-2024-0030 H2000 1508 Pole Attachement

H2000 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 2000 Inc.
Applicant Address: 440 St-Philippe St, Alfred, ON K0B 1A0
Internet Address: www.hydro2000.ca
Social Media Address: <https://www.facebook.com/Hydro.Alfred.Plantagenet>

H2000's Contact Info. Lise Wilkinson
General Manager
lisewilkinson@hydro2000.ca
(613) 679-4093 ext. 202

H2000's Regulatory Consultant Manuela Ris
Consultant
manuela@tandemenergyservices.ca
416-562-9295

H2000's Counsel: Michael Buonaguro
Email: mrb@mrb-law.com
Phone: 416-767-1666

H2000 confirms the following administrative information:

- All documents have been submitted to the OEB via RESS.
- H2000 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. H2000 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. H2000 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 (French) 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, H2000 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

H2000, Lise Wilkinson, General Manager of Hydro 2000, 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 H2000'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 H2000 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.

Lise Wilkinson
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 2000 Inc. ("H2000") confirms that the documents filed in support of H2000'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, H2000 has updated its 2024 projections to reflect 6 months of projections to determine its 2024 bridge year. The 2025 Test Year are projections. H2000 notes that its 2023 financial and load information have been audited.

H2000 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

- 2020-2023: Audited balances
- 2024: 6 months actuals/6 months projected.
- 2025: Budgeted balances.

Operating Expenses

- 2020-2023: 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 31st, 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, H2000 followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated December 15, 2023 (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. H2000 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.

Amendments to OEB models

H2000 created a separate Appendix 2-M of the filing requirements to on-going costs as well as one-time costs. H2000 felt it was important to show both components and to reconcile the total with the total expenses in account 5655.

Appendix 2-H is designed to automatically prepopulate other revenue data using RRR filings. However, for Hydro 2000, no data was populated for the years 2021 to 2023. As a result, H2000 unlocked the worksheet and manually entered the data for those years.

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.

H2000 has also used its best judgment to provide justification and analysis for variances that are below the established threshold. At times, H2000 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 H2000's yearly OEB-approved fixed and variable rate from the last cost of Service in 2020 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. H2000 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 (2020)

Customer class name	2020 BA	2021	2022	2023	2024	2025
	CoS	IRM	IRM	IRM	IRM	CoS
Price cap applied		2.05%	3.15%	3.55%	4.65%	
FIXED						
Residential	29.39	33.08	34.12	35.33	36.97	\$46.10
General service less than 50 kw	23.21	23.69	24.44	25.31	26.49	\$26.49
General service 50 to 4,999 kw	84.54	86.27	88.99	92.15	96.43	\$96.43
Unmetered scattered load	4.79	4.89	5.04	5.22	5.46	\$5.46
Street lighting	1.31	1.34	1.38	1.43	1.50	\$1.50
VOLUMETRIC						
Residential	0.0000					-
General service less than 50 kw	0.0101	0.0103	1.0106	1.0110	0.0115	0.0169
General service 50 to 4,999 kw	1.5081	1.5390	1.5875	1.6439	1.7203	1.6357
Unmetered scattered load	0.0135	0.0138	0.0142	0.0147	0.0154	0.0382
Street lighting	7.6376	7.7942	8.0397	8.3251	8.7122	12.5105

1.2.2 Revenue Requirement

The table below shows the change in H2000's revenue requirement from the last Cost of Service in 2020 compared to the proposed 2025 Test Year.

The proposed Revenue Requirement for the 2025 test year of \$786,415 reflects an increase of \$235,556 from the 2020 Board Approved. The increase is primarily due to;

- a) An increase in OM&A of \$194,775;
- b) An increase in the Regulated Return on Capital due to additions of assets to the Rate Base; and
- c) An increase in "Other Revenues," which is explained in Exhibit 3.

Table 2 – Revenue Requirement

Particulars	Amount	Notes
2020 Board Approved Revenue Requirement	\$551,898	The starting point is \$551,898, which was the approved revenue requirement in 2020
Operation Maintenance Admin Costs	\$194,775	An increase of \$194,775 is noted in operating expenses. This reflects higher costs for operations and maintenance, including unplanned expenses and inflationary pressures.
Depreciation Expense	\$18,588	Depreciation has increased by \$18,588, indicating capital additions or investments in infrastructure that are now being depreciated.
Net Fixed Assets	\$324,712	The average net fixed assets have increased by \$324,712. This increase is reflected in the higher asset base, which impacts both depreciation and the rate base.
Working Capital Allowance	\$656	A modest increase of \$656 is due to changes in working capital, likely related to the lower Cost of Power.
Rate Base	\$325,368	The rate base has moved by \$325,368, which is the cumulative impact of changes in net fixed assets and working capital. This larger rate base directly affects the return on capital.
Return on Capital	\$32,503	Due to the higher rate base, the return on capital has increased by \$32,503, reflecting the requirement for returns on the larger investment in assets.
PILs	\$7,045	An increase of \$7,045 is attributed to the rise in assets, which would have led to higher taxable income, thereby increasing the PILs.
Property Taxes	\$0	
Other Revenues	-\$18,402	Other revenues have decreased by \$18,402, which might be due to lower non-operating income or a decrease in ancillary revenue streams.
Increase in Revenue Requirement	\$234,510	The final projected revenue requirement for 2025 is \$786,407, reflecting the adjustments and changes from the 2020 baseline.
2025 Revenue Requirement	\$786,407	

1.2.3 Load Forecast

H2000 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. H2000'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.

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	20208BA	2025	Var
Load				
Residential	kWh	12,657,112	11,782,231	-874,880
General Service < 50 kW	kWh	4,049,207	3,672,224	-376,983
General Service 50 to 4999 kW	kWh	4,111,838	3,610,880	-500,958
	kW	11,013	9,698	-1,315
Unmetered Scattered Load	kWh	17,280	16,511	-769
Street Lighting	kWh	153,000	152,620	-380
	kW	421	423	
Total	kWh	20,988,437	19,234,467	-1,753,970
Total	kW	11,434	10,121	-1,313
Customer Connection Count				
Residential	Cust	1113	1145	32
General Service < 50 kW	Cust	141	139	-2
General Service 50 to 4999 kW	Cust	13	15	2
Unmetered Scattered Load	Conn	4	21	18
Street Lighting	Conn	370	370	0
Total		1641	1690	49

1.2.4 Rate Base and Distribution System Planning

The proposed Rate Base for the 2025 test year of \$1,286,198 represents a \$325,368 increase from H2000's 2020 Board Approved Rate Base. An increase in the rate base is evidence of capital investments made by a utility in its infrastructure, such transformers, poles, and other essential assets required to provide reliable service to its customers. The rate base increase represents an increase in the value of the utility's assets that are used to deliver electricity or other services to customers.

The historical and proposed capital expenditures represent a reasonable and appropriate investment in distribution assets for the utility. H2000 believes that the proposed Rate Base between 2020 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 H2000's historical and anticipated capital spending.

Table 4 – Rate Base

Particulars	Last Board Approved	2025	Var
Net Capital Assets in Service:			
Avg Gross Assets	\$1,051,398	\$1,626,485	\$575,087
Avg Acc Depr	\$317,219	\$567,595	\$250,375
Average Balance	\$734,179	\$1,058,890	\$324,712
Working Capital Allowance	\$226,652	\$227,307	\$656
Total Rate Base	\$960,830	\$1,286,198	\$325,368

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 2020, with a total increase of \$194,775 or 39.5%.

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	\$10,000	\$24,872	\$14,872	148.72%
Maintenance	\$31,146	\$44,220	\$13,074	41.98%
Billing and collecting	\$155,231	\$262,463	\$107,232	69.08%
Community Relations	\$0	\$0	\$0	
Administrative and General+LEAP	\$296,322	\$355,920	\$59,598	20.11%
Total	\$492,699	\$687,474	\$194,775	39.53%

1.2.6 Cost of Capital

H2000 seeks to recover a weighted average cost of capital of 6.50% through rates in the 2025 Test Year. As per the OEB's prescribed Cost of Capital Parameters published for 2024 Cost of Service applications, H2000 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%. H2000 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.

H2000'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%	\$720,271	4.58%	\$32,988
Short-term Debt	4.00%	\$51,448	6.23%	\$3,205
Total Debt	60.00%	\$771,719	4.69%	\$36,194
Equity				
Common Equity	40.00%	\$514,479	9.21%	\$47,384
Preferred Shares	0.00%	\$ -		\$ -
Total Equity	40.00%	\$514,479	9.21%	\$47,384
Total	100.00%	\$1,286,198	6.50%	\$83,577

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. H2000 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	Shortfall Allocation
Residential	0.9512	0.9645	-0.0133	-\$9,320.1
General Service < 50 kW	1.1761	1.1761	0.0000	-0.0
General Service > 50 to 4999 kW	1.4877	1.2002	0.2875	\$8,560.4
Unmetered Scattered Load	0.9061	0.9061	0.0000	0.0
Street Lighting	1.2674	1.2002	0.0671	\$759.7

1.2.8 Deferral and Variance Account Disposition

H2000 proposes a collection of \$114,802 relating to Group 1 accounts including \$14,110 related to account 1589 and a collection of \$60,465 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

	Account	Interest	Balance sought for disposal	Allocator
LV Variance Account	1550	\$4,576	\$48,019.35	kWh
Smart Metering Entity Charge Variance Account	1551	-\$228	-\$2,619.70	# of Customers
RSVA - Wholesale Market Service Charge ⁵	1580	-\$1,443	-\$15,302.02	kWh
Variance WMS – Sub-account CBR Class A ⁵	1580	\$0	\$0.00	kWh
Variance WMS – Sub-account CBR Class B ⁵	1580	\$9	\$105.87	kWh
RSVA - Retail Transmission Network Charge	1584	\$1,522	\$13,867.48	kWh
RSVA - Retail Transmission Connection Charge	1586	\$1,594	\$17,546.19	Non-RPP kWh
RSVA - Power (excluding Global Adjustment) ⁴	1588	\$1,071	\$14,092.33	
RSVA - Global Adjustment ⁴	1589	\$1,822	\$14,110.49	
Disposition and Recovery/Refund of Regulatory Balances (2018 and pre-2018) ³	1595	\$0	\$0.00	
Disposition of Regulatory Balances (2019) ³	1595	\$94,330	-\$5,570.95	
Disposition of Regulatory Balances (2020) ³	1595	\$10,015	\$30,552.78	
Group 1 total (including Account 1589)		\$145,070	\$114,801.82	
Group 1 total (excluding Account 1589)		\$143,247	\$100,691.33	
RSVA - Global Adjustment		\$1,822	\$14,110.49	
Total of Group 2 Accounts		\$6,124	\$60,465	

1.2.9 Bill Impacts

The total residential bill impact for the standard 750kWh is 5.7% and GS < 50 for the standard 2000 kWh/month is 2.8%. The other classes were calculated using a rounded monthly average consumption.

H2000 confirms that 1 class exceed +/-10%. The Streetlight class is going up by 18.1%. H2000 notes that the yearly revenues collected from this particular class is \$11,957 and commits to revisiting the idea of rate mitigation during interrogatories and the settlement conference if changes and concerns arise. Further details are presented in Exhibit 8.

Table 9 – Bill Impacts

[illegible]

1.3. ABOUT THE UTILITY

1.3.1 Distribution System Overview & Operating Environment

Hydro 2000 operates as an embedded utility entirely within the Township of Alfred and Plantagenet, under Hydro One Networks Inc., receiving electricity at distribution-level voltages. It manages 22 kilometers of distribution lines, including 18 kilometers overhead and 3 kilometers underground, with a mix of 3-phase, 2-phase, and single-phase wires. The utility leases two 4.8KV distribution stations supplied by a 44KV source from Longueil TS.

Hydro 2000, a licensed electricity distributor, is owned by the Township and managed by a Board of Directors. The utility employs three staff members: a General Manager, an Administrative Coordinator, and a Client Services Clerk.

