



Ontario Energy Board
Commission de l'Énergie de l'Ontario

**Application for Electricity
Transmission Licence**

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4
Telephone: 1-888-632-6273
Facsimile: (416) 440-7656

Commission de l'Énergie de l'Ontario
2300 rue Yonge
C.P. 2319
Toronto, ON M4P 1E4
Téléphone: 1-888-632-6273
Télécopieur: (416) 440-7656

For Office Use Only	
Application Number	EB-2026-0095
Date Received	

A. General information

1. Type of Application

New licence	<input checked="" type="checkbox"/>
Renewal	<input type="checkbox"/>
Amendment to an existing Licence	<input type="checkbox"/>

2. Applicant

Please provide the following information about the Applicant			
Full Legal Name of Applicant Essex Transmission LP by its general partner Essex Transmission GP Inc.	Ontario Corporation Number, Canadian Corporation Number or Business Registration Number Essex Transmission LP – BIN: 1001419943 Essex Transmission GP Inc. – OCN: 1001419941	Date of Formation or Incorporation November 19, 2025	
Business Address: 500 Second Line East PO Box 9000			
City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number (705) 759-6522	FAX Number (705) 759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

3. Primary Contact for this Application

Please provide the following information about the Primary Contact for this Application:				
Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Baker	Full First Name: Matthew	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Vice President Business Development, Transmission		
Other: _____				
Contact Address (if R.R., give Lot, Concession No. and Township): 500 Second Line East PO Box 9000				
City	Prov.	Country	Postal/Zip Code	
Sault Ste. Marie	Ontario	Canada	P6A 6P2	
Phone Number: 705-989-2527	FAX Number: 705-759-6510	E-Mail Address (if applicable): matthew.baker@ssmpuc.com		

Primary Contact for this Application

Please provide the following information about the Primary Contact for this Application:				
Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Faught	Full First Name: Mark	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Chief Financial Officer		
Other: _____				
Contact Address (if R.R., give Lot, Concession No. and Township) 500 Second Line East PO Box 9000				
City: Sault Ste. Marie	Prov.: Ontario	Country: Canada	Postal/Zip Code: P6A 6P2	
Phone Number: 705-759-0105	FAX Number: 705-759-6510	E-Mail Address (if applicable): mark.faught@ssmpuc.com		

4. Transmission Facilities

<p>Please provide a description of the transmission facilities involved in this Application:</p> <p>The Applicant does not currently own or operate transmission facilities in Ontario. The Applicant intends to bring a leave-to-construct application later for development of transmission facilities (as detailed in this application) ("Proposed Facilities"). The purpose of the Proposed Facilities is to provide additional transmission capacity to a group of industrial load customers and regional distributors, including greenhouse growers, Essex Powerlines Corporation and other potential customers (see section 13), where there is insufficient capacity on the existing transmission facilities downstream of Hydro One's Lakeshore TS.</p> <p>The short-term and immediate need relates to an anticipated increase in local industrial load, which would require substantially more capacity than is available on the existing transmission system. The Proposed Facilities will address the large load growth proposed in the Leamington area due to these industrial load expansion projects.</p> <p>Based on the best information the applicant has available at this time, the Proposed Facilities would consist of the following:</p> <p>230 kV Transmission Line:</p> <ul style="list-style-type: none"> • 230 kV, double circuit, each circuit rated at 970 MVA • 7 km length, starting at Hydro One's Lakeshore TS and ending at the Applicant's new Transformer Station (described below) • See proposed transmission line routing diagram attached at Attachment 1 <p>230 kV Transformer Station:</p>
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- Located in the Municipality of Leamington along Mersea Rd 10 west of Highway 77
- 2 – 230 kV buses
- Four autotransformers at 230/115/27.6 kV, each rated at 250/333 MVA
- See proposed site location attached at Attachment 1 and station single line diagram attached as Attachment 2

The estimated cost for the Proposed Facilities is approximately \$250.8 million.

Affiliates of the Applicant

Corporate Information

Organizational

5. Business Classification

Please indicate the Applicant's Business Classification (check appropriate type below):

- Sole Proprietor
- Partnership
- Corporation
- Other (describe) Limited Partnership

6. Business Activities

Please provide a description of the Applicant's business activities:

Essex Transmission LP is a newly formed Ontario limited partnership. Through its general partner, Essex Transmission LP intends to engage in business activities associated with planning, development, financing, construction, ownership, operation and maintenance of electricity transmission facilities within Ontario, including the Proposed Facilities. Essex Transmission LP further intends to prepare and file a leave-to-construct application with the OEB for the Proposed Facilities.

