Financial Statements of

ENWIN UTILITIES LTD.

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor, ON N8W 5K8
Canada
Telephone 519 251 3500
Fax 519 251 3530

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ENWIN Utilities Ltd.

Opinion

We have audited the financial statements of ENWIN Utilities Ltd. (the Entity), which comprise:

- the balance sheet as at December 31, 2023
- the statement of income for the year then ended
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

We are independent of the Entity 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

April 24, 2024

ENWIN UTILITIES LTD.
Table of Contents

Year ended December 31, 2023

Financial statements:

ENWIN UTILITIES LTD.

Balance Sheet
(In thousands of Canadian dollars)

December 31, 2023, with comparative information for 2022

	Notes		2023		2022
Assets					
Current assets:					
Cash and cash equivalents	4	$	19,824	$	14,241
Investments	5		-		11,123
Accounts receivable	6		48,614		45,964
Due from related parties	22		7,800		5,484
Inventory	7		8,500		6,130
Other assets			1,732		2,199
			86,470		**85,141**
Non-current assets:					
Property, plant and equipment	8		259,279		252,912
Intangible assets	9		1,228		1,302
Deferred income taxes	15		2,627		2,801
			263,134		**257,015**
Total assets		$	**349,604**	$	**342,156**
Liabilities					
Current liabilities:					
Accounts payable and accruals	10	$	29,844	$	27,925
Payments in lieu of income taxes payable	15		799		1,374
Due to related parties	22		9,391		7,851
Current portion of customer deposits	11		1,107		1,053
Deferred revenue			4,118		4,089
			45,259		**42,292**
Non-current liabilities:					
Customer deposits	11		5,926		5,266
Due to related party - promissory note	22		28,550		28,674
Deferred revenue - customer contributions	12		19,375		19,301
Due to related party - revolving credit agreement	22		50,542		50,526
Employee future benefits	13		48,299		43,729
			152,692		**147,496**
Total liabilities			**197,951**		**189,788**
Equity					
Common shares	16		31,008		31,008
Contributed surplus			516		516
Retained earnings			105,356		103,387
Accumulated other comprehensive income			14,773		17,457
			151,653		**152,368**
Commitments and contingencies	24				
Total liabilities and equity		$	**349,604**	$	**342,156**

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

On behalf of the Board:

Director

Director

ENWIN UTILITIES LTD.

Statement of Income
(In thousands of Canadian dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenue from sale of electricity:			
Sale of electricity		$ 223,670	$ 231,833
Distribution revenue	17	53,314	51,726
		276,984	283,559
Cost of electricity purchased		227,931	244,530
Gross profit		**49,053**	**39,029**
Other revenue:			
Services provided to Windsor Utilities Commission	22	20,745	18,719
Services provided to other related parties	22	872	626
Other income	18	3,382	4,389
		24,999	**23,734**
Operating expenses:			
Operating and distribution expenses	19	36,665	33,205
Billing, collecting and administration expenses	19	15,181	14,818
Depreciation and amortization	8,9	11,971	11,461
		63,817	**59,484**
Income from operating activities		**10,235**	**3,279**
Finance expense (income):			
Finance income	20	(1,540)	(723)
Finance expense	20	3,647	3,289
		2,107	**2,566**
Income before tax		**8,128**	**713**
Income taxes:			
Provision for payments in lieu of corporate taxes	15	1,133	1,341
Deferred income taxes	15	1,026	(809)
		2,159	**532**
Income for the year		**$ 5,969**	**$ 181**

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

ENWIN UTILITIES LTD.

Statement of Comprehensive Income
(In thousands of Canadian dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes		2023		2022
Income for the year		$	**5,969**	$	**181**
Other comprehensive (loss) income:					
Items that will not be reclassified to the statement of income:					
Remeasurement of employee future benefits (loss) income	13		(3,651)		23,579
Related tax	15		967		(6,248)
Other comprehensive (loss) income			**(2,684)**		**17,331**
Total comprehensive income for the year		$	**3,285**	$	**17,512**

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

ENWIN UTILITIES LTD.

Statement of Changes in Equity
(In thousands of Canadian dollars)

Year ended December 31, 2023, with comparative information for 2022

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2022	$ 31,008	$ 516	$ 107,206	$ 126	$ 138,856
Income for the year	-	-	181	-	181
Dividends declared	-	-	(4,000)	-	(4,000)
Other comprehensive income	-	-	-	17,331	17,331
Balance at December 31, 2022	$ 31,008	$ 516	$ 103,387	$ 17,457	$ 152,368
Income for the year	-	-	5,969	-	5,969
Dividends declared	-	-	(4,000)	-	(4,000)
Other comprehensive loss	-	-		(2,684)	(2,684)
Balance at December 31, 2023	$ 31,008	$ 516	$ 105,356	$ 14,773	$ 151,653

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

ENWIN UTILITIES LTD.