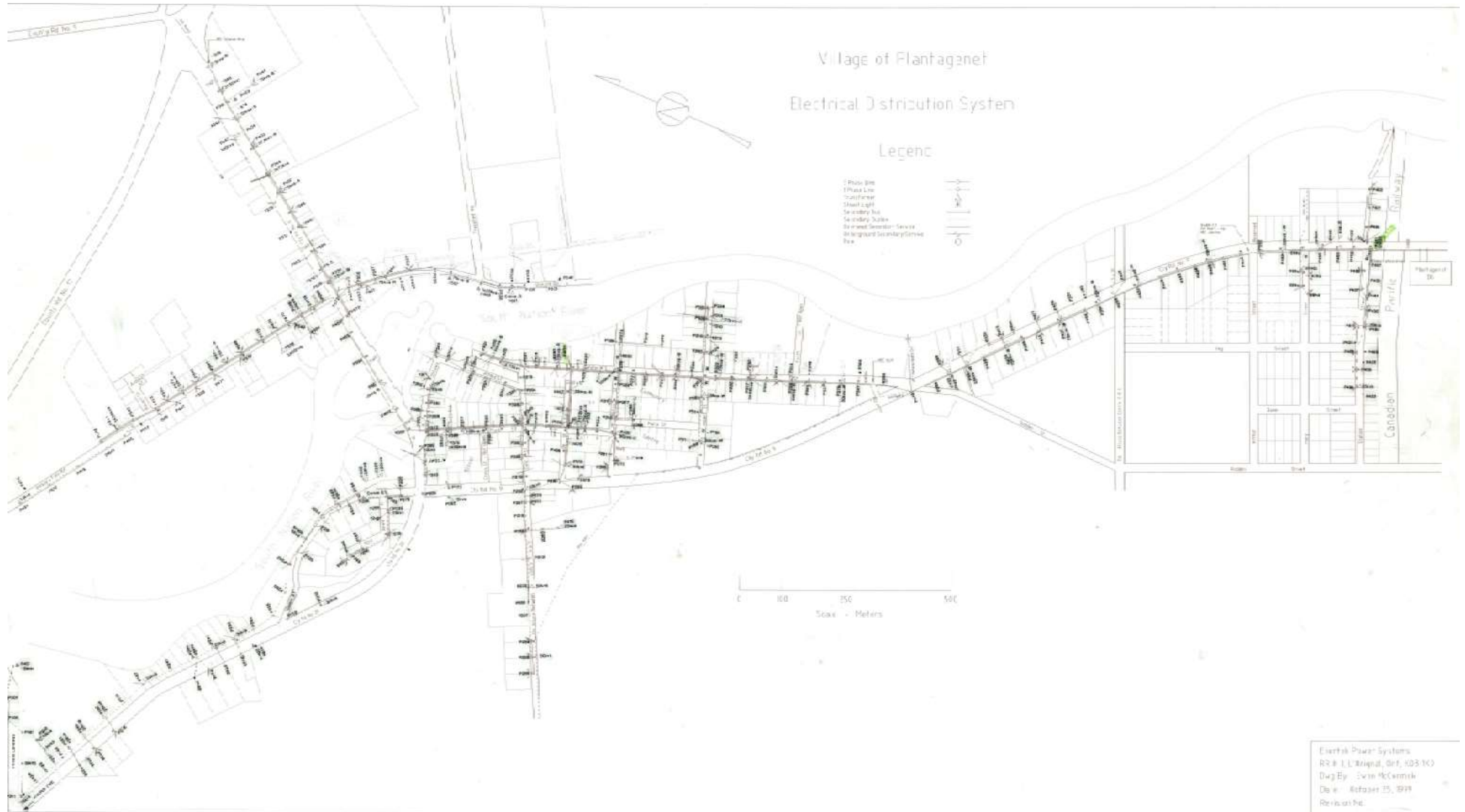
The General Manager oversees all internal and external activities, including creating budgets, monitoring the utility's financial goals, implementing and overseeing the cyber security program, managing metering, and handling information systems. They collaborate with regulatory bodies (OEB), coordinate with accountants, manage the purchasing of services and capital assets. The General Manager is also responsible for ensuring contractor safety also making sure they maintain and repair the distribution system to ensure its reliability, and promptly providing electricity service to customers in accordance with established rules.

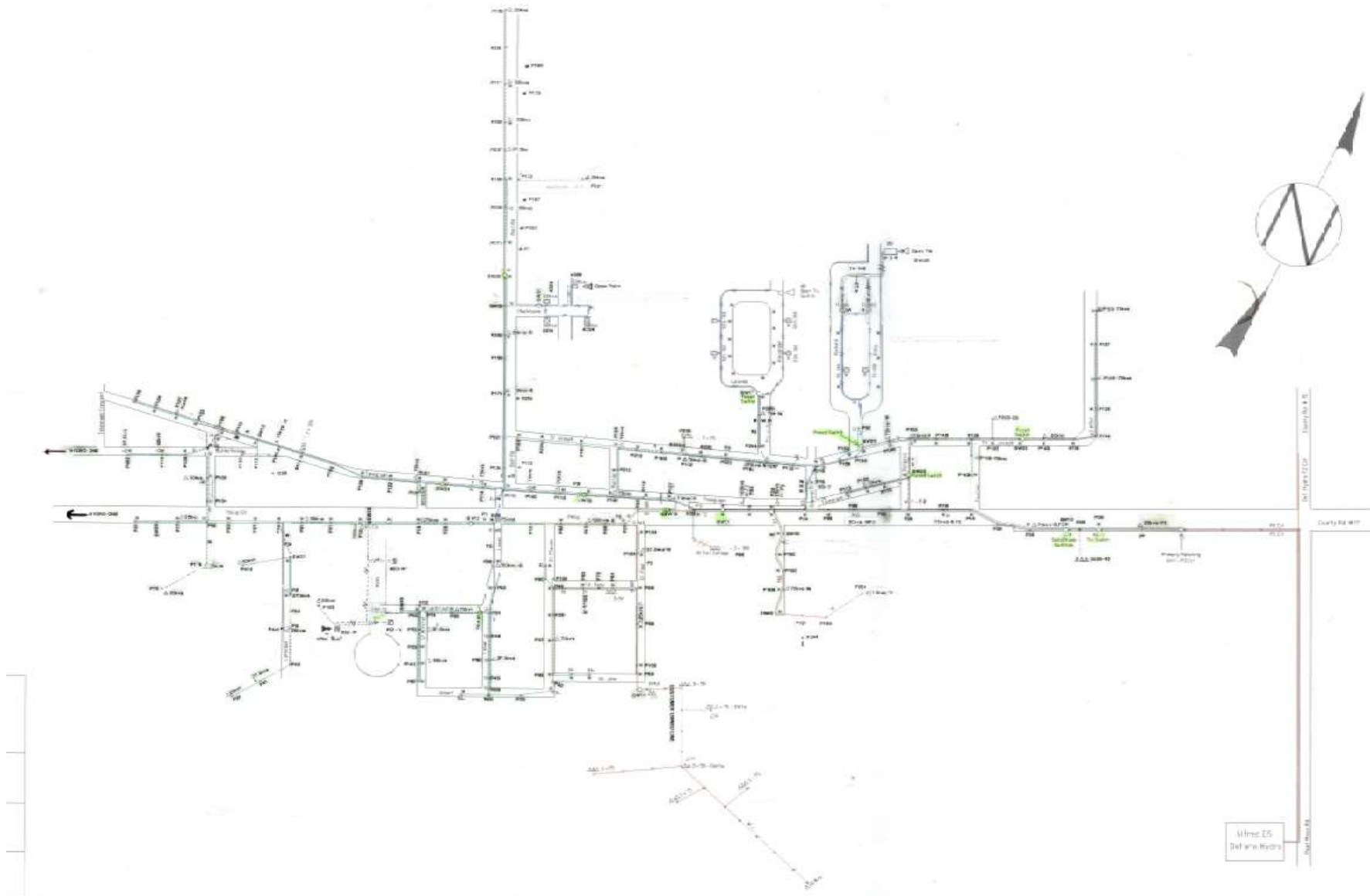
Hydro 2000's entire workforce is committed to addressing customer inquiries, supporting one another as necessary, and maintaining efficient communication across the organization. The utility must also maintain a careful balance between relying on third-party contractors and consultants and maximizing the use of its own labor to benefit customers and the community.

Hydro 2000 does not host any other utilities within its service area and does not have any embedded distributors within its territory. The utility does not foresee any changes in its service area, with no growth or decline expected in the industrial, commercial, or residential sectors. Consequently, there are no planned capital projects based on growth. The last Cost of Service application was for rates effective May 1, 2020.

Hydro 2000's conditions of services were last updated in 2014. The utility commits to updating its document in 2025 once the rate application has been completed.

Table 4 - Maps of Service Area





1.3.3 Directives from Previous Decisions

2020 Rates (EB-2019-0042)

The OEB accepted and approved the settlement of the issues as proposed by the parties. As agreed, the new rates were set to be effective on September 1, 2020, but Hydro 2000 chose to implement them on November 1, 2020.

2021 Rates (EB-2020-0028)

The Ontario Energy Board (OEB) approved Hydro 2000's 2.05% rate adjustment, effective May 1, 2021, applying uniformly to all distribution rates. The adjustment included changes to Retail Transmission Service Rates (RTSRs) and addressed a \$101,333 debit balance, including interest, for Group 1 accounts. This balance, including 2016 Account 1588 and 1589 balances, was confirmed as accurate and aligned with Hydro 2000's 2020 rate settlement proposal. The OEB noted fluctuations in Account 1588 and recommended improved accounting practices to reduce future balance variations.

2022 Rates (EB-2021-0030)

The Ontario Energy Board (OEB) approved Hydro 2000's 3.15% rate adjustment, effective May 1, 2022, and changes to Retail Transmission Service Rates (RTSRs) based on the current OEB-approved rates. Additionally, the OEB approved the final disposition of a \$45,951 debit balance as of December 31, 2020, which was to be transferred to Account 1595. Final rate riders, charges, and payments, valid from May 1, 2022, to April 30, 2023, were also approved.

2023 Rates (EB-2022-0038)

Hydro 2000's 3.55% rate adjustment was approved and effective from May 1, 2023. The adjustment to RTSRs was also approved. The OEB authorized the final disposition of a \$28,090 debit balance as of December 31, 2021, to be addressed through rate riders and payments from May 1, 2023, to April 30, 2024. The LRAMVA balance was nil, and no further entries were allowed, though it could be used for future CDM activities if requested.

2024 Rates (EB-2023-0028)

Hydro 2000's request for a 4.65% rate adjustment was approved and became effective on May 1, 2024. The RTSRs and LV Service Rates were adjusted based on the current OEB-approved rates. The OEB also approved the final disposition of a \$50,502 debit balance as of December 31, 2022, including interest projected to April 30, 2024, for Group 1 accounts. These balances were to be disposed of through final rate riders, charges, or payments from May 1, 2024, to April 30, 2025.

1.3.4 Business Plan

For a small utility like Hydro 2000 (H2000), the limited workforce often means that employees must juggle multiple responsibilities, making it difficult to find the time to update regulatory documents like the business strategy. The unexpected and urgent challenges that arise can further strain resources, leaving little room to focus on non-critical tasks such as revising long-term plans. The necessity of wearing many hats in a small utility environment means that operational demands often take precedence, making it challenging to allocate the time required for thorough regulatory updates.

Hydro 2000 recognizes the importance of having a strategic plan. The utility has outlined the key components of its 2020 business plan and is committed to working with its Board of Directors to revise and update the plan once the current Cost of Service process is completed.

Enhanced Customer Engagement: Hydro 2000 is increasing efforts to better understand and meet customer needs, in line with the Renewed Regulatory Framework for Electricity (RRFE).

Communication Improvements: The utility is enhancing customer interactions by improving communication during calls, conducting satisfaction surveys, using bill inserts for newsletters and e-billing promotion, and increasing social media activity.

Website Overhaul: Hydro 2000 is updating its website to include educational content, major project updates, and information on conservation and demand management programs.

Customer Focus: Hydro 2000 is aligning its business plans with customer preferences, adopting proactive asset maintenance, and improving communication about major asset replacements.

Operational Effectiveness: Hydro 2000 is updating internal policies, reviewing its organizational structure, adopting new job titles and descriptions, and employing new technologies to enhance efficiency.

Public Policy Responsiveness: Hydro 2000 is supporting low-income customers through programs like OESP and LEAP and continues to promote conservation and demand management initiatives.

Financial Performance: The utility is improving financial tracking, forecasting, and reporting practices to ensure sustainable financial performance.

Targeted Customer Interactions: Hydro 2000 focuses on key customer interactions (e.g., billing inquiries, outages, rate changes) to enhance satisfaction and gather feedback.

Customer Feedback and Engagement: The utility has sought customer feedback through surveys and keeps customers informed about capital projects and operational decisions through updated communication channels.

SWOT Analysis

Strengths

1. **Personalized Customer Service:** Hydro 2000 excels in offering personalized customer service, fostering strong relationships and high satisfaction levels among its customers. This personal touch is a key advantage in a small-town setting.
2. **Community Connection:** The utility benefits from its deep ties to the local community, allowing for open-door interactions and a higher level of trust and engagement with its customers.

Weaknesses

1. **Small Staff Complement:** A limited number of staff can lead to difficulties in managing increased workloads and adapting to new demands.
2. **Resource Constraints:** The utility's smaller scale means fewer financial and technical resources, making it harder to invest in new technologies or infrastructure.
3. **Customer Base Limitations:** Hydro 2000 struggles with absorbing costs due to its small customer base, leading to potential rate shocks and high bill impacts.
4. **Adaptability:** While being small can be advantageous in some respects, it also means that Hydro 2000 may face challenges in rapidly adapting to changes and new initiatives, potentially impacting its ability to manage evolving customer needs and external pressures effectively.

Opportunities

1. **Rising Provincial Demands:** The increased demand for electric vehicles (EVs) and the implementation of initiatives like the Green Button present growth opportunities for Hydro 2000. By expanding its services and infrastructure, the utility potentially capture new market segments.
2. **Government Support and Grants:** Hydro 2000 can explore government incentives and grants aimed at supporting green energy and infrastructure projects, which could help mitigate some of the financial burdens associated with these expansions.
3. **Enhanced Customer Engagement:** Leveraging its community connection, Hydro 2000 can engage customers more profoundly, promoting new initiatives and tailoring services to better meet local needs.

Threats

1. **Rising External Costs:** Post-pandemic economic pressures and increased external costs for materials and labor can strain Hydro 2000's financial resources, impacting its profitability.
2. **Increased Regulatory and Provincial Demands:** Compliance with new regulations and the need to expand infrastructure for EVs and Green Button initiatives may require significant investment, posing a financial challenge for the utility.

3. **Competition and Market Pressure:** The presence of larger utilities or new market entrants could create competitive pressure, potentially impacting Hydro 2000's market share and pricing strategies.
4. **Cost Increases from Provincial Demands:** The costs associated with expanding to meet rising demands for EV infrastructure and new regulatory initiatives could be substantial, posing a threat to Hydro 2000's financial stability given its smaller scale.