PUC Inc. and PUC Services Inc. are wholly owned by The Corporation of the City of Sault Ste. Marie. PUC Distribution Inc., PUC (Transmission) LP Inc. and Essex Transmission GP Inc.¹ are wholly owned by PUC Inc. Essex Transmission GP Inc. is the general partner of Essex Transmission LP. There is a letter of support in place for Axium Infrastructure Canada II Limited Partnership ("AIC II LP"), represented by Axium Infrastructure Inc., acting on behalf of Axium Canada II Partner Inc., the general partner of AIC II LP ("Axium"), pursuant to which Axium has agreed to assist to secure construction financing on behalf of Essex Transmission LP for the Proposed Facilities, subject to the satisfaction of certain conditions. If such conditions are met, it is anticipated that Axium or a newly-formed subsidiary of Axium will become a limited partner of the Applicant. A copy of the Axium letter of support is attached as Attachment 6 and marked "CONFIDENTIAL".

AIC II LP is a privately held infrastructure fund that has been established to complete and manage investments in infrastructure assets in Canada. The fund is a Canadian-domiciled limited partnership. The majority of limited partners that have committed capital to the fund comprise public and private pension plans and institutional investors.

Axium Infrastructure Inc. was established in 2008 as an independent portfolio management firm dedicated to generating long-term investment returns through investing in core infrastructure assets. Its management team comprises infrastructure investment specialists with decades of combined experience acquiring, developing, financing, operating and managing infrastructure assets. Axium Infrastructure Inc. manages three dedicated infrastructure funds with over Cdn. \$12 billion in total assets under management, and investments in 270 assets across the energy, social, and transportation sectors in Canada, the U.S. A, and Europe. A list of all Axium Infrastructure Inc.'s asset descriptions and locations is available on its website at www.axiuminfra.com/portfolio-assets/?lang=en

Essex Power Corporation is the holding company that owns the regulated local distribution company (LDC) Essex Powerlines Corporation. There is a letter of support in place for Essex Power Corporation, pursuant to which Essex Power Corporation has agreed to assist to secure construction financing on behalf of Essex Transmission LP for the Proposed Facilities, subject to the satisfaction of certain conditions. If such conditions are met, it is anticipated that Essex Power Corporation will become a limited partner of the Applicant. A copy of the Essex Power Corporation letter of support is attached as Attachment 8 and marked "CONFIDENTIAL".

¹ NOTE: Essex Transmission GP Inc., PUC (Transmission) LP Inc each have one outstanding non-voting preferred share that has been issued to a non-municipal entity (a director of PUC Inc) for the purposes of removing such entities from the PILs system.

Affiliates of the Applicant

The primary business activities of Essex Power Corporation are to provide strategic direction to subsidiary affiliated regulated and non-regulated companies. Essex Powerlines Corporation is an OEB-licensed LDC (Electricity Distribution License ED-2002-0499) operating in Amherstburg, LaSalle, Tecumseh and Leamington. Essex Power Corporation's unregulated affiliates include Utilismart – a data analytics and software solution provider for LDCs in North America; Wattsworth – a settlement, energy & demand side management (EDSM), and peak strategy consultancy; and Essex Energy – a distributed energy resource (DER) owner-operator. Essex Power Corporation has formally agreed to support the development, construction, operation, and long-term maintenance of the Proposed Facilities. In accordance with the executed agreement, Essex Power Corporation is a partner of the Applicant and will interface with customers and participate in regional activities as required.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of the Applicant

7. Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:			
Full Legal Name of Affiliate Company:			
Essex Transmission GP Inc.			
Business Address:			
500 Second Line East, PO Box 9000			
City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	
Description of Business Activities:			
Essex Transmission GP Inc. is the general partner of Essex Transmission LP. PUC Inc. owns all of the issued and outstanding voting shares in the capital of Essex Transmission GP Inc.			
b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate. Please see the attached organization charts and list of Affiliates (Attachment 3).			

a) Please provide the following information for all Affiliates of the Applicant:			
Full Legal Name of Affiliate Company:			
PUC Development Inc.			
Business Address:			
500 Second Line East, PO Box 9000			
City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	
Description of Business Activities:			
PUC Development Inc. is the sole limited partner of Essex Transmission LP. It is a newly formed holding company (incorporated as of January 2026), created specifically for the purposes of holding securities in Essex Transmission LP. PUC Inc. owns all of the issued and outstanding voting shares in the capital of PUC Development Inc. ²			
b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate. Please see the attached organization charts and list of Affiliates (Attachment 3).			

² NOTE: PUC Development Inc has issued one non-voting preferred share to a non-municipal entity (a director of PUC Inc) for the purposes of removing PUC Development Inc from the PILs system.

Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC Inc.