Statement of Cash Flows
(In thousands of Canadian dollars)

December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Operating activities:			
Total comprehensive income for the year		$ 3,285	$ 17,512
Adjustments for:			
Depreciation and amortization	8,9	11,971	11,461
Amortization of deferred revenue customer contributions	12	(549)	(526)
Amortization of debt issuance costs	22	16	15
Remeasurement of employee future benefits	13	3,651	(23,579)
Loss on sale of property, plant and equipment	18	1,507	148
Income tax expense	15	1,133	1,341
Changes in non-cash operating working capital	21	(292)	1,278
Interest paid		(3,631)	(3,274)
Interest received		1,540	723
Income taxes paid		(899)	(1,509)
		17,732	**3,590**
Investing activities:			
Acquisition of property, plant and equipment and intangible assets	8,9	(20,704)	(19,274)
Deferred revenue - customer contributions	12	690	701
Acquisition of investments		-	(100)
Gain on investments		(538)	(18)
Proceeds on disposition of investment		11,661	1,200
Proceeds on sale of property, plant and equipment		866	720
		(8,025)	**(16,771)**
Financing activities:			
Decrease in due to related party - promissory note	22	(124)	(119)
Decrease in due from related party	22	-	411
Dividends paid		(4,000)	(4,000)
		(4,124)	**(3,708)**
Net change in cash and cash equivalents		**5,583**	**(16,889)**
Cash and cash equivalents at January 1		14,241	31,130
Cash and cash equivalents at December 31		**$ 19,824**	**$ 14,241**

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

ENWIN UTILITIES LTD.

The Table of Contents to Notes to the Financial Statements

Year ended December 31, 2023

1. Reporting entity:

ENWIN Utilities Ltd. (the "Corporation") is a local distribution company ("LDC") that owns and operates the electricity distribution grid in the City of Windsor. In accordance with the Electricity Act, 1998, the Corporation was incorporated in December of 1999 under the Business Corporations Act (Ontario). The address of the Corporation's registered office is 4545 Rhodes Drive, Windsor, Ontario, Canada. The Corporation is 100% owned by Windsor Canada Utilities Ltd. ("WCUL"), which is in turn 100% owned by the Corporation of the City of Windsor (the "City").

On November 6, 2012, the Corporation and the Windsor Utilities Commission (the "Commission") entered into a Water System Operating Agreement ("WSOA"), whereby the Corporation agreed to provide services to the Commission with respect to operating the water treatment and distribution system. The services include: management, administrative services, construction operations, and maintenance services. The Corporation is responsible for providing all personnel required to operate the water system. Pursuant to the terms of the WSOA and the associated Employee Arrangement Agreement, also dated November 6, 2012, the Commission transferred all non-unionized employees and all unionized employees of the Commission to the Corporation. The Commission is a local board of the City.

The Corporation provides billing, credit, financial, customer service and other support services on behalf of the City in relation to waste water.

The Corporation also provides billing, credit, financial, customer service and other support services on behalf of ENWIN Energy Ltd. ("Energy") in relation to sentinel lighting and street light maintenance.

The Corporation also provides financial and other administrative services on behalf of WCUL.

The Corporation's arrangements with these affiliates are subject to the Ontario Energy Board's ("OEB") Affiliate Relationships Code, which is a code prescribed by and issued pursuant to the Ontario Energy Board Act, 1998.

2. Basis of preparation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 24, 2024.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, are measured at fair value.

(ii) The accrued benefit related to the Corporation's unfunded defined benefit plan is actuarially determined and is measured at the present value of the defined benefit obligation.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand dollars.

(e) Use of estimates and judgements:

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

2. Basis of preparation (continued):

(e) Use of estimates and judgements (continued):

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

In particular, significant areas where upon estimation was required that have the most significant effect on the amounts recognized in these financial statements, include:

(i) Note 3(i) – Deferred revenue: determination of the performance obligation for contributions from customers and the related amortization period;

(ii) Note 6 – Trade accounts receivables: allowance for impairment. Unbilled revenue: measurement of revenues not yet billed;

(iii) Note 8 – Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment;

(iv) Note 13 – Employee future benefits: measurement of the defined benefit obligation;

(v) Note 23 – Financial instruments and risk management: valuation of financial instruments.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, include:

(i) the Corporation's determination that they are acting as a principal for electricity distribution and therefore have presented the electricity revenues on a gross basis.

(f) Rate regulation:

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

2. Basis of preparation (continued):

(f) Rate regulation (continued):

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The OEB's regulatory accounting treatments require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability under IFRS and, as a result, these regulatory assets and liabilities have not been recorded in these IFRS financial statements.

(i) Rate setting:

The electricity distribution rates and other regulated charges of the Corporation are determined by the OEB. This regulated rate-setting provides LDCs with the opportunity to recover the revenue requirement associated with owning and operating the LDC. The revenue requirement represents the forecasted prudent costs, including the cost of capital, that will be reasonably necessary for the LDC to invest in the electricity grid, operate the electricity grid, and serve customers in its licenced service area.