This analysis provides a tailored overview of Hydro 2000's strategic position, highlighting both its unique strengths and the challenges it faces in the current market environment.

Impact of Small Scale on Financial Sensitivity

For a small utility like Hydro 2000, the financial impact of cost increases is magnified because their budget is relatively limited compared to larger utilities. Even minor increases in operational costs, material prices, or regulatory compliance expenses can represent a significant percentage of their total budget.

Hydro 2000, like many small utilities, has less financial flexibility compared to larger utilities. With a residential customer base of only 1,145, the utility does not have access to the same level of capital or financial reserves to absorb cost increases. This has put a strain on H2000's budget, forcing it to absorb costs with reduced profitability or pass them on to customers in the form of rate hikes.

Hydro 2000's limited budget and small customer base restrict its ability to invest in necessary upgrades or new initiatives. Expensive mandated projects, such as the Green Button initiative, or software upgrades for Customers' Choice and OESP system enhancement, can be particularly challenging. With only 1,316 customers, there are fewer customers to absorb the costs of these investments, which can limit the utility's growth potential and its ability to meet increasing demands or external pressures.

1.3.5 Addressing Ongoing Changes in the Sector

Facilitating Innovation

In its previous Cost of Service application in 2020, H2000 stated that the cost of innovation, can be significant for smaller utility companies and that H2000 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, H2000 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 Hydro 2000's limited client base, which consists of approximately 1316 customers most of which are residential.

H2000 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 within the Township of Alfred and Plantagenet.

Hydro 2000 has not implemented any EV chargers at the date of this application.

H2000 has not considered any alternative measures and continues to operate in a reactive manner. In accordance with regulatory guidance, H2000 monitors the results of innovation initiatives implemented by larger utilities. This method enables H2000 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 H2000 to effectively manage their limited resources, prioritize essential services, minimize risks, and remain adaptable to changing circumstances

1.4. CUSTOMER ENGAGEMENT

H2000 has found it particularly difficult to engage with its customers. The main difficulty is that H2000'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, H2000 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, H2000 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.

H2000 also has an older and more mature residential customer base with diverse requirements and expectations, making it difficult to create one-size-fits-all engagement methods that are effective and cost-effective. H2000 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

H2000 has not reached out to its customers in advance of its application due to the uncertain timeframe of the application process. 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, H2000 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 H2000's customer base tends to be older, this approach would help minimize their concerns and frustration, ensuring they receive accurate and finalized information.

The draft notice is filed at Appendix C.

Ongoing Customer Engagement

H2000'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.

H2000'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.

To keep the customers updated on power issues, H2000 notify their clients by updating their Facebook page and having someone available at all time to keep the information updated. H2000 also answer any personal questions in live time.

H2000 employs a mix of online and traditional communication channels to cater to customer preferences, ensuring that H2000 meets their expectations and keep them well-informed.

Financial Statement: The financial statements are presented at the annual meeting and are available on demand should anyone ask to see them.

Customer Service Front Office: H2000 offers 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, 323 customers are registered for e-billing, receiving their bills electronically for convenience and efficiency.

Facebook: H2000 maintain its Facebook page on a regular basis indicating Power Failure, New Programs, Annual RPP, any Statutory Holidays and relevant information.

On-Bill Messages: When appropriate, H2000 includes messages on customer bills to inform them about new initiatives and important updates.

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, H2000 ensures that all customers receive timely and relevant information in their preferred format.

1.4.1 Customer Satisfaction Survey

H2000 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, H2000 is helping customers make better choices and create healthy, sustainable results for the community it serves.

H2000 conducted a customer satisfaction survey in spring 2023. The survey's objectives included measuring:

The utility used Survey Monkey to publish its survey and posted it on its website. The customer service also called customers via phone. The utility received 286 responses.

Customer Care Representative Performance

Excellent and Good (53.76%): Combining these ratings, more than half of the respondents view the customer care representative's performance positively.

Fair (1.61%) and Poor (1.08%): Very few found the performance to be fair or poor.

N/A (43.55%): A large portion of respondents did not have an applicable experience.

Recent Customer Interactions

None of the above (49.07%): Nearly half of respondents did not engage with customer service in the past three months.

Inquire about a bill or charge (19.44%): A notable number of customers reached out regarding billing inquiries.

Setup or cancel a service (10.65%): Some customers handled service changes.

Other (6.48%): A small percentage specified other interactions.

Other categories (e.g., complaints, outages) had very low engagement.

Awareness of Payment Options

Pay by automatic withdrawal (42.78%) and

Pay by telebanking (46.52%): These are the most recognized payment methods.

Pay online using a credit card (0.53%): Very few are aware of or use online credit card payments.

Other methods (e.g., pay at the head office, chartered banks) have limited awareness.

Restoration of Service During Outages

Excellent and Good (92.40%): Most respondents are satisfied with Hydro 2000's service restoration, reflecting effective response and reliability.

Fair (7.61%): A small portion feels there is room for improvement.

Reachability During Outages

Excellent and Good (88.63%): The majority find Hydro 2000's communication channels during outages to be effective.

Fair (9.58%) and Poor (1.80%): Minor issues are reported.

Impact of Electrical Service Costs on Household Budget

A great deal (52.43%): Over half of respondents feel that electrical service costs are a significant strain on their budgets.

Some (31.89%): A substantial portion experiences moderate strain.

Not much (11.89%) and

Not at all (3.78%): A smaller fraction finds the costs less impactful.

Website Usage

Not at all (54.89%): More than half of respondents do not visit the website.

Some (22.28%) and

Not much (20.11%): Lesser degrees of engagement.

A great deal (2.72%): Very few visit the website frequently.

Website Navigation Challenges

No (40.54%): A portion of respondents report no issues navigating the website.

Yes (2.16%): Very few faced challenges.

N/A (57.30%): A large percentage of respondents did not find the question relevant.

1.5. PERFORMANCE MEASUREMENT, BENCHMARKING

H2000 has been in Group 2 of the PEG efficiency assessment report and one of the most efficient utilities in the province since its inception. Despite having achieved the second 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)	(History)	(History)	(Bridge)	(Test Year)
PEG Benchmarking Model							
Cost Benchmarking Summary							
Actual Total Cost	658,731	643,986	677,429	739,056	765,040	820,862	877,182
Predicted Total Cost	823,830	864,001	911,250	957,334	1,022,897	1,054,972	1,131,891
Difference	(165,100)	(220,015)	(233,821)	(218,279)	(257,857)	(234,111)	(254,709)
Percentage Difference (Cost Performance)	-22.4%	-29.4%	-29.7%	-25.88%	-29.05%	-25.09%	-25.49%
Three-Year Average Performance			-27.1%	-28.31%	-28.19%	-26.67%	-26.54%
Stretch Factor Cohort							
Annual Result	2	1	1	1	1	1	1
Three Year Average			1	1	1	1	1
PEG Published Results	2	2	2	2	2		

1.5.1 Benchmarking and Scorecard Analysis

The Management Discussion on Scorecard Results is presented below.

Service Quality: In 2023, Hydro 2000 demonstrated exceptional performance across key service metrics. The utility connected 100% of eligible low-voltage residential and small business customers on time, completing all 8 connections within 5 working days. It also successfully met all 178 scheduled customer appointments, exceeding the industry standard of 90% for on-time performance. Additionally, Hydro 2000's customer service team answered 97.53% of 1,340 calls within 30 seconds, significantly surpassing the Ontario Energy Board's 65% target. These achievements underscore Hydro 2000's commitment to providing fast, reliable, and customer-focused service.

Customer Satisfaction: In 2022, Hydro 2000 measured its "First Contact Resolution" metric through a bi-annual customer satisfaction survey. The utility used survey responses on customer service interactions, performance, payment options, and overall satisfaction to calculate a 95.22% resolution rate. Hydro 2000 also demonstrated outstanding billing accuracy, issuing 15,637 bills in 2023 with a 99.74% accuracy rate, exceeding the Ontario Energy Board's

98% target. The customer satisfaction survey, conducted in early 2022, gathered 293 responses with a margin of error of $\pm 5\%$ at a 95% confidence level, assessing areas like performance, reliability, and sustainable energy opinions. Hydro 2000 plans to continue these surveys bi-annually to monitor and improve customer service.

Safety: Hydro 2000 scored 97.21% on public awareness of electrical safety from a 2022 survey and aims to improve communication of safety measures. The utility is fully compliant with Ontario Regulation 22/04, with no major audit issues. In 2023, no serious electrical incidents were reported.

System Reliability: The system's reliability remains a cornerstone of H2000 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: H2000 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: H2000 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: H2000 has maintained 100% timely connection of renewable installations. H2000 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: Hydro 2000's liquidity, with a current ratio of 0.90, indicates a slight shortfall in current assets relative to liabilities, suggesting potential challenges in meeting short-term obligations. Despite this, the utility has managed its working capital effectively. Hydro 2000 has no actual debt but uses a deemed 60% debt to 40% equity capital structure as required by the Ontario Energy Board (OEB). In 2023, the utility's expected return on equity (ROE) was set at 8.52%, but it achieved a significantly lower ROE of -11.09%, due to increased operating expenses, bad debt, regulatory costs, and rising maintenance fees.

Overall Assessment and Performance Improvement Targets: H2000 has continued to reflect a customer-focused, financially sound, safe, and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence H2000's operations, reflected in the continued low number of dissatisfied customers. H2000 continues to be a financially strong utility that reinvests in technology that will bring improvements to customer interactions, system reliability, and safety.

H2000 has met or exceeded the targets in all performance categories. For measurements where H2000 did not reach a perfect score, the trend has improved year over year. That being said, H2000 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 – 2023 Scorecard

Scorecard - Hydro 2000 Inc.

8/8/2024

Performance Outcomes	Performance Categories	Measures	2019	2020	2021	2022	2023	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	100.00%	100.00%	100.00%	90.00%	100.00%	📈	90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	📈	90.00%	
		Telephone Calls Answered On Time	99.74%	100.00%	99.88%	93.06%	97.53%	📈	65.00%	
	Customer Satisfaction	First Contact Resolution	95.82%	94.34%	94.34%	95.22%	95.22			
		Billing Accuracy	99.93%	99.91%	99.59%	99.55%	99.74%	📈	98.00%	
		Customer Satisfaction Survey Results	91	90.51%	90.51%	94.40%	94.4			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	75.25%	75.25%	79.64%	79.64%	92.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	NI	C	C	C	C	📈		C
		Serious Electrical Incident Index	0	0	0	0	0	📈		0
		Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	📈		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.02	0.04	0.02	0.01	0.01	📈		0.02
		Average Number of Times that Power to a Customer is Interrupted ²	1.10	0.09	0.02	0.09	0.23	📈		0.39
	Asset Management	Distribution System Plan Implementation Progress	20%	100%	100%	100%	100%			
	Cost Control	Efficiency Assessment	2	2	2	2	2			
		Total Cost per Customer ³	\$530	\$575	\$604	\$664	\$698			
		Total Cost per Km of Line ³	\$31,368	\$34,879	\$36,337	\$40,073	\$42,450			
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	New Micro-embedded Generation Facilities Connected On Time					100.00%	📈	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.22	1.22	1.29	1.00	0.90			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.00	0.03	0.02	0.03	0.00			
		Profitability: Regulatory Deemed (included in rates)	9.12%	8.52%	8.52%	8.52%	8.52%			
		Return on Equity Achieved	11.53%	5.77%	0.10%	-5.46%	-11.09%			

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

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

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

Legend:

5-year trend

📈 up 📉 down 📊 flat

Current year

📈 target met 📉 target not met

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.

H2000 is reporting in the table below its most recent results for 2022

Table 11 – APB Benchmarking Analysis

	2018	2019	2020	2021	2022	Average
Billing O&M	138.4	156.7	139.5	174.9	187.6	159.4
Metering O&M	15.6	8.1	7.6	2.3	3.2	7.4
Vegetation Management O&M	6.9	5.0	3.3	5.3	7.0	5.5
Lines O&M	16.5	14.4	19.5	18.5	16.8	
Poles, Towers and Fixtures O&M	0.9	3.1	6.0	4.0	15.1	8.3
Poles, Towers and Fixtures CAPEX	29.1	41.2	24.0	26.0	83.8	40.8
Line Transformers CAPEX	10.7	74.9	13.5	79.3	95.1	54.7
Meters CAPEX	3.8	17.7	10.4	2.1	-	8.5

The table above shows unit cost indexes by distributor across several years (2018 to 2022) for various categories of operation and maintenance (O&M) and capital expenditures (CAPEX). Here are the key insights from the data:

Billing O&M: This is the largest and most consistent expense category, with costs rising steadily from \$138.4K in 2018 to \$187.6K in 2022, averaging \$159.4K over the period.

Metering O&M: Costs fluctuated significantly, starting at \$15.6K in 2018, dropping as low as \$2.3K in 2021, and rising slightly to \$3.2K in 2022. The average cost over the period is \$7.4K.

Vegetation Management O&M: This cost has remained relatively stable but slightly variable, with an average of \$5.5K. It saw a dip in 2020 but increased to \$7.0K in 2022.

Lines O&M: Costs have remained fairly stable, averaging \$16.8K, with the highest expense occurring in 2020 at \$19.5K.

Poles, Towers, and Fixtures O&M: These costs were minimal until 2021, where there was a spike to \$6.0K, followed by a decrease to \$4.0K in 2022.