Business Address:

500 Second Line East, PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC Inc. is a private company registered under the Ontario Business Corporations Act and is wholly owned by the Corporation of the City of Sault Ste. Marie. It is the holding company that wholly owns PUC Development Inc., PUC Distribution Inc, PUC (Transmission) LP Inc., Northern Water Works Inc., Watertight Lining Solutions Inc., and is the beneficial indirect owner of part of PUC (Transmission) LP and partial direct owner of PUC (Transmission) GP Inc.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC (Transmission) GP Inc.

Business Address:

500 Second Line East, PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC (Transmission) GP Inc. is the general partner of PUC (Transmission) LP. PUC Inc. owns 20% and Axium Infrastructure Canada II Limited Partnership owns 80% of the issued and outstanding shares in the capital of PUC (Transmission) GP Inc..

While PUC (Transmission) GP Inc. and PUC (Transmission) LP do not strictly meet the definition of 'affiliate' under the Ontario Business Corporations Act, they are included in this application as affiliates for the purposes of transparency and regulatory completeness. These entities are under common ownership, via PUC Inc. and PUC (Transmission) LP Inc., with Essex Transmission LP, share key personnel and operational resources, and have a direct bearing on the applicant's technical and managerial capability to operate as a licensed transmitter. This approach is intended to provide the Board with a comprehensive understanding of the applicant's corporate and operational context.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC (Transmission) LP Inc.

Business Address:

500 Second Line East, PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC (Transmission) LP Inc. is wholly owned by PUC Inc.

PUC (Transmission) LP Inc. and Axium TransCo Limited Partnership, as limited partners and PUC (Transmission) GP Inc., as general partner, formed PUC (Transmission) LP.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC (Transmission) LP

Business Address:

500 Second Line East, PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC (Transmission) LP by its general partner PUC (Transmission) GP Inc. is a licenced transmitter (ET-2021-0088) and successfully obtained leave to construct a transmission line and transmission station facilities in the City of Sault Ste. Marie (EB-2023-0360). PUC (Transmission) LP obtained approval of security deposit procedures and is in the process of seeking approval of its Transmission Connection Procedures (EB-2025-0193).

While PUC Transmission GP Inc. and PUC (Transmission) LP do not strictly meet the definition of ‘affiliate’ under the Ontario Business Corporations Act, they are included in this application as affiliates for the purposes of transparency and regulatory completeness. These entities are under common ownership via PUC Inc. and PUC (Transmission) LP Inc. with Essex Transmission LP, share key personnel and operational resources, and have a direct bearing on the applicant’s technical and managerial capability to operate as a licensed transmitter. This approach is intended to provide the Board with a comprehensive understanding of the applicant’s corporate and operational context.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of the Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

Axium Infrastructure Canada II Limited Partnership (“AIC II LP”)

Business Address:

120 Adelaide Street West, Suite 425

City Toronto	Prov. Ontario	Country Canada	Postal/Zip Code M5H 1T1
Phone Number (514) 954-3710	FAX Number (514) 282-6478	E-Mail Address (if applicable) cvittecoq@axiuminfra.com	

Description of Business Activities:

AIC II LP, represented by Axium Infrastructure Inc., acting on behalf of Axium Canada II Partner Inc., the general partner (“Axium”) is a privately held infrastructure fund that has been established to complete and manage investments in infrastructure assets in Canada. The fund is a Canadian-domiciled limited partnership. The majority of limited partners that have committed capital to the fund comprise public and private pension plans and institutional investors.

AIC II LP is not currently an affiliate of the Applicant. However, there is a letter of support in place where Axium agrees in principle to assist to secure construction financing for the costs incurred by Essex Transmission LP for the Proposed Facilities, subject to the satisfaction of certain conditions. If such conditions are met, it is anticipated that Axium or a newly formed subsidiary of Axium would become a partner of the Applicant.

Axium Infrastructure Inc. was established in 2008 as an independent portfolio management firm dedicated to generating long-term investment returns through investing in core infrastructure assets. Its management team comprises infrastructure investment specialists with decades of combined experience acquiring, developing, financing, operating and managing infrastructure assets. Axium manages dedicated infrastructure funds with over Cdn. \$12 billion in total assets under management, and investments in 270 assets across the energy, social, and transportation sectors in Canada, the U.S.A and Europe. A list of all Axium’s asset descriptions and locations is available on its website at www.axiuminfra.com/portfolio-assets/?lang=en

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

Essex Power Corporation

Business Address:

200-2199 Blackacre Drive

City
Oldcastle

Prov.
Ontario

Country
Canada

Postal/Zip Code
N0R 1L0

Phone Number
519-737-9811

FAX Number