(ii) Rate applications:

When the Corporation files a "Cost of Service" ("COS") rate application, the OEB establishes the revenues required to recover the forecasted operating costs, including amortization and income taxes, of providing the regulated electricity distribution service and providing a fair return on the Corporation's rate base. The Corporation estimates electricity usage and the costs to service each customer class in order to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and any registered intervenors. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review. On April 26, 2019, the Corporation submitted a COS rate application to the OEB to change distribution rates effective January 1, 2020. The application was approved by the OEB on December 5, 2019.

In the intervening years between a COS, an Incentive Regulation Mechanism ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand net of a productivity factor set by the OEB and a stretch factor determined by the relative efficiency of an electricity distributor. On August 3, 2022, the Corporation submitted an IRM rate application to the OEB to change distribution rates effective January 1, 2023. The application was approved by the OEB on December 8, 2022.

3. Material accounting policies:

The Corporation has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise. In addition, the Corporation adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3 in certain instances.

(a) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and investments with a maturity of approximately three months or less at the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as an investment.

(b) Financial instruments:

All financial assets and liabilities of the Corporation are classified into one of the following categories: amortized cost; fair value through other comprehensive income; or fair value through income or loss.

The Corporation has classified its financial instruments as follows:

Cash and cash equivalents	Amortized cost
Investments	Fair value through income or loss
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accruals	Amortized cost
Due to related parties	Amortized cost

Financial instruments are recognized initially at amortized cost plus any directly attributable transaction costs.

Subsequent to initial recognition, financial instruments classified as fair value through income and loss are measured at fair value. The Corporation does not use derivative instruments.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Material accounting policies (continued):

(c) Fair value:

Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly; and

Level 3: inputs for assets and liabilities that are based on observable market data.

(d) Inventory:

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is determined on a weighted average basis. Net realizable value is determined on a replacement cost basis.

(e) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's average cost of borrowing.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

3. Material accounting policies (continued):

(e) Property, plant and equipment (continued):

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of income as incurred.

(iii) Depreciation:

Depreciation is recognized in the statement of income on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	10 – 50 years
Distribution and metering equipment	8 – 80 years
Other assets	5 – 20 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within other income in the statement of income.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Intangible assets:

(i) Computer software:

Computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

3. Material accounting policies (continued):

(f) Intangible assets (continued):

(ii) Amortization:

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

Computer software	5 - 10 years

Amortization methods and useful lives are reviewed at each reporting date.

(g) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

All impairment losses are recognized in the statement of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of income.

3. Material accounting policies (continued):

(g) Impairment (continued):

(ii) Non-financial assets:

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income and are allocated to reduce the carrying amount of the assets in the cash-generating unit on a pro-rata basis.

(h) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province of Ontario for employees of municipalities, local boards and school boards in Ontario. Both participating employers and employees are required to make plan contributions based on participating employees' contributory earnings.

3. Material accounting policies (continued):

(h) Employee future benefits (continued):

(i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Corporation to account for the plan as a defined benefit plan. The plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income when they are due. At December 31, 2023, the OMERS plan is in a deficit position.

(ii) Employee future benefits:

The Corporation pays certain health, dental and life insurance benefits, under unfunded defined benefit plans, on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation is the legal sponsor of the plan. There is a policy in place to allocate the net defined benefit cost to the entities participating in the group plan. The allocation is based on the obligation attributable to the plan participants. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements.

The Corporation accrues the cost of these employee future benefits over the periods in which the employees earn the benefits. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. The current service cost for a period is equal to the actuarial present value of benefits attributed to that period in which employees rendered their services.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income. The Corporation determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period, taking into account any changes in the net benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the statement of income.

Gains and losses on account of curtailment or settlement of these employee future benefits are recognized immediately in income.

In accordance with the WSOA and Employee Arrangement Agreement between the Commission and the Corporation, the Plan was amended such that all active Commission management and union employees were included as part of the Plan, and have their coverage sponsored by the Corporation. A date of December 31, 2012 was assumed by the actuary to reflect this event in the Plan.

3. **Material accounting policies (continued):**

(i) Deferred revenue:

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

(j) Customer deposits:

Customer deposits include cash collections from customers, which are applied against any unpaid portion of individual customer accounts. Effective January 1, 2011, the OEB required that a customer's deposit be applied to the customer's account prior to the severance process commencing. OEB rules also specify that customer deposits in excess of unpaid account balances must be refunded to customers. Customer deposits are also refundable at the Corporation's discretion when a customer demonstrates an acceptable level of credit risk. The Corporation only retains commercial deposits. Customer deposits also include monies received from developers and distribution customers for services that are recorded as construction in progress and, once the assets are put into service, will be accounted for through a capital contribution.

(k) Revenue recognition:

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

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

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

Revenue for the Corporation is recognized when the Corporation satisfies the performance obligations within the contract(s) for conditions of service, which is when the distribution and delivery of electricity is achieved or specific services are performed.