Poles, Towers, and Fixtures CAPEX: Capital expenditures for poles, towers, and fixtures showed considerable fluctuation, peaking at \$41.2K in 2019 and maintaining an average of \$40.8K over the five years. The largest spending was in 2022 as a result of the May storm.

Line Transformers CAPEX: This category saw significant variation, with a large spike in 2019 to \$74.9K and 2022 at \$95.1K, bringing the average to \$54.7K.

Meters CAPEX: Meters CAPEX has fluctuated significantly, with a large expense in 2019 at \$17.7K and no costs in 2022, averaging \$8.5K over the five years.

1.6. FINANCIAL INFORMATION

H2000's financial performance has remained unstable over the past four years with incomes of \$29,664, \$31,290 for 2020, 2021 and losses of \$20,398 and -\$76,564 for 2022 and 2023 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)

H2000's historical ratios have been steady and an indicator of good financial health.

	2020	2021	2022	2023
Liquidity	1.22	1.29	1.00	0.9

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

Since 2020, H2000 had a total debt to equity ratio that is very steady. The ratio is diminishing as the debt is being paid off.

	2020	2021	2022	2023
Leverage	0.03	0.02	0.03	0.00

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

H2000's 2024 distribution rates were rebased and approved by the OEB its 2020 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

H2000's historically achieved ROE has fallen outside of the 300 basis points of the 2020 Board-Approved ROE of 8.520%. H2000's budget process involves an analysis of the forecasted ROE. H2000's proposed ROE is 9.21%. H2000 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

	2020	2021	2022	2023
2020 Board Approved	8.52%	8.52%	8.52%	8.52%
Actual Achieved	5.77	0.10	-5.46	-11.09

Profit and Loss

Outlined below, and in the following table, are some of the essential components of the projected profit and loss for H2000:

- ✓ Operating Revenues for 2024 and 2025 are forecast to be \$770,960 and \$842,390
- ✓ Cost and Expenses for 2024 and 2025 are predicted to be \$704,229 and \$749,836
- ✓ Taxes for 2024 and 2025 are predicted to be \$0 and \$8,977 respectively.
- ✓ The net profit for 2025 is expected to be \$47,384

Table 13 – Profit and Loss

Income Statement	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected
		FS	FS	FS	FS		
	2020	2020	2021	2022	2023	2024	2025
Cost of Power	2,529,321	3,140,496	2,763,659	2,431,081	2,546,346	2,668,570	2,343,290
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
<i>Working Cap Allowance</i>	<i>226,652</i>	<i>273,273</i>	<i>246,237</i>	<i>225,607</i>	<i>236,994</i>	<i>248,643</i>	<i>227,307</i>
	Board Approved	Actual	Actual	Actual	Actual	Projected	Projected
Derivation of Utility Income		2020	2021	2022	2023	2024	2025
Operating Revenues							
Distribution Revenues	551,898	541,924	559,319	572,616	598,316	718,242	786,415
Other Revenue	37,573	44,188	39,335	36,254	42,109	52,718	55,975
Total Operating Revenues	589,471	586,112	598,654	608,870	640,424	770,960	842,390
OM&A Expenses	492,699	501,143	517,495	575,012	611,578	646,669	687,474
Depreciation & Amortization	43,774	42,728	42,231	51,299	53,641	57,560	62,361
Property and Taxes	0	0	0	0	0	0	0
		2,000	2,000	2,000	2,000	0	0
Total Costs & Expenses	536,473	545,871	561,726	628,311	667,220	704,229	749,836
Deemed Interest Expenses	18,329	4,338	1,770	3,792	7,453	23,948	36,194
Total Expenses	554,801	550,209	563,496	632,103	674,673	728,176	786,029
Utility Income before Income Taxes / PILs	34,670	35,903	35,158	-23,233	-34,248	42,784	56,361
PILs / Income Taxes	1,925	6,239	3,868	-2,835	40,430	0	8,977
Adjustments for FS purposes (donations)		0	0	0	-1,886	0	0
Utility Income	32,745	29,664	31,290	-20,398	-76,564	42,784	47,384

1.6.1 Accounting Information

Changes in Tax Status:

H2000 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:

H2000 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, H2000 has used MIFRS as the accounting standard for financial statements purposes since 2015.

Compliance with the Uniform System of Accounts

H2000 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. H2000 is not aware of any departures from the USoA or to any OEB accounting orders.

Accounting Treatment of Non-Utility Related Business.

H2000 does not engage in non-utility related business.

Annual Report and MD&A.

H2000 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.

H2000 has reconciled its historical balances with its RRR filings. When discrepancies arise, H2000 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.”

H2000 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 2020.

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

- The distribution system is in great condition.
- H2000’s customers could see a significant increase in rates in 5 to 10 years due to a merger or amalgamation.
- H2000 retains better control over the operating costs, including reducing rates, if possible, on behalf of its current customers under its existing structure.
- H2000 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)

H2000 does not believe that a merger with a larger utility would result in better service, lower rates and a more efficiencies. So far, H2000's executive does not see any value in acquiring other utilities as it would most likely hurt its performance and ranking.

1.8. IMPACT OF COVID-19

The COVID-19 pandemic significantly impacted small hydro utilities, like Hydro 2000, in several ways, particularly in terms of material costs and delays in receiving critical infrastructure components such as transformers and meters.

Lead times for transformers increased significantly. Pre-pandemic, utilities typically had lead times of 6 to 12 months for transformer delivery. Post-COVID, this timeframe extended to as long as 48 months in some cases.

Prices of transformers surged due to increased demand and shortages of raw materials, all of which are necessary for maintaining a reliable distribution system. The pandemic-induced supply chain bottlenecks, combined with inflationary pressures, pushed the cost of transformers up by 300-500% in some cases.

Small utilities like Hydro 2000 were particularly impacted because they typically maintain lower inventories of spare transformers, relying on timely delivery to meet their replacement schedules.

The shortage of smart meters—also affected utilities' ability to procure new or replacement meters. Smart meter installations and upgrades, which are key to improving operational efficiency, reducing labor costs, and enhancing real-time data collection, were delayed. For small hydro utilities, this delay represented a significant setback.

Poles and insulators, made of materials like wood, fiberglass, or porcelain, also became more expensive due to supply chain interruptions and rising demand.

The combination of increased material costs, shipping delays, and extended lead times for critical components placed substantial financial instability on Hydro 2000. Small utilities typically have limited financial reserves, making it more difficult to absorb these sudden increases.

During the pandemic, capital projects needed to be reprioritized, reducing or delaying capital expenditures. As a result, Hydro 2000 began stockpiling critical equipment like transformers and meters in anticipation of future delays, further increasing their capital requirements.

APPENDICES

List of Appendices

Appendix A	Financial Statement
Appendix B	MD&A Report
Appendix C	Draft Notice to Customer

APPENDICES A

Financial Statement

Financial statements of
États financiers de
Hydro 2000 Inc.

December 31, 2022
31 décembre 2022

Independent Auditor's 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 – 27	Notes complémentaires

To the Directors of
Hydro 2000 Inc.

Opinion

We have audited the financial statements of Hydro 2000 Inc. (the "Corporation"), which comprise the balance sheet as at December 31, 2022, 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, 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.

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.

Hawkesbury ON
March 22, 2023

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP s.r.l./LLP

300, rue McGill, Hawkesbury ON, K6A 1P8
300 McGill Street, Hawkesbury ON, K6A 1P8

Tél. : 613.632.4178 Téléc. : 613.632.7703
T: 613.632.4178 F: 613.632.7703

Aux administrateurs de
Hydro 2000 Inc.

Opinion

Nous avons effectué l'audit des états financiers de Hydro 2000 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.

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.

Hawkesbury (Ontario)
Le 22 mars 2023

MNP s.r.l.
Comptables professionnels agréés
Experts-comptables autorisés

MNP s.r.l./LLP

300, rue McGill, Hawkesbury ON, K6A 1P8
300 McGill Street, Hawkesbury ON, K6A 1P8

Tél. : 613.632.4178 Téléc. : 613.632.7703
T: 613.632.4178 F: 613.632.7703

	2022	2021	
	\$	\$	
Assets			Actif
Current assets			À court terme
Cash	351,851	564,648	Encaisse
Accounts receivable (Note 4)	267,278	237,408	Débiteurs (note 4)
Unbilled revenues	364,427	387,956	Revenus non facturés
Income taxes	32,682	-	Impôts sur les bénéfices
Prepaid expenses	19,464	16,348	Frais payés d'avance
	1,035,702	1,206,360	
Property, plant and equipment (Note 5)	1,075,535	937,708	Immobilisations corporelles (note 5)
Intangible assets (Note 6)	25,464	33,712	Immobilisations incorporelles (note 6)
	2,136,701	2,177,780	
Regulatory deferral account debit balances (Note 7)	311,683	433,556	Soldes débiteurs des comptes de report réglementaires (note 7)
	2,448,384	2,611,336	
Liabilities			Passif
Current liabilities			À court terme
Accounts payable and accrued liabilities (Note 9)	1,036,415	911,144	Créditeurs et charges à payer (note 9)
Customers' deposits	4,119	4,696	Dépôts de clients
Income taxes	-	17,015	Impôts sur les bénéfices
	1,040,534	932,855	
Deferred revenues	154,344	153,449	Revenus reportés
Deferred tax liabilities (Note 17)	42,662	28,482	Passif d'impôts différés (note 17)
Long-term debt (Note 10)	30,000	30,000	Dette à long terme (note 10)
	1,267,540	1,144,786	
Leases (Note 16)			Contrats de location (note 16)
Shareholder's equity			Capitaux propres
Share capital (Note 11)	308,735	308,735	Capital-actions (note 11)
Retained earnings	872,109	892,506	Bénéfices non répartis
	1,180,844	1,201,241	
	2,448,384	2,346,027	
Regulatory deferral account credit balances (Note 12)	-	265,309	Soldes créditeurs des comptes de report réglementaires (note 12)
	2,448,384	2,611,336	

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

Les notes complémentaires font partie intégrante des états financiers.

Approved on behalf of the Board

Au nom du conseil d'administration

Director

administrateur

Director

administrateur

Hydro 2000 Inc.
Statement of loss
For the year ended December 31, 2022

Hydro 2000 Inc.
État des résultats
Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Revenues			Revenus
Energy (Note 13)	2,722,860	2,781,530	Énergie (note 13)
Distribution (Note 13)	729,869	706,084	Distribution (note 13)
Other operating revenues	31,957	39,150	Autres revenus d'exploitation
	3,484,686	3,526,764	
Cost of power	2,772,991	2,809,673	Coût de l'énergie
	711,695	717,091	
Expenses (Note 14)			Charges (note 14)
Administrative and general	293,684	268,660	Administratives et générales
Billing and collecting	204,078	176,958	Facturation et perception
Depreciation and amortization	51,299	42,231	Amortissement
Distribution – operation and maintenance	71,458	42,435	Distribution – exploitation et entretien
Donations	2,000	2,000	Dons
Interest	36	72	Intérêts
	622,555	532,356	
Income before regulatory items and income taxes	89,140	184,735	Résultat avant les éléments réglementaires et impôts
Net movement in regulatory deferral accounts	112,372	149,578	Variations nettes des comptes de report réglementaires
Income tax expense (Note 17)	(2,835)	3,868	Impôts sur le résultat (note 17)
	109,537	153,446	
Net (loss) income	(20,397)	31,289	Résultat net

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

Les notes complémentaires font partie intégrante des états financiers.

Hydro 2000 Inc.
Statement of changes in equity
For the year ended December 31, 2022

Hydro 2000 Inc.
État des variations des capitaux propres
Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Retained earnings, beginning of year	892,506	861,217	Bénéfices non répartis au début
Net (loss) income	(20,397)	31,289	Résultat net
Retained earnings, end of year	872,109	892,506	Bénéfices non répartis à la fin

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

Les notes complémentaires font partie intégrante des états financiers.

Hydro 2000 Inc.
Statement of cash flows
For the year ended December 31, 2022

Hydro 2000 Inc.
État des flux de trésorerie
Exercice clos le 31 décembre 2022

	2022	2021	
	\$	\$	
Operating activities			Activités d'exploitation
Net (loss) income	(20,397)	31,289	Résultat net
Items not affecting cash			Éléments sans effet sur la trésorerie
Depreciation and amortization	51,299	42,231	Amortissement
Loss on sale of property, plant and equipment	499	1,983	Perte à la cession d'immobilisations corporelles
			Variations nettes des comptes de report
Net movement in regulatory deferral accounts	(143,436)	149,578	réglementaires
Deferred tax	14,180	(13,147)	Impôts différés
Net change in non-cash operating working capital items (Note 19)	67,326	164,668	Variation nette des éléments hors caisse du fonds de roulement d'exploitation (note 19)
	(30,529)	376,602	
Investing activities			Activités d'investissement
Purchase of capital assets	(189,398)	(129,969)	Acquisition d'immobilisations
Proceeds from sale of tangible capital assets	-	3,462	Produit de la cession d'immobilisations corporelles
	(189,398)	(126,507)	
Financing activity			Activité de financement
Contributions received for property, plant and equipment	7,130	-	Contributions reçues pour immobilisations corporelles
Net (decrease) increase in cash	(212,797)	250,095	(Diminution) augmentation nette de la trésorerie
Cash, beginning of year	564,648	314,553	Encaisse au début
Cash, end of year	351,851	564,648	Encaisse à la fin

See additional information presented in Note 19.

Voir les renseignements complémentaires présentés à la note 19.

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

Les notes complémentaires font partie intégrante des états financiers.