3. Material accounting policies (continued):

(k) Revenue recognition (continued):

Revenue includes an estimate of unbilled revenue. Unbilled revenue represents an estimate of electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from those estimates.

Revenue is measured at the fair value of the consideration received or receivable, net of any taxes which may be applicable.

Other income for work orders is recorded on a net basis as the Corporation is acting as an agent for this revenue stream. All other amounts in other income are recorded on a gross basis and are recognized when services are rendered.

(l) Finance costs:

Finance costs comprise interest expense on borrowings and unwinding of the discount rate on provisions.

(m) Income taxes:

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

Under the Electricity Act 1998, the Corporation makes payments in lieu of corporate taxes to Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998 and related regulations. Payments in lieu of taxes ("PILS") are referred to as income taxes.

Current tax is the expected PILs payable on the taxable income 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 balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the year that includes the date of enactment or substantive enactment.

3. Material accounting policies (continued):

(n) Set-off and reporting on a net basis:

Assets and liabilities and income and expenses are not offset and reported on a net basis unless required or permitted by IFRS. For financial assets and financial liabilities, offsetting is permitted when, and only when, the Corporation has a legally enforceable right to set-off and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) New standards and interpretations not yet adopted:

The following standards which are not yet effective for the year ended December 31, 2023, have not been applied in preparing these financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current.

On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 amendments), to improve the information a company provides about long-term debt with covenants.

The 2020 amendments and the 2022 amendments (collectively “the Amendments”) are effective for annual periods beginning on or after January 1, 2024.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)

On September 22, 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).*

The amendments are effective for annual periods beginning on or after January 1, 2024.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures.*

The amendments are effective for annual periods beginning on or after January 1, 2024.

Lack of exchangeability (Amendments to IAS 21)

On August 15, 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability.

The amendments apply for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.

(in thousands of Canadian dollars)

3. Material accounting policies (continued):

(o) New standards and interpretations not yet adopted (continued):

The Corporation has assessed the potential impacts on its financial statements, and determined that the future pronouncements will not have a material impact on the Corporation.

4. Cash and cash equivalents:

		2023		2022
Cash and cash equivalents	$	19,824	$	14,241
Cash and cash equivalents	$	19,824	$	14,241

The Corporation and WCUL have a loan agreement with a Canadian chartered bank providing up to $75,000 (2022 - $75,000) bearing interest at prime minus 0.25% or Canadian Dollar Offered Rate (CDOR) plus 1.125%, with interest accruing daily. All borrowings under this agreement are repayable by August 31, 2024. This agreement restricts the availability of the Corporation to lien assets. As of December 31, 2023, the outstanding balance in the loan was $nil (2022 - $nil).

5. Investments:

The Corporation held one-year cashable GICs at rates of 5.1% and 5.05%, compounded annually, which matured in December 2023. The proceeds from those investments were transferred into cash and cash equivalents as of December 31, 2023.

		2023		2022
Term deposits	$	-	$	11,123
Total investments	$	-	$	11,123

(in thousands of Canadian dollars)

6. Accounts receivable:

		2023		2022
Trade receivables	$	28,356	$	25,621
Unbilled revenue		22,303		22,254
Allowance for doubtful accounts		(2,045)		(1,911)
Accounts receivable	$	48,614	$	45,964

The Company's exposure to credit risk and impairment losses related to trade receivables is disclosed in Note 23.

7. Inventory:

Inventory consists of parts and supplies acquired for capital, internal construction, maintenance or recoverable work. The amount of inventory consumed by the Corporation during 2023 was $5,954 (2022 - $4,628).

(in thousands of Canadian dollars)

8. Property, plant and equipment:

(a) Cost:

	Land and buildings	Distribution and metering equipment	Other assets	Construction -in- progress	Total
Balance at January 1, 2022	$ 24,774	$ 282,571	$ 32,014	$ 4,309	$ 343,668
Additions	1,268	13,942	2,168	1,282	18,660
Disposals/retirements/transfers	(93)	(1,214)	(67)	–	(1,374)
Balance at December 31, 2022	$ 25,949	$ 295,299	$ 34,115	$ 5,591	$ 360,954
Balance at January 1, 2023	$ 25,949	$ 295,299	$ 34,115	$ 5,591	$ 360,954
Additions	958	16,952	3,239	(895)	20,254
Disposals/retirements/transfers	(64)	(1,590)	(41)	(1,352)	(3,047)
Balance at December 31, 2023	$ 26,843	$ 310,661	$ 37,313	$ 3,344	$ 378,161

(b) Accumulated depreciation:

	Land and buildings	Distribution and metering equipment	Other assets	Construction -in- progress	Total
Balance at January 1, 2022	$ 9,001	$ 67,926	$ 20,725	$ -	$ 97,652
Depreciation charge for the year	700	8,013	2,183	-	10,896
Disposals/retirements/transfers	(6)	(476)	(24)	-	(506)
Balance at December 31, 2022	$ 9,695	$ 75,463	$ 22,884	$ -	$ 108,042
Balance at January 1, 2023	$ 9,695	$ 75,463	$ 22,884	$ -	$ 108,042
Depreciation charge for the year	776	8,340	2,331	-	11,447
Disposals/retirements/transfers	(5)	(568)	(34)	-	(607)
Balance at December 31, 2023	$ 10,466	$ 83,235	$ 25,181	$ -	$ 118,882

(c) Carrying amounts:

	Land and buildings	Distribution and metering equipment	Other assets	Construction -in- progress	Total
December 31, 2022	$ 16,254	$ 219,836	$11,231	$ 5,591	$ 252,912
December 31, 2023	$ 16,377	$ 227,426	$12,132	$ 3,344	$ 259,279

(in thousands of Canadian dollars)

9. Intangible assets:

(a) Cost or deemed cost:

		Computer software
Balance at January 1, 2022	$	31,644
Additions		614
Balance at December 31, 2022	$	32,258
Balance at January 1, 2023	$	32,258
Additions		450
Balance at December 31, 2023	$	32,708

(b) Accumulated amortization:

		Computer software
Balance at January 1, 2022	$	30,391
Amortization charge for the year		565
Balance at December 31, 2022	$	30,956
Balance at January 1, 2023	$	30,956
Amortization charge for the year		524
Balance at December 31, 2023	$	31,480

(c) Carrying amounts:

		Computer software
December 31, 2022	$	1,302
December 31, 2023	$	1,228

(in thousands of Canadian dollars)

10. Accounts payable and accruals:

		2023		2022
Trade payables	$	22,170	$	20,474
Accrued expenses		7,674		7,451
	$	29,844	$	27,925

Information about the Corporation's exposure to currency and liquidity risk is included in Note 23.

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution commercial customers and construction deposits.

Customer deposits comprise:

		2023		2022
Customer deposits	$	3,298	$	3,336
Construction deposits		3,735		2,983
		7,033		6,319
Less: current portion		(1,107)		(1,053)
	$	5,926	$	5,266

12. Deferred revenue – customer contributions:

Deferred revenue relates to the capital contributions received from customers and others. The amount of deferred revenue received from customers is $19,375 (2022 - $19,301). Deferred revenue is recognized as revenue on a straight-line basis over the life of the asset for which the contribution was received.

(in thousands of Canadian dollars)

13. Employee future benefits:

The Corporation pays certain health, dental and life insurance benefits on behalf of its retired employees. Significant assumptions underlying the actuarial valuation include management's best estimate of the interest (discount) rate, mortality decrement, the average retirement age of employees, employee turnover and expected health and dental care costs.

The plan was amended such that all active Commission management and union employees covered under the Commission collective agreement from July 1, 2012, would be included as part of the Plan and have their coverage sponsored by the Corporation. The December 31, 2012, date was chosen to reflect this event in the Plan. Reference Note 1 for further information.

The Corporation measures its accrued benefit liability for accounting purposes as at December 31 each year. A valuation date of October 31, 2022, with extrapolation to December 31, 2023, has been used to calculate the current obligation.

The Corporation's employee future benefit liability consists of the following:

		2023		2022
Defined benefit liability	$	48,299	$	43,729
Employee future benefits, end of year	$	48,299	$	43,729

Information about the Corporation's unfunded defined benefit plan is as follows:

Changes in the present value of the defined benefit obligation:

		2023		2022
Defined benefit liability, beginning of year	$	43,729	$	66,127
Defined benefit expense		3,020		3,184
Actuarial loss/(gain) on liability recognized in other comprehensive income		3,651		(23,579)
Benefits paid for the year		(2,101)		(2,003)
Defined benefit liability, end of year	$	48,299	$	43,729

(in thousands of Canadian dollars)

13. Employee future benefits (continued):

Components of defined benefit expense recognized are as follows:

	2023	2022
Current service cost	$ 703	$ 1,228
Past service cost	125	-
Interest cost	2,192	1,956
Defined benefit expense	$ 3,020	$ 3,184

The defined benefit expense for the year is recognized as administrative expense on the statement of income.

The main actuarial assumptions underlying the valuation are as follows:

(a) Health care cost trend rates:

The health care cost trend for prescription drugs is estimated to increase at 6.02% in 2024 grading down to 4.0% by 2041. Other health expenses are estimated to increase at 4.81% in 2024 grading down to 4.0% by 2041. Dental expenses are estimated to increase at 4.0% per year.

(b) Discount rate:

The liabilities at the period end and the present value of future liabilities were determined using a discount rate of 4.6% (2022 – 5.1%) representing an estimate of the yield on high quality corporate bonds as at the valuation date.

(c) Mortality decrement:

The rates applicable to public sector retirees in the 2014 Canadian Pensioners Mortality table produced by the Canadian Institute of Actuaries were used as the basis of these assumptions.