1. Description of the business

Hydro 2000 Inc. (the "Corporation") was incorporated on September 29, 2000, under the *Business Corporations Act* (Ontario) and is wholly owned by the Corporation of the Township of Alfred and Plantagenet. The Corporation is incorporated and domiciled in Canada with its head and registered office located at 440 St-Philippe Street, Alfred, Ontario, K0B 1A0.

The principal activity of the Corporation is the distribution of electricity in the service areas of the village of Alfred and the village of Plantagenet in the Province of Ontario, under a license 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 Corporation's management in accordance with 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 March 22, 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.

(d) Use of estimates and judgments

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.

1. Description de l'entreprise

Hydro 2000 Inc. (la « Société »), constituée le 29 septembre 2000 en vertu de la *Loi sur les sociétés par actions* (Ontario), est détenue à 100 % par la Corporation du Canton d'Alfred et Plantagenet. La Société a été incorporée et est résidente du Canada avec son siège social situé au 440, rue St-Philippe, Alfred (Ontario), K0B 1A0.

L'activité principale de la Société est la distribution d'électricité dans les zones de service du village d'Alfred et du village de Plantagenet 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 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 22 mars 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.

(d) Utilisation d'estimations et jugements

La préparation d'états financiers conformément aux normes 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.

2. Basis of preparation (continued)

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

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 20, the Corporation uses the discounted cash flows 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)*

Les importantes sources d'incertitude liée 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 immobilisations incorporelles. La Société estime la durée de vie utile de ses immobilisations corporelles et de ses immobilisations incorporelles 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 n'a qu'une seule UGT.

(iv) Évaluation des instruments financiers

Comme il est décrit à la note 20, 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 normes 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/créditeurs 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/créditeurs 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/créditeurs 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 (loss) 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 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 bank indebtedness, bank loan, accounts payable and accrued liabilities and customers' deposits.

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 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 courant ou non courant 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 du découvert bancaire, de l'emprunt bancaire, des créanciers et charges à payer et des dépôts de clients.

3. Significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment (PP&E) is 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 (loss) 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:

Distribution equipment	15 to 60 years
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Other assets

Computer hardware	5 years
Leasehold improvements	Term of the lease
Office equipment and furniture	10 years

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

(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.

(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.

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 :

Équipement de distribution	15 à 60 ans
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Autres actifs

Matériel informatique	5 ans
Améliorations locatives	Terme du bail
Matériel et mobilier de bureau	10 ans

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

(e) Immobilisations incorporelles

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

Les logiciels informatiques 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 utile 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.

(f) Dépréciation d'actifs non financiers

La valeur comptable des actifs non financiers de la Société est examinée 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.

3. Significant accounting policies (continued)

(f) *Impairment of non-financial assets (continued)*

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 (loss) 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.

(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 (loss) 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.

3. Principales conventions comptables (suite)

(f) *Dépréciation d'actifs non financiers (suite)*

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.

(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. 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.

**3. Significant accounting policies
(continued)**

(h) Customers' deposits

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

**3. Principales conventions comptables
(suite)**

(h) 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

	2022	2021	
	\$	\$	
Electrical energy	251,891	239,734	Énergie électrique
Electrical energy – Corporation of the Township of Alfred and Plantagenet	6,290	-	Énergie électrique – Corporation du Canton d'Alfred et Plantagenet
Commodity taxes receivable	8,685	-	Taxes à la consommation à recevoir
Other	38,864	27,747	Autres
	305,730	267,481	
Allowance for doubtful accounts	(38,452)	(30,073)	Provision pour créances douteuses
	267,278	237,408	

4. Débiteurs

5. Property, plant and equipment

	Distribution equipment/ Équipement de distribution	Other assets/ Autres actifs	Total	
	\$	\$	\$	
Cost				Coût
Balance as at December 31, 2020	1,146,516	35,273	1,181,789	Solde au 31 décembre 2020
Additions	111,882	210	112,092	Acquisitions
Disposals	(7,474)	-	(7,474)	Dispositions
Balance as at December 31, 2021	1,250,924	35,483	1,286,407	Solde au 31 décembre 2021
Additions	182,885	4,727	187,612	Acquisitions
Disposals	(2,667)	-	(2,667)	Dispositions
Balance as at December 31, 2022	1,431,142	40,210	1,471,352	Solde au 31 décembre 2022
Accumulated depreciation				Amortissement cumulé
Balance as at December 31, 2020	271,511	33,198	304,709	Solde au 31 décembre 2020
Depreciation expense	44,856	1,163	46,019	Amortissement
Disposals	(2,029)	-	(2,029)	Dispositions
Balance as at December 31, 2021	314,338	34,361	348,699	Solde au 31 décembre 2021
Depreciation expense	48,427	859	49,286	Amortissement
Disposals	(2,168)	-	(2,168)	Dispositions
Balance as at December 31, 2022	360,597	35,220	395,817	Solde au 31 décembre 2022
Net carrying amounts				Valeur comptable nette
As at December 31, 2021	936,586	1,122	937,708	Au 31 décembre 2021
As at December 31, 2022	1,070,545	4,990	1,075,535	Au 31 décembre 2022

6. Intangible assets

	Computer software/ Logiciels informatiques
	\$
Cost	
Balance as at December 31, 2020	70,138
Additions	31,548
Balance as at December 31, 2021 and 2022	101,686
Accumulated amortization	
Balance as at December 31, 2020	65,526
Amortization expense	2,448
Balance as at December 31, 2021	67,974
Amortization expense	8,248
Balance as at December 31, 2022	76,222
Net carrying amounts	
As at December 31, 2021	33,712
As at December 31, 2022	25,464

6. Immobilisations incorporelles

Coût	
Solde au 31 décembre 2020	
Acquisitions	
Solde aux 31 décembre 2021 et 2022	
Amortissement cumulé	
Solde au 31 décembre 2020	
Amortissement	
Solde au 31 décembre 2021	
Amortissement	
Solde au 31 décembre 2022	
Valeur comptable nette	
Au 31 décembre 2021	
Au 31 décembre 2022	

7. Regulatory deferral account debit balances

	2022	2021
	\$	\$
Low-voltage charges	62,588	81,630
Other regulatory assets	72,568	78,490
Payments in lieu of income taxes	27,566	27,291
Amounts recoverable from clients	135,611	246,145
Retail settlement variance account	13,350	-
	311,683	433,556

7. Soldes débiteurs des comptes de report réglementaires

Distribution à faible tension
Autres actifs réglementés
Paievements versés en remplacement d'impôts sur les bénéfices
Montants récupérables des clients
Écart de prix avec les détaillants

8. Bank loan

The Corporation has an authorized line of credit of \$100,000 (\$100,000 as at December 31, 2021), at prime rate plus 4.25%, of which \$100,000 remained unused as at December 31, 2022 (\$100,000 in 2021).

8. Emprunt bancaire

La Société dispose d'une marge de crédit de 100 000 \$ (100 000 \$ au 31 décembre 2021), au taux préférentiel majoré de 4,25 %, dont 100 000 \$ sont inutilisés au 31 décembre 2022 (100 000 \$ en 2021).

9. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Accounts payable – energy purchases	878,343	697,836
Payroll payable	10,656	9,458
Commodity taxes payable	-	14,777
Customer receivables in credit balances	78,743	95,109
Other accounts payable and accrued liabilities	68,673	93,964
	1,036,415	911,144

9. Crédoiteurs et charges à payer

Créditoires – achats d'énergie
Rémunération à payer
Taxes à la consommation à payer
Clients à recevoir avec soldes créditoires
Autres créditoires et charges à payer

10. Long-term debt

	2022	2021	
	\$	\$	
Loan, Canada Emergency Business Account without interest, secured by the Government of Canada, payable in December 2023	30,000	30,000	Emprunt, Compte d'urgence pour les entreprises canadiennes, sans intérêt, garanti par le gouvernement du Canada, remboursable en décembre 2023

10. Dette à long terme

11. 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

Issued

	2022	2021	
	\$	\$	
1 Class A share	308,735	308,735	1 action de catégorie A

11. 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

Émis

12. Regulatory deferral account credit balances

	2022	2021	
	\$	\$	
Retail settlement variance account	-	265,309	Écart de prix avec les détaillants

12. Soldes créditeurs des comptes de report réglementaires

13. Revenues

	2022	2021	
	\$	\$	
<i>Energy</i>			<i>Énergie</i>
Residential	1,953,458	1,844,595	Résidentiel
General < 50 KW	516,789	564,996	Général < 50 kW
General < 50 KW – unmetered scattered loads	165	2,427	Général < 50 kW – charges sans compteur
General > 50 KW	240,933	352,097	Général > 50 kW
Street lights	11,515	17,415	Éclairage des rues
	2,722,860	2,781,530	
<i>Distribution</i>			<i>Distribution</i>
Service charge	507,693	481,678	Revenus de gestion
Distribution volume	214,870	217,063	Revenus de livraison
Administration charge	3,768	3,759	Revenus d'administration
Retailer charge	3,538	3,584	Revenus des détaillants
	729,869	706,084	

14. Expenses

	2022	2021	
	\$	\$	
Salaries and benefits	219,379	221,004	Salaires et avantages sociaux
Contract/consulting	265,132	211,214	Contrat/consultant
Materials	71,118	43,397	Matériaux
Rent	13,591	12,438	Loyer
Depreciation and amortization	51,299	42,231	Amortissement
Donations	2,000	2,000	Dons
Interest	36	72	Intérêts
	622,555	532,356	

15. 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. Leases

The Corporation leases office space under an operating lease which expires on March 31, 2025. Future lease payments aggregate to \$36,331 and are payable over the next three years.

2023	15,222
2024	16,809
2025	4,300

\$

15. 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 milliers 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 \$.

16. Contrats de location

La Société loue des bureaux en vertu d'un contrat de location-exploitation qui vient à échéance le 31 mars 2025. Les loyers futurs s'élèveront à 36 331 \$ et comprennent les paiements suivants pour les trois prochains exercices.

2023
2024
2025

17. Income tax

(a) Income tax expense

PILs recognized in net (loss) income include the following:

	2022	2021	
	\$	\$	
Current tax (recoverable)	(17,015)	17,015	(Recouvrables) exigibles
Deferred tax	14,180	(13,147)	Impôts différés
Income tax expense	(2,835)	3,868	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	(23,232)	35,157	Résultat avant impôts
Statutory Canadian federal and provincial income tax rates	26.50%	26.50%	Taux statutaires d'impôt canadiens fédéral et provincial
Expected tax provision on income at statutory rates	(6,156)	9,317	Provision attendue sur le résultat aux taux statutaires
Decrease in income taxes resulting from:			Réduction des impôts résultant de :
Small business deduction	3,321	(5,449)	Déduction accordée aux petites entreprises
Total income tax expense	(2,835)	3,868	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.

(c) Deferred tax

Deferred tax liabilities are attributable to the following:

	2022	2021	
	\$	\$	
Property, plant and equipment	8,628	3,842	Immobilisations corporelles
Intangible assets	3,107	4,113	Immobilisations incorporelles
Regulatory deferral account	38,025	20,527	Comptes de report réglementaires
Fiscal losses	(7,098)	-	Pertes fiscales
	42,662	28,482	

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

Les variations des soldes des impôts différés au cours de l'exercice sont les suivantes :

	2022	2021	
	\$	\$	
Balance as at January 1 st	28,482	41,629	Solde au 1 ^{er} janvier
Recognized in net (loss) income	14,180	(13,147)	Constaté dans le résultat net
Balance as at December 31	42,662	28,482	Solde au 31 décembre

18. 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	71,669	65,532

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
	\$	\$
Short-term employment benefits and salaries	118,425	115,857

19. Additional information relating to the statement of cash flows

	2022	2021
	\$	\$
Net change in non-cash operating working capital items		
Accounts receivable	(29,870)	246,970
Unbilled revenues	23,529	(97,133)
Prepaid expenses	(3,116)	(1,774)
Accounts payable and accrued liabilities	127,057	2,059
Customers' deposits	(577)	(2,834)
Income taxes	(49,697)	17,380
	67,326	164,668

Non-cash transactions

During the year, capital assets were acquired at an aggregate cost of \$187,612 (\$143,640 in 2021), of which \$11,885 (\$13,671 in 2021) were paid after year-end and \$175,727 (\$129,969 in 2021) were paid during the year.

18. Soldes et transactions avec les parties liées

(a) Soldes et transactions avec l'actionnaire

Les montants (recevables de) 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

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 la suivante :

Avantages sociaux et salaires à court terme

19. Renseignements complémentaires à l'état des flux de trésorerie

Variation nette des éléments hors caisse du fonds de roulement d'exploitation

Débiteurs
Revenus non facturés
Frais payés d'avance
Créditeurs et charges à payer
Dépôts de clients
Impôts sur les bénéfices

Opérations sans effet sur la trésorerie

Au cours de l'exercice, des immobilisations ont été acquises pour un coût total de 187 612 \$ (143 640 \$ en 2021), dont 11 885 \$ (13 671 \$ en 2021) ont été payés après la fin de l'exercice et 175 727 \$ (129 969 \$ en 2021) ont été payés au cours de l'exercice.

20. Financial instruments and risk management

(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 accounts receivable, unbilled revenues, bank indebtedness, bank loan, accounts payable and accrued liabilities and customers' deposits approximates fair value because of the short maturity of these instruments.

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 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 reflect 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.

20. Instruments financiers et gestion des risques

(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 des débiteurs, des revenus non facturés, du découvert bancaire, de l'emprunt bancaire, des créditeurs et charges à payer et des dépôts de clients sont près de la juste valeur en raison de l'échéance rapprochée de ces instruments.