A 1% or one-year change in actuarial assumptions, assuming all other factors remain constant, has the following impact on the defined benefit liability carrying amount:

	2023		2022	
	Increase	Decrease	Increase	Decrease
Health care trend rate (1% change)	$ 7,041	$ (5,752)	$ 5,850	$ (4,813)
Discount rate (1% change)	(6,273)	7,821	(5,563)	6,914
Mortality (1 year)	1,762	(1,720)	1,438	(1,406)

(in thousands of Canadian dollars)

14. Pension plan:

The Corporation participates in OMERS, a multi-employer plan, on behalf of its employees. The plan has been accounted for as a defined contribution plan. Contributions during the year were 9.0% (2022 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2022 - 14.6%) thereafter. During 2023, the Corporation expensed contributions totalling $3,108 (2022 - $2,876) made to OMERS in respect of the employer's required contributions to the plan. Estimated contributions for 2024 are $3,334.

15. Income taxes (provision for payment in lieu of corporate taxes):

	2023	2022
Current provisions for payments in lieu of corporate tax expense:		
Current year	$ 1,133	$ 1,341
Deferred income tax expense:		
Origination and reversal of temporary differences	37	5,105
Adjustments for prior years	22	334
Tax related to remeasurement of employee future benefits	967	(6,248)
Total income taxes expense	$ 2,159	$ 532

The provision for income taxes varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2023	2022
Basic rate applied to total comprehensive income before income tax	26.50%	26.50%
Change in income tax resulting from:		
Adjustments for prior years	0.22%	46.84%
Items not deductible for tax purposes and other	0.34%	1.27%
Effective rate applied to comprehensive income before income taxes	27.06%	74.61%

(in thousands of Canadian dollars)

15. Income taxes (provision for payment in lieu of corporate taxes) (continued):

The components of the deferred income tax assets and liabilities are summarized as follows:

	2023	2022
Deferred tax assets:		
Employee benefits	$ 7,026	$ 5,815
Regulatory assets	2,593	2,490
Other	307	421
Deferred tax liabilities:		
Property, plant and equipment	(7,219)	(5,849)
Other	(80)	(76)
Net deferred income tax asset	$ 2,627	$ 2,801

At December 31, 2023, a deferred tax asset of $2,627 (2022 - $2,801) has been recorded. The utilization of this tax asset is dependent on future taxable income in excess of income arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future rates.

16. Share capital:

	2023	2022
Authorized:		
Unlimited common shares		
Issued:		
11,000 common shares	$ 31,008	$ 31,008

(in thousands of Canadian dollars)

17. Distribution revenue:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other revenue consists of services provided to related parties and other income. Additional information is provided in Note 18 with components of other income.

In the following table, distribution revenue is disaggregated by type of customer:

		2023		2022
Residential	$	28,329	$	27,230
General service – small distribution		18,994		18,692
General service – large distribution		4,278		4,161
Street lighting distribution		1,713		1,643
Total distribution revenue	$	53,314	$	51,726

18. Other income:

Other income comprises:

		2023		2022
Change in occupancy	$	333	$	381
Late payment and collection charges		433		410
Other operating revenues/(expenses)		119		(20)
Loss on disposal of property, plant and equipment		(1,507)		(148)
Pole attachment revenue		1,352		1,297
Sale of scrap		132		106
Sewer surcharge billing and collecting		2,520		2,363
Total other income	$	3,382	$	4,389

(in thousands of Canadian dollars)

19. Employee benefits:

Employee benefit amounts are allocated between Operating and distribution expenses and Billing, collecting and administration expenses.

	Note	2023	2022
Salaries and benefits		$ 37,941	$ 35,259
Contributions to multi-employer plan	14	3,108	2,876
Expenses related to defined benefit plans	13	3,020	3,184
		$ 44,069	$ 41,319

20. Finance expense (income):

	2023	2022
Finance income:		
Interest income on bank balances	$ (1,002)	$ (564)
Interest income on investments	(538)	(159)
	(1,540)	(723)
Finance expense:		
Interest expense on due to related party – revolving credit agreement	2,108	2,108
Interest expense on due to related party – promissory note	1,076	1,081
Interest expense on customer and security deposits	192	85
Interest expense other	255	-
Discount on long-term borrowings	16	15
	3,647	3,289
Net finance expense	$ 2,107	$ 2,566

(in thousands of Canadian dollars)

21. Changes in non-cash operating working capital:

Changes in non-cash operating working capital comprises:

		2023		2022
Net finance expense	$	2,091	$	2,551
Accounts receivable		(2,650)		(2,823)
Due from related parties		(2,316)		(1,958)
Inventory		(2,370)		(1,578)
Other assets		467		(763)
Deferred income taxes		174		5,439
Accounts payable and accruals		1,919		(1,376)
PIL of income taxes		(809)		(108)
Due to related parties		1,540		706
Deferred revenue		29		(1,114)
Customer deposits		714		1,121
Employee future benefits		919		1,181
Total changes in non-cash operating working capital	$	(292)	$	1,278

22. Related party transactions:

(a) Parent and ultimate controlling party:

The parent is WCUL. The parent of WCUL and the ultimate controlling party of the Corporation is the City. WCUL and the City produce financial statements that are available for public use.

(b) Key management personnel:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members.

Key management compensation:

		2023		2022
Salaries and other short-term benefits	$	921	$	875
Employee future benefits		16		14
	$	937	$	889

(in thousands of Canadian dollars)

22. Related party transactions (continued):

(c) Transactions with parent and ultimate controlling party:

The Corporation provides waste water billing and related services for the City, for which the Corporation charges a fee. The total amount charged to the City for the year ended December 31, 2023, was $2,520 (2022 - $2,363). The fee charged for the waste water billing and related services is recognized as other income from operations on the statement of income.

The Corporation collects and remits the waste water billing amounts on behalf of the City. The total amount owing to the City at December 31, 2023 was $9,391 (2022 - $7,851).

The Corporation has issued a standby letter of credit to the City in the amount of $300 (2022 - $nil) as an indemnity deposit for municipal consent permits. There was no amount owing on this facility at December 31, 2023.

Under a Management Services Agreement effective October 10, 2017, the Corporation provides certain finance, administration, management and other support services to its parent, WCUL. The total amount charged to WCUL for the year ended December 31, 2023, was $88 (2022 - $72).

(d) Transactions with entities under common control:

On November 6, 2012, the Corporation and the Commission entered into a WSOA, whereby the Corporation agreed to provide services to the Commission with respect to the operation of the Commission's water system. The total amount charged to the Commission for the year ended December 31, 2023, was $20,745 (2022 - $18,719).

Under a Management Services Agreement effective January 1, 2000, the Corporation provides certain finance, administration, human resources, management and other support services to its affiliate, Energy. The total amount charged to Energy for the year ended December 31, 2023, was $784 (2022 - $554).

(e) Amounts due from (to) related parties:

The current amounts due from related parties consist of:

	2023	2022
Due from companies under common control:		
Due from Windsor Utilities Commission	$ 4,660	$ 3,308
Due from ENWIN Energy Ltd.	1,080	171
Due from Windsor Canada Utilities Ltd.	2,060	2,005
	$ 7,800	$ 5,484

(in thousands of Canadian dollars)

22. Related party transactions (continued):

(e) Amounts due from (to) related parties (continued):

The amounts due from the Commission, Energy and WCUL are due on demand and are non-interest bearing. These amounts have no specified repayment terms.

The current amount due to related parties consists of:

	2023	2022
Due to ultimate parent:		
Due to the Corporation of the City of Windsor	$ 9,391	$ 7,851
	$ 9,391	$ 7,851

The amount due to the City is unsecured and non-interest bearing.

The non-current amount due to related party – promissory note consists of:

	2023	2022
Due to parent:		
Promissory note payable to Windsor Canada Utilities Ltd.	$ 28,550	$ 28,674
	$ 28,550	$ 28,674

The promissory note payable to WCUL is unsecured, due on the earlier of 375 days from the date of demand or December 31, 2028. This note had an initial interest rate of 4.16%, but is adjustable to the OEB's deemed long-term debt rate in effect for the Corporation at the time of the COS, which is 3.82%. This note has no specified repayment terms.

The non-current amount due to related party – revolving credit agreement consists of:

	2023	2022
Due to parent:		
Revolving loan payable to Windsor Canada Utilities Ltd.	$ 51,000	$ 51,000
Less: debt issuance costs	(458)	(474)
	$ 50,542	$ 50,526

(in thousands of Canadian dollars)

22. Related party transactions (continued):

(e) Amounts due from (to) related parties (continued):

On November 12, 2012 WCUL issued a $103,000 debenture from which proceeds of $51,000 were advanced to the Corporation under this loan agreement. The loan has terms consistent with the WCUL debenture including a maturity date of November 6, 2042, and bears interest at a rate of 4.134% per annum. Interest is payable in equal semi-annual instalments of $1,054, in arrears, on May 6 and November 6 each year commencing May 6, 2013. In order to put the debt in place, the Corporation incurred debt issuance costs in the amount of $601.

The Corporation incurred interest expense in respect of this revolving credit agreement of $2,108 (2022 - $2,108), which is included in finance expense on the statement of income.

23. Financial instruments and risk management:

The carrying values of cash and cash equivalents, investments, accounts receivable, amounts due from (to) related parties, accounts payable and accruals approximate fair values because of the short maturity of these instruments. All fair values are categorized as Level 2 in the fair value hierarchy. No transfers have occurred during the year between levels of the fair value hierarchy.