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; et
- Niveau 3 : les données pour les actifs ou passifs qui ne sont pas fondées sur les données de marché observables.

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 discutés 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.

20. 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	238,275	78	217,322	81
Aged between 31 and 90 days	13,660	4	10,023	4
Aged greater than 90 days	53,795	18	40,136	15
	305,730	100	267,481	100
Allowance for doubtful accounts	(38,452)	(13)	(30,073)	(11)
	267,278	87	237,408	89

(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:

December 31, 2022	Carrying amount/ Valeur comptable	2022	31 décembre 2022
	\$	\$	
Accounts payable and accrued liabilities	1,036,415	1,036,415	Créditeurs et charges à payer
Customers' deposits	4,119	4,119	Dépôts de clients
	1,040,534	1,040,534	

December 31, 2021	Carrying amount/ Valeur comptable	2021	31 décembre 2021
	\$	\$	
Accounts payable and accrued liabilities	911,144	911,144	Créditeurs et charges à payer
Customers' deposits	4,696	4,696	Dépôts de clients
	915,840	915,840	

20. 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

(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 :

21. 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.

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.

21. 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 incitatifs. 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 actifs 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.

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 incitatifs 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 incitatifs ou lors d'un coût de service futur.

Hydro 2000 Inc.

Notes to the financial statements

December 31, 2022

Hydro 2000 Inc.

Notes complémentaires

31 décembre 2022

21. Rate regulation (continued)

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.

The following table represents a summary of the transactions in the regulatory deferral account balances:

2022							
	Opening balance/ Solde au début	Approved by OEB/ Approuvés par la CEO	Carrying charges/ Frais financiers	Current variances/ Variations courantes	Remitted (recovered)/ Remises (recouvrements)	Adjustments/ Ajustements	Ending balance/ Solde à la fin
	\$	\$	\$	\$	\$	\$	\$
Low-voltage charges	81,630	(55,824)	1,090	35,691	-	-	62,587
Other regulatory assets	78,490	(41)	387	(6,264)	-	-	72,572
Payments in lieu of income taxes	27,291	-	271	-	-	-	27,562
Retail settlement variance account	(265,309)	9,915	(1,487)	14,424	-	257,357	14,900
Amounts (owed to)							
receivable from clients	246,145	45,924	795	-	(157,253)	-	135,611
	168,247	(26)	1,056	43,851	(157,253)	257,357	313,232

Le tableau qui suit représente un sommaire des transactions dans les soldes de comptes de report réglementaires :

21. Réglementation des tarifs (suite)

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 CEO, sur les soldes au début du mois. Les frais financiers sont calculés sur les montants de capital et non sur les frais financiers cumulés.

	2021						
	Opening balance/ Solde au début	Approved by OEB/ Approuvés par la CEO	Carrying charges/ Frais financiers	Current variances/ Variations courantes	Remitted (recovered)/ Remises (recouvrements)	Adjustments/ Ajustements	Ending balance/ Solde à la fin
	\$	\$	\$	\$	\$	\$	\$
Low-voltage charges	114,150	(58,848)	512	25,816	-	-	81,630
Other regulatory assets	110,574	(1)	30	(32,113)	-	-	78,490
Payments in lieu of income taxes	27,210	-	81	-	-	-	27,291
Retail settlement variance account	(224,776)	(42,484)	(1,065)	3,016	-	-	(265,309)
Amounts (owed to)							
receivable from clients	290,667	101,333	910	-	(146,765)	-	246,145
	317,825	-	468	(3,281)	(146,765)	-	168,247

22. 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.

22. Structure du capital et objectifs

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

- (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
Hydro 2000 Inc.

December 31, 2023
31 décembre 2023

Independent Auditor's 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 – 26	Notes complémentaires

Independent Auditor's Report

To the Directors of
Hydro 2000 Inc.

Opinion

We have audited the financial statements of Hydro 2000 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.

Hawkesbury ON
March 27, 2024

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP s.r.l./LLP

300, rue McGill, Hawkesbury ON, K6A 1P8
300 McGill Street, Hawkesbury ON, K6A 1P8

Tél. : 613.632.4178 Téléc. : 613.632.7703
T: 613.632.4178 F: 613.632.7703

Rapport de l'auditeur indépendant

Aux administrateurs de
Hydro 2000 Inc.

Opinion

Nous avons effectué l'audit des états financiers de Hydro 2000 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.

Hawkesbury (Ontario)
Le 27 mars 2024

MNP s.r.l.

Comptables professionnels agréés
Experts-comptables autorisés

MNP s.r.l./LLP

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	2023	2022	
	\$	\$	
Assets			Actif
Current assets			À court terme
Cash	330,356	351,851	Encaisse
Accounts receivable (Note 4)	226,856	267,278	Débiteurs (note 4)
Unbilled revenues	428,930	364,427	Revenus non facturés
Income taxes	16,341	32,682	Impôts sur les bénéfices
Prepaid expenses	33,815	19,464	Frais payés d'avance
	1,036,298	1,035,702	
Property, plant and equipment (Note 5)	1,113,961	1,075,535	Immobilisations corporelles (note 5)
Intangible assets (Note 6)	17,216	25,464	Immobilisations incorporelles (note 6)
	2,167,475	2,136,701	
Regulatory deferral account debit balances (Note 7)	333,615	311,683	Soldes débiteurs des comptes de report réglementaires (note 7)
	2,501,090	2,448,384	
Liabilities			Passif
Current liabilities			À court terme
Accounts payable and accrued liabilities (Note 9)	1,151,187	1,036,415	Créditeurs et charges à payer (note 9)
Customers' deposits	3,570	4,119	Dépôts de clients
	1,154,757	1,040,534	
Deferred revenues	158,961	154,344	Revenus reportés
Deferred tax liabilities (Note 16)	83,092	42,662	Passif d'impôts différés (note 16)
Long-term debt (Note 10)	-	30,000	Dette à long terme (note 10)
	1,396,810	1,267,540	
Commitments (Note 15)			Engagements (note 15)
Shareholder's equity			Capitaux propres
Share capital (Note 11)	308,735	308,735	Capital-actions (note 11)
Retained earnings	795,545	872,109	Bénéfices non répartis
	1,104,280	1,180,844	
	2,501,090	2,448,384	

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

Les notes complémentaires font partie
intégrante des états financiers.

Approved on behalf of the Board

Au nom du conseil d'administration

Director _____ administrateur

Director _____ administrateur

Hydro 2000 Inc.
Statement of loss
For the year ended December 31, 2023

Hydro 2000 Inc.
État des résultats
Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Revenues			Revenus
Energy (Note 12)	2,636,316	2,722,860	Énergie (note 12)
Distribution (Note 12)	668,155	729,869	Distribution (note 12)
Other operating revenues	29,648	31,957	Autres revenus d'exploitation
	3,334,119	3,484,686	
Cost of power	2,719,099	2,772,991	Coût de l'énergie
	615,020	711,695	
Expenses (Note 13)			Charges (note 13)
Administrative and general	291,557	293,684	Administratives et générales
Billing and collecting	267,522	204,078	Facturation et perception
Depreciation and amortization	53,641	51,299	Amortissement
Distribution – operation and maintenance	58,375	71,458	Distribution – exploitation et entretien
Donations	2,000	2,000	Dons
Interest	(9)	36	Intérêts
	673,086	622,555	
Income before regulatory items and income taxes	(58,066)	89,140	Résultat avant les éléments réglementaires et impôts
Net movement in regulatory deferral accounts	(21,932)	112,372	Variations nettes des comptes de report réglementaires
Income tax expense (Note 16)	40,430	(2,835)	Impôts sur le résultat (note 16)
	18,498	109,537	
Net loss	(76,564)	(20,397)	Résultat net

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

Les notes complémentaires font partie intégrante des états financiers.

Hydro 2000 Inc.
Statement of changes in equity
For the year ended December 31, 2023

Hydro 2000 Inc.
État des variations des capitaux propres
Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Retained earnings, beginning of year	872,109	892,506	Bénéfices non répartis au début
Net loss	(76,564)	(20,397)	Résultat net
Retained earnings, end of year	795,545	872,109	Bénéfices non répartis à la fin

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

Les notes complémentaires font partie intégrante des états financiers.

Hydro 2000 Inc.
Statement of cash flows
For the year ended December 31, 2023

Hydro 2000 Inc.
État des flux de trésorerie
Exercice clos le 31 décembre 2023

	2023	2022	
	\$	\$	
Operating activities			Activités d'exploitation
Net loss	(76,564)	(20,397)	Résultat net
Items not affecting cash			Éléments sans effet sur la trésorerie
Depreciation and amortization	53,641	51,299	Amortissement
Loss on sale of property, plant and equipment	105	499	Perte à la cession d'immobilisations corporelles
			Variations nettes des comptes de report
Net movement in regulatory deferral accounts	(21,932)	(143,436)	réglementaires
Deferred tax	40,430	14,180	Impôts différés
Net change in non-cash operating working capital items (Note 18)	63,823	67,326	Variation nette des éléments hors caisse du fonds de roulement d'exploitation (note 18)
	59,503	(30,529)	
Investing activities			Activités d'investissement
Purchase of capital assets	(62,235)	(189,398)	Acquisition d'immobilisations
Financing activity			Activité de financement
Contributions received for property, plant and equipment	11,237	7,130	Contributions reçues pour immobilisations corporelles
Debts principal repayment	(30,000)	-	Remboursement du capital sur les emprunts
	(18,763)	7 130	
Net decrease in cash	(21,495)	(212,797)	Diminution nette de la trésorerie
Cash, beginning of year	351,851	564,648	Encaisse au début
Cash, end of year	330,356	351,851	Encaisse à la fin

See additional information presented in Note 18.

Voir les renseignements complémentaires présentés à la note 18.

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

Les notes complémentaires font partie intégrante des états financiers.

1. Description of the business

Hydro 2000 Inc. (the "Corporation") was incorporated on September 29, 2000, under the *Business Corporations Act* (Ontario) and is wholly owned by the Corporation of the Township of Alfred and Plantagenet. The Corporation is incorporated and domiciled in Canada with its head and registered office located at 440 St-Philippe Street, Alfred, Ontario, K0B 1A0.

The principal activity of the Corporation is the distribution of electricity in the service areas of the village of Alfred and the village of Plantagenet in the Province of Ontario, under a license 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 Corporation's management in accordance with 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 March 27, 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.

(d) Use of estimates and judgments

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.

1. Description de l'entreprise

Hydro 2000 Inc. (la « Société »), constituée le 29 septembre 2000 en vertu de la *Loi sur les sociétés par actions* (Ontario), est détenue à 100 % par la Corporation du Canton d'Alfred et Plantagenet. La Société a été incorporée et est résidente du Canada avec son siège social situé au 440, rue St-Philippe, Alfred (Ontario), K0B 1A0.

L'activité principale de la Société est la distribution d'électricité dans les zones de service du village d'Alfred et du village de Plantagenet 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 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 27 mars 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.

(d) Utilisation d'estimations et jugements

La préparation d'états financiers conformément aux normes 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.

2. Basis of preparation (continued)

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

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 19, the Corporation uses the discounted cash flows 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)*

Les importantes sources d'incertitude liée 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 immobilisations incorporelles. La Société estime la durée de vie utile de ses immobilisations corporelles et de ses immobilisations incorporelles 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 n'a qu'une seule UGT.

(iv) Évaluation des instruments financiers

Comme il est décrit à la note 19, 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 normes 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/créditeurs 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/créditeurs 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/créditeurs 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 (loss) 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 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 bank indebtedness, bank loan, accounts payable and accrued liabilities and customers' deposits.

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 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 courant ou non courant 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 du découvert bancaire, de l'emprunt bancaire, des créditeurs et charges à payer et des dépôts de clients.

3. Significant accounting policies (continued)

(d) Property, plant and equipment

Property, plant and equipment (PP&E) is 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 (loss) 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:

Distribution equipment	15 to 60 years
------------------------	----------------

Other assets

Computer hardware	5 years
Leasehold improvements	Term of the lease
Office equipment and furniture	10 years

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

(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.

(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.

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 :

Équipement de distribution	15 à 60 ans
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Autres actifs

Matériel informatique	5 ans
Améliorations locatives	Terme du bail
Matériel et mobilier de bureau	10 ans

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

(e) Immobilisations incorporelles

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

Les logiciels informatiques 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 utile 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.

(f) Dépréciation d'actifs non financiers

La valeur comptable des actifs non financiers de la Société est examinée 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.

3. Significant accounting policies (continued)

(f) *Impairment of non-financial assets (continued)*

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 (loss) 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.

(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 (loss) 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.

3. Principales conventions comptables (suite)

(f) *Dépréciation d'actifs non financiers (suite)*

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.

(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. 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.

**3. Significant accounting policies
(continued)**

(h) Customers' deposits

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

**3. Principales conventions comptables
(suite)**

(h) 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

	2023	2022	
	\$	\$	
Electrical energy	219,050	251,891	Énergie électrique
Electrical energy – Corporation of the Township of Alfred and Plantagenet	6,864	6,290	Énergie électrique – Corporation du Canton d'Alfred et Plantagenet
Commodity taxes receivable	-	8,685	Taxes à la consommation à recevoir
Other	33,895	38,864	Autres
	259,809	305,730	
Allowance for doubtful accounts	(32,953)	(38,452)	Provision pour créances douteuses
	226,856	267,278	

4. Débiteurs

5. Property, plant and equipment

	Distribution equipment/ Équipement de distribution	Other assets/ Autres actifs	Total	
	\$	\$	\$	
Cost				Coût
Balance as at December 31, 2021	1,250,924	35,483	1,286,407	Solde au 31 décembre 2021
Additions	182,885	4,727	187,612	Acquisitions
Disposals	(2,667)	-	(2,667)	Dispositions
Balance as at December 31, 2022	1,431,142	40,210	1,471,352	Solde au 31 décembre 2022
Additions	89,714	830	90,544	Acquisitions
Disposals	(1,336)	-	(1,336)	Dispositions
Balance as at December 31, 2023	1,519,520	41,040	1,560,560	Solde au 31 décembre 2023
Accumulated depreciation				Amortissement cumulé
Balance as at December 31, 2021	314,338	34,361	348,699	Solde au 31 décembre 2021
Depreciation expense	48,427	859	49,286	Amortissement
Disposals	(2,168)	-	(2,168)	Dispositions
Balance as at December 31, 2022	360,597	35,220	395,817	Solde au 31 décembre 2022
Depreciation expense	50,821	1,192	52,013	Amortissement
Disposals	(1,231)	-	(1,231)	Dispositions
Balance as at December 31, 2023	410,187	36,412	446,599	Solde au 31 décembre 2023
Net carrying amounts				Valeur comptable nette
As at December 31, 2022	1,070,545	4,990	1,075,535	Au 31 décembre 2022
As at December 31, 2023	1,109,333	4,628	1,113,961	Au 31 décembre 2023

6. Intangible assets

	Computer software/ Logiciels informatiques
	\$
Cost	
Balance as at December 31, 2021, 2022 and 2023	101,686
Accumulated amortization	
Balance as at December 31, 2021	67,974
Amortization expense	8,248
Balance as at December 31, 2022	76,222
Amortization expense	8,248
Balance as at December 31, 2023	84,470
Net carrying amounts	
As at December 31, 2022	25,464
As at December 31, 2023	17,216

6. Immobilisations incorporelles

Coût	
Solde aux 31 décembre 2021, 2022 et 2023	
Amortissement cumulé	
Solde au 31 décembre 2021	
Amortissement	
Solde au 31 décembre 2022	
Amortissement	
Solde au 31 décembre 2023	
Valeur comptable nette	
Au 31 décembre 2022	
Au 31 décembre 2023	

7. Regulatory deferral account debit balances

	2023	2022
	\$	\$
Low-voltage charges	82,691	62,588
Other regulatory assets	76,747	72,568
Payments in lieu of income taxes	28,288	27,566
Amounts recoverable from clients	92,225	135,611
Retail settlement variance account	53,664	13,350
	333,615	311,683

7. Soldes débiteurs des comptes de report réglementaires

Distribution à faible tension	
Autres actifs réglementés	
Paiements versés en remplacement d'impôts sur les bénéfices	
Montants récupérables des clients	
Écart de prix avec les détaillants	

8. Bank loan

The Corporation has an authorized line of credit of \$100,000 (\$100,000 as at December 31, 2022), at prime rate plus 4.25%, of which \$100,000 remained unused as at December 31, 2023 (\$100,000 in 2022).

8. Emprunt bancaire

La Société dispose d'une marge de crédit de 100 000 \$ (100 000 \$ au 31 décembre 2022), au taux préférentiel majoré de 4,25 %, dont 100 000 \$ sont inutilisés au 31 décembre 2023 (100 000 \$ en 2022).

9. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Accounts payable – energy purchases	929,571	878,343
Payroll payable	10,544	10,656
Commodity taxes payable	21,246	-
Customer receivables in credit balances	99,615	78,743
Other accounts payable and accrued liabilities	90,211	68,673
	1,151,187	1,036,415

9. Créditeurs et charges à payer

Créditeurs – achats d'énergie	
Rémunération à payer	
Taxes à la consommation à payer	
Clients à recevoir avec soldes créditeurs	
Autres créditeurs et charges à payer	

10. Long-term debt

	2023	2022	
	\$	\$	
Loan, Canada Emergency Business Account, reimbursed in 2023	-	30,000	Emprunt, Compte d'urgence pour les entreprises canadiennes, remboursé en 2023

10. Dette à long terme

11. 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

Issued

	2023	2022	
	\$	\$	
1 Class A share	308,735	308,735	1 action de catégorie A

11. 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

Émis

12. Revenues

	2023	2022	
	\$	\$	
<i>Energy</i>			<i>Énergie</i>
Residential	1,845,614	1,953,458	Résidentiel
General < 50 KW	471,624	516,789	Général < 50 kW
General < 50 KW – unmetered scattered loads	1,947	165	Général < 50 kW – charges sans compteur
General > 50 KW	302,416	240,933	Général > 50 kW
Street lights	14,715	11,515	Éclairage des rues
	2,636,316	2,722,860	
<i>Distribution</i>			<i>Distribution</i>
Service charge	531,272	507,693	Revenus de gestion
Distribution volume	127,333	214,870	Revenus de livraison
Administration charge	3,836	3,768	Revenus d'administration
Retailer charge	5,714	3,538	Revenus des détaillants
	668,155	729,869	

13. Expenses

	2023	2022	
	\$	\$	
Salaries and benefits	235,739	219,379	Salaires et avantages sociaux
Contract/consulting	284,659	265,132	Contrat/consultant
Materials	81,834	71,118	Matériaux
Rent	15,222	13,591	Loyer
Depreciation and amortization	53,641	51,299	Amortissement
Donations	2,000	2,000	Dons
Interest	(9)	36	Intérêts
	673,086	622,555	

13. Charges

14. 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.

14. 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 milliers 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 \$.

15. Commitments

The Corporation leases office space under an operating lease which expires on March 31, 2025. Future lease payments aggregate to \$21,109 and are payable over the next two years.

15. Engagements

La Société loue des bureaux en vertu d'un contrat de location-exploitation qui vient à échéance le 31 mars 2025. Les loyers futurs s'élèveront à 21 109 \$ et comprennent les paiements suivants pour les deux prochains exercices.

	\$	
2024	16,809	2024
2025	4,300	2025

16. Income tax

(a) Income tax expense

PILs recognized in net (loss) income include the following:

	2023	2022	
	\$	\$	
Current tax (recoverable)	-	(17,015)	(Recouvrables) exigibles
Deferred tax	40,430	14,180	Impôts différés
Income tax expense	40,430	(2,835)	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	(36,134)	(23,232)	Résultat avant impôts
Statutory Canadian federal and provincial income tax rates	26.50%	26.50%	Taux statutaires d'impôt canadiens fédéral et provincial
Expected tax provision on income at statutory rates	(9,576)	(6,156)	Provision attendue sur le résultat aux taux statutaires
Increase in income taxes resulting from:			Augmentation des impôts résultant de :
Small business deduction	-	3,321	Déduction accordée aux petites entreprises
Rate adjustment	50,006	-	Ajustement de taux
Total income tax expense	40,430	(2,835)	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.

(c) Deferred tax

Deferred tax liabilities are attributable to the following:

	2023	2022	
	\$	\$	
Property, plant and equipment	26,076	8,628	Immobilisations corporelles
Intangible assets	4,562	3,107	Immobilisations incorporelles
Regulatory deferral account	88,408	38,025	Comptes de report réglementaires
Fiscal losses	(35,954)	(7,098)	Pertes fiscales
	83,092	42,662	

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

Les variations des soldes des impôts différés au cours de l'exercice sont les suivantes :

	2023	2022	
	\$	\$	
Balance as at January 1 st	42,662	28,482	Solde au 1 ^{er} janvier
Recognized in net loss	40,430	14,180	Constaté dans le résultat net
Balance as at December 31	83,092	42,662	Solde au 31 décembre

17. 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	71,283	71,669

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:

	2023	2022
	\$	\$
Short-term employment benefits and salaries	127,201	118,425

17. Soldes et transactions avec les parties liées

(a) Soldes et transactions avec l'actionnaire

Les montants (recevables de) 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

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 la suivante :

Avantages sociaux et salaires à court terme

18. Additional information relating to the statement of cash flows

	2023	2022
	\$	\$
Net change in non-cash operating working capital items		
Accounts receivable	40,422	(29,870)
Unbilled revenues	(64,503)	23,529
Prepaid expenses	(14,351)	(3,116)
Accounts payable and accrued liabilities	86,463	127,057
Customers' deposits	(549)	(577)
Income taxes	16,341	(49,697)
	63,823	67,326

Non-cash transactions

During the year, capital assets were acquired at an aggregate cost of \$90,544 (\$187,612 in 2022), of which \$28,309 (\$11,885 in 2022) were paid after year-end and \$62,235 (\$175,727 in 2022) were paid during the year.

18. Renseignements complémentaires à l'état des flux de trésorerie

Variation nette des éléments hors caisse du fonds de roulement d'exploitation

Débiteurs
Revenus non facturés
Frais payés d'avance
Créditeurs et charges à payer
Dépôts de clients
Impôts sur les bénéfices

Opérations sans effet sur la trésorerie

Au cours de l'exercice, des immobilisations ont été acquises pour un coût total de 90 544 \$ (187 612 \$ en 2022), dont 28 309 \$ (11 885 \$ en 2022) ont été payés après la fin de l'exercice et 62 235 \$ (175 727 \$ en 2022) ont été payés au cours de l'exercice.

19. Financial instruments and risk management

(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 accounts receivable, unbilled revenues, bank indebtedness, bank loan, accounts payable and accrued liabilities and customers' deposits approximates fair value because of the short maturity of these instruments.

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 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 reflect 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.

19. Instruments financiers et gestion des risques

(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 des débiteurs, des revenus non facturés, du découvert bancaire, de l'emprunt bancaire, des créditeurs et charges à payer et des dépôts de clients sont près de la juste valeur en raison de l'échéance rapprochée de ces instruments.

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; et
- Niveau 3 : les données pour les actifs ou passifs qui ne sont pas fondées sur les données de marché observables.

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.

19. 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	212,121	82	238,275	78
Aged between 31 and 90 days	4,821	2	13,660	4
Aged greater than 90 days	42,867	16	53,795	18
	259,809	100	305,730	100
Allowance for doubtful accounts	(32,953)	(13)	(38,452)	(13)
	226,856	87	267,278	87

(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:

December 31, 2023	Carrying amount/ Valeur comptable	2023
	\$	\$
Accounts payable and accrued liabilities	1,151,187	1,151,187
Customers' deposits	3,570	3,570
	1,154,757	1,154,757

December 31, 2022	Carrying amount/ Valeur comptable	2022
	\$	\$
Accounts payable and accrued liabilities	1,036,415	1,036,415
Customers' deposits	4,119	4,119
	1,040,534	1,040,534

19. 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

(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 :

31 décembre 2023
\$
Créditeurs et charges à payer
Dépôts de clients

31 décembre 2022

Créditeurs et charges à payer
Dépôts de clients

20. 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.

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.

20. 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 incitatifs. 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 actifs 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.

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 incitatifs 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 incitatifs ou lors d'un coût de service futur.

Hydro 2000 Inc.**Notes to the financial statements**

December 31, 2023

Hydro 2000 Inc.**Notes complémentaires**

31 décembre 2023

20. Rate regulation (continued)

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.

The following table represents a summary of the transactions in the regulatory deferral account balances:

	2023					
	Opening balance/ Solde au début	Approved by OEB/ Approuvés par la CEO	Carrying charges/ Frais financiers	Current variances/ Variations courantes	Remitted (recovered)/ Remises (recouvrements)	Ending balance/ Solde à la fin
	\$	\$	\$	\$	\$	\$
Low-voltage charges	62,588	(26,757)	3,417	43,443	-	82,691
Other regulatory assets	72,568	711	2,028	1,440	-	76,747
Payments in lieu of income taxes	27,566	-	722	-	-	28,288
Retail settlement variance account	13,350	(2,042)	2,510	39,846	-	53,664
Amounts (owed to) receivable from clients	135,611	28,088	(1,634)	-	(69,840)	92,225
	311,683	-	7,043	84,729	(69,840)	333,615

Le tableau qui suit représente un sommaire des transactions dans les soldes de comptes de report réglementaires :

20. Réglementation des tarifs (suite)

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 CEO, sur les soldes au début du mois. Les frais financiers sont calculés sur les montants de capital et non sur les frais financiers cumulés.

	2022					
	Opening balance/ Solde au début	Approved by OEB/ Approuvés par la CEO	Carrying charges/ Frais financiers	Current variances/ Variations courantes	Remitted (recovered)/ Remises (recouvrements)	Ending balance/ Solde à la fin
	\$	\$	\$	\$	\$	\$
Low-voltage charges	81,630	(55,824)	1,090	35,692	-	62,588
Other regulatory assets	78,490	(41)	384	(6,265)	-	72,568
Payments in lieu of income taxes	27,291	-	275	-	-	27,566
Retail settlement variance account	(265,309)	9,915	(1,488)	12,875	-	13,350
Amounts (owed to) receivable from clients	246,145	45,924	795	-	(157,253)	135,611
	168,247	(26)	1,056	42,302	(157,253)	311,683

21. 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.

21. Structure du capital et objectifs

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

- (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.

APPENDICES B

MD&A Report

2023 Scorecard Management Discussion and Analysis ("2023 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description, and how the measure may be compared for each of the Scorecard's measures in the 2023 Scorecard MD&A:

https://www.oeb.ca/sites/default/files/uploads/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

In 2023, Hydro 2000 Inc. ("H2000") consistently met or exceeded all performance targets, reflecting the utility's strong commitment to operational excellence. Demonstrating a proactive approach to efficiency, H2000 implemented new cost control measures that led to significant improvements in cost per customer throughout the year. Looking ahead, H2000 remains dedicated to exploring innovative cost-saving solutions, including promoting cost-sharing initiatives with neighboring utilities, to further enhance value for its customers.