The following table illustrates the classification of the Corporation's financial instruments using the fair value hierarchy as at December 31:

	2023			2022		
Assets	Level 1	Level 2	Total	Level 1	Level 2	Total
Investments	$ -	$ -	$ -	$ -	$ 11,123	$ 11,123
	$ -	$ -	$ -	$ -	$ 11,123	$ 11,123

The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

(in thousands of Canadian dollars)

23. Financial instruments and risk management (continued):

(i) Credit risk:

The aging of accounts receivables at the reporting date was:

		2023		2022
Not past due	$	44,546	$	41,977
Past due 0 – 30 days		1,924		2,146
Past due 31 – 60 days		997		878
Greater than 60 days		3,192		2,874
	$	50,659	$	47,875

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Windsor. No single customer accounts for greater than 5.4% (2022 – 5.0%) of revenues.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the statement of income. Subsequent recoveries of receivables previously provisioned are credited to the statement of income. The balance of the allowance for impairment at December 31, 2023, is $2,045 (2022 - $1,911).

A continuity of the allowance for doubtful accounts is as follows:

		2023		2022
Balance, beginning of year	$	1,911	$	1,460
Accounts receivable balances written off		(827)		(446)
Change in provisions for doubtful accounts		961		897
Balance, end of year	$	2,045	$	1,911

The Corporation's credit risk associated with accounts receivable is primarily related to payments from customers. At December 31, 2023, approximately $3,192 (2022 - $2,874) is considered 60 days past due. Credit risk is managed through collection of security deposits from customers in accordance with OEB regulation. As of December 31, 2023, the Corporation holds security deposits in the amount of $3,298 (2022 - $3,336).

(in thousands of Canadian dollars)

23. Financial instruments and risk management (continued):

(ii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. The Corporation has access to a line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following are the contractual maturities of financial liabilities:

2023	6 Months or less	6-12 Months	1-2 years	More than 2 years	Other non cash adjustments	Carrying amount
Accounts payable and accruals	$ 29,844	$ -	$ -	$ -	$ -	$ 29,844
Due to related parties	9,391	-	-	28,550	-	37,941
Customer deposits	553	554	1,107	4,819	-	7,033
Due to related party – revolving credit agreement	-	-	-	51,000	(458)	50,542
	$ 39,788	$ 554	$ 1,107	$ 84,369	$ (458)	$125,360

2022	6 Months or less	6-12 Months	1-2 years	More than 2 years	Other non cash adjustments	Carrying amount
Accounts payable and accruals	$ 27,925	$ -	$ -	$ -	$ -	$ 27,925
Due to related parties	7,851	-	-	28,674	-	36,525
Customer deposits	526	527	1,053	4,213	-	6,319
Due to related party – revolving credit agreement	-	-	-	51,000	(474)	50,526
	$ 36,302	$ 527	$ 1,053	$ 83,887	$ (474)	$121,295

23. Financial instruments and risk management (continued):

(iii) Market risk:

Market risk primarily refers to the risks of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation does have bank accounts that would be sensitive to market risk, however the exposure is minimal.

(iv) Capital disclosures:

The main objectives of the Corporation when managing capital are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2023, shareholder's equity amounts to $151,653 (2022 - $152,368) and long-term debt amounts to $50,542 (2022 - $50,526).

Through rate-setting, the OEB determines the prudent costs of capital that are recoverable by the Corporation in relation to the distribution business. These costs of capital are the interest on debt and return on equity. The OEB permits recovery on the basis of a deemed capital structure of 60% debt and 40% equity. The actual capital structure for the Corporation may differ from the OEB deemed structure.

The Corporation has customary covenants typically associated with long-term debt. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term debt.

(v) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has addressed this risk by entering into fixed interest rates on debts.

(vi) Currency risk:

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to currency risk through its foreign currency denominated bank accounts. A weakening or strengthening of the Canadian dollar can affect the cash flows. This risk is monitored by investment managers and the exposure is limited to these accounts. For sensitivity purposes, a 1% change in the Canadian dollar would result in a change of $nil (2022 - $nil) on the balance sheet and statement of income.

(in thousands of Canadian dollars)

24. Commitments and contingencies:

Contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General liability insurance

The Corporation is a member of the Municipal Electrical Association Reciprocal Insurance Exchange ("MEARIE"), a self-insurance plan that pools the liability risks of all the Municipal Electric Utilities in Ontario. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE for the years in which the Corporation was a member.

To December 31, 2023, the Corporation has not been made aware of any additional assessments that have not been accrued.

25. Regulatory balances:

Under IFRS, there is no recognition of regulatory assets or liabilities, and therefore, the impacts of these transactions are reflected on the statement of income, as applicable. As a result of not recognizing rate-regulated assets and liabilities, the effect was to decrease comprehensive income as follows:

	2023	2022
Gross income:		
Retail settlement variance	$ (1,598)	$ (5,797)
Expenses:		
Property, plant and equipment (MIST Meters)	(4,295)	(4,402)
Future PILS	(1,025)	809
Regulatory adjustment for IFRS conversion	3,104	3,163
Disposition and recovery of regulatory balances	(1,426)	(5,504)
Pole attachment revenue	(307)	(351)
Interest expense (net of interest revenue)	(260)	44
Other	4	4
Decrease in comprehensive income	$ (5,803)	$ (12,034)

26. Comparative figures:

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. There was no impact on current or prior year's net income. Comparative figures have been adjusted to conform to the current year's presentation.