Service Quality

New Residential/Small Business Services Connected on Time

In 2023, H2000 achieved a perfect track record by promptly connecting all 8 eligible low-voltage residential and small business customers. Each request, involving connections under 750 volts, was successfully completed within just 5 working days. This 100% success rate highlights H2000's commitment to delivering fast and reliable service, ensuring that every customer is seamlessly connected without delay.

Scheduled Appointments Met On Time

In 2023, H2000 scheduled 178 customer appointments for essential services, including meter readings, reconnections, and other critical tasks. H2000 successfully met 100% of these appointments on time, matching its perfect record from the previous year. This performance reflects H2000's consistent commitment to excellence but also exceeds the industry target of 90%. H2000 continues to prioritize timely service, reinforcing its reputation as a dependable and customer-focused utility.

Telephone Calls Answered On Time

In 2023, H2000's customer service team demonstrated exceptional responsiveness, handling 1,340 customer calls with remarkable efficiency. Impressively, an H2000 representative answered 97.53% of these calls within just 30 seconds, far surpassing the Ontario Energy Board's (OEB) requirement of a 65% target for timely call response. This outstanding achievement highlights H2000's commitment to providing swift and reliable service, ensuring that customers receive the support they need without delay.

Customer Satisfaction

First Contact Resolution

H2000 conducted its bi-annual survey early 2022 and as such, the results below are still applicable for the purpose of the scorecard.

H2000 tracks its "First Contact Resolution" metric using its bi-annual customer satisfaction survey conducted in 2022. To comply with this requirement, the utility used an average of the following survey questions below. The utility believes that the results reflect accurate results.

- During the past 12 months, have you contacted the utility's customer service for any information or assistance?
- How would you rate the customer care representative's performance in handling your request for information?
- Are you aware of the different payment options?
- Overall, how would you rate Hydro 2000's overall performance in serving you?

The utility reported results of 95.22%.

Billing Accuracy

Billing accuracy reflects the proportion of customer invoices issued without errors, and H2000 has demonstrated exceptional performance in this area. From January 1, 2023, to December 31, 2023, H2000 issued 15,637 bills and achieved an impressive billing accuracy rate of 99.74%, surpassing the Ontario Energy Board's (OEB) target of 98%. This outstanding result highlights H2000's commitment to precision and reliability in its billing processes.

remains dedicated to monitoring and enhancing its billing accuracy. The utility continuously seeks opportunities for further improvement, ensuring that it maintains its high standards of service and accuracy.

Customer Satisfaction Survey Results

H2000 conducted a customer satisfaction survey in March and April of 2022. 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 and its Facebook page. A bill message communicating the survey and prize was included on all the bills. The utility established that the desired sampling margin of error (confidence interval) was to be no greater than (+/-) 5 percentage points at a 95% confidence level. 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 a total of 293 responses. Therefore, the survey is representative of public opinion.

The utility intends to continue surveying its customers on a bi-annual basis 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 of Electrical Safety component of the public safety measure is to measure the level of awareness of critical electrical safety precautions among the public within the electricity distributor's service territory. It measures the degree of effectiveness for distributors' activities on preventing electrical accidents. The utility conducted an online survey between January 2024 to March 2024. 663 respondents completed the survey, which resulted in a 97.21% score on Public Awareness. Going forward, the utility plans on improving its results by communicating safety measures to its customers.

Component B – Compliance with Ontario Regulation 22/04

As a licensed distributor, H2000 must comply with Ontario Regulation 22/04 Electrical Distribution Safety, and compliance with this regulation is subject to annual Audits and Declarations of Compliance. H2000 is "Compliant" with Ontario Regulation 22/04 and has reported satisfactory Audits. No significant items were raised from these inspections.

Component C – Serious Electrical Incident Index

H2000 did not have any serious electrical incidents to report in 2023.

System Reliability

Average Number of Hours/Times that Power to a Customer is Interrupted

In 2023, H2000 experienced a total of 17 interruptions, resulting in 36 hours of service disruption. The most significant contributor were 2 outages in April, which totaled 12 hours and impacted 1,760 customers and 1 outage in January which totaled 6 hours and affected 1247 customers. These outages were caused by a loss of supply from our supplier. H2000 is embedded within Hydro One Rural Area. During extreme weather conditions, the supplier has a large territory to assess before being able to regenerate the supply.

Nine of the outages were caused by Preventive Maintenance

H2000 conducted scheduled preventive maintenance that led to multiple interruptions. Additionally, there were 4 instances of faulty equipment and 1 foreign interference. While these events are beyond H2000's control, the utility takes them seriously and responds swiftly.

Recognizing the importance of maintaining a reliable electricity supply, H2000 has implemented a maintenance program to address its aging network. Although scheduled maintenance can sometimes cause brief interruptions, H2000 ensures quick responses and efficient resolution. The utility continues to prioritize system reliability, regularly monitoring its distribution assets to prevent and minimize disruptions.

Asset Management

Distribution System Plan Implementation Progress

H2000 has completed its Distribution System Plan ("DSP") in preparation for its 2020 Cost of Service Application, which was filed in February 2020 for rates effective November 1, 2020. H2000 is working on its 2025-2030 DSP which it plans of filing as part of its 2025 Cost of Service in August of 2024

Cost Control

Efficiency Assessment

The total costs for Ontario's local electricity distribution companies are assessed by the Pacific Economics Group LLC on behalf of the Ontario Energy Board (OEB), resulting in a comprehensive efficiency ranking. Since 2016, H2000 has consistently been ranked in Group 2, a category that includes a stretch factor of 0.15. Maintaining this position through 2022 highlights H2000's commitment to operational excellence and efficiency.

H2000's sustained ranking in Group 2 reflects its successful management of costs relative to its peers, showcasing the utility's effective strategies

in balancing both capital and operating expenses. Moving forward, H2000 is dedicated to continuing its vigilant cost monitoring and proactive management practices. The utility aims to further optimize its operations, striving to achieve even greater efficiency and solidify its position as a leader in cost-effective electricity distribution.

Total Cost per Customer and Total Cost per Km of Line

OM&A expenses rose by \$118,879, largely due to \$32,000 in unrecoverable bad debt resulting from a shutdown. Additional increases were driven by costs not covered in H2000's previous cost of service, including regulatory requirements such as Green Button implementation, essential software upgrades, and higher wages and benefits for billing, collecting, and management roles. Additionally, higher third-party operation and maintenance fees contributed to the overall increase.

Conversely, depreciation expenses decreased by \$9,868, consistent with straight-line calculations and aligned with capital expenditures in 2023. A \$6,990 variance in deemed interest expenses reflects minor changes, influenced by H2000's lack of debt instruments. Tax provisions decreased by \$38,505, with \$40,430 allocated to future taxes, although \$1,925 was embedded in the rates. Finally, adjustments from the Return on Equity (ROE) mechanism resulted in a decrease of \$23,056 and an increase of \$46,540.

Conservation & Demand Management

Net Cumulative Energy Savings

As a result of the Minister of Energy, Northern Development and Mines' directive on March 20, 2019, the IESO's Conservation First Framework (CFF) was revoked. All electricity CDM activity for 2019, 2020 and 2022 will be centralized and administered by the IESO.

As distributors are no longer working towards the former 2015-2020 CDM targets.

Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

H2000 connected one Net Metering of 10 kW in 2023 and as such did not need Connection Impact Assessments.

New Micro-embedded Generation Facilities Connected On Time

In 2023, H2000 did connect one new micro-embedded generation facility (MicroFit projects of 10 kW and less). H2000 worked closely with its customers and their contractors to tackle the connection issues to ensure the project is connected on time.

Financial Ratios

Liquidity: Current Ratio (Current Assets/Current Liabilities)

H2000's current ratio of 0.90 indicates that the utility has slightly fewer current assets than current liabilities. This ratio measures a company's ability to cover its short-term obligations with its short-term assets. A ratio below 1.0, such as H2000's 0.90, implies that the utility might struggle to meet its short-term liabilities, raising potential concerns about liquidity.

Nonetheless, the stability of this ratio suggests that H2000 has effectively managed its working capital over time. While a current ratio below 1.0 is typically seen as less favorable, consistent stability in this ratio may reflect that the utility has achieved a balance in its operations and cash flow management, allowing it to meet its obligations without needing to hold excess current assets.

H2000 is currently preparing its 2025 Cost of Service, which is anticipated to address and potentially improve its liquidity situation moving forward. This proactive step could help enhance the utility's financial stability and better align its current assets with its liabilities.

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

In 2023, H2000 did not have any debts per se however, in accordance with Board policy the utility uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates.

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

H2000's 2023 distribution rates were rebased and approved by the OEB in 2020 and included an expected (deemed) regulatory return on equity of 8.52%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity.

Profitability: Regulatory Return on Equity – Achieved

H2000's achieved Return on Equity (ROE) in 2023 was -11.09%, a significant deviation of 19.61% from the approved ROE of 8.52%. This lower-than-expected ROE is largely attributed to an unexpected increase in operating, maintenance, and administrative (OM&A) expenses, which rose by \$118,879. A major contributor to this increase was \$32,000 in unrecoverable bad debt resulting from a shutdown. Additional costs not included in H2000's previous cost of service, such as regulatory obligations like Green Button implementation, necessary software upgrades, and higher wages and benefits for billing, collection, and management, also contributed to the increased expenses. Furthermore, third-party operation and maintenance fees rose, adding to the overall cost. Depreciation expenses saw a decrease of \$9,868, consistent with straight-line calculations and linked to capital expenditures in 2023. A \$6,990 variance in deemed interest expenses, primarily due to H2000's lack of debt instruments, reflected

only minor changes. Tax provisions decreased by \$38,505, as \$40,430 was allocated to future taxes, despite \$1,925 being embedded in the rates. Lastly, adjustments calculated by the Return on Equity (ROE) mechanism resulted in a decrease of \$23,056 and an increase of \$46,540, respectively.

Note to Readers of 2023 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 a number of 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 of the 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 judgement on the reporting date of the performance scorecard and could be markedly different in the future.

APPENDICES C

Draft Notice to customers



Hydro 2000 Inc 2025 Rate Application

Dear Hydro 2000 Inc. customers,

Hydro 2000 Inc. has submitted an application to the Ontario Energy Board (OEB) to adjust electricity distribution rates, effective May 1, 2025. If approved, the new rates will result in an increase of \$11.04 per month for a typical residential customer and about \$15.68 per month for a General Service < 50kW customer. For detailed bill impacts, please refer to Exhibit 8 of the application.

This adjustment is part of a "Cost of Service" process, where new rates are set based on the value of Hydro 2000's assets and service costs.

The requested Revenue Requirement is \$786,415, reflecting an increase of \$234,517 from the 2020 level. This rise is driven by increased costs in operations, maintenance, and administration, alongside necessary investments in the distribution system and infrastructure upgrades.

Aligning Rates with Costs

The increase is necessary because current rates, set in 2020 and adjusted for inflation, no longer cover Hydro 2000 Inc.'s rising costs.

The Rate Base for Hydro 2000 Inc. is projected to reach \$1,286,198 in 2025, an increase of \$325,368 from the 2020 Board-approved amount of \$960,830. This growth is mainly attributed to:

- Investments in the Distribution System as part of the Distribution System Plan.
- Support for Residential and Commercial Growth over the past decade.
- Ongoing Pole and Transformer Replacements.

Additionally, the Working Capital Allowance increased by \$656, reflecting higher Operating, Maintenance, and Administration (OM&A) costs and power supply expenses. Key OM&A cost drivers include:

- Overhead Distribution Lines: Higher pole rental fees and repairs from 2022 storm damage.
- Line Transformers Maintenance: Increased costs for PCB analyses to meet regulatory requirements.
- Billing and Collecting: Higher expenses from staffing and software updates, including Northstar and ITM-Silverblaze, and program improvements like OESP and Green Button.

- Bad Debt: A significant unpaid bill from a closed business raised bad debt expenses in 2023.
- Administrative and General Costs: Costs rose due to salary adjustments, increased 3rd party services, cybersecurity efforts, and higher rental fees

Aging Infrastructure

Hydro 2000 Inc., like many Ontario utilities, is dealing with the challenge of renewing aging infrastructure. Since 2020, over \$710,000 has been invested in critical assets, such as transformers and meters, to ensure reliable service. These investments, along with wage and material costs, help maintain a reliable power distribution system amid inflationary pressures.

Focus on Customers

Hydro 2000 Inc. is committed to keeping customers informed and engaged, promoting energy conservation and making improvements based on customer feedback. The 2023 Customer Satisfaction Survey showed a 94.4% approval rating, indicating strong community support and providing valuable insights into customer needs.

Rebuild and Respond

Looking forward, Hydro 2000 Inc. is focused on maintaining high performance and complying with regulatory requirements. A key part of this is the Distribution System Plan, which guides capital investments and ensures long-term system reliability. Efforts like ongoing pole replacement programs are essential for maintaining a safe and efficient distribution system.

Pass-through charges

Hydro 2000 Inc. also manages pass-through charges on behalf of the province, which may result in variance accounts. The total amount to be collected from the residential class is \$98,153, and from the small business class, \$30,815, over a proposed 24-month period (see Exhibit 9).

Conclusion

With this application, Hydro 2000 Inc. aims to continue delivering safe and reliable electricity services, ensuring that our community remains well-served and prepared for the future. We appreciate your support and will continue to strive for service excellence in all that we do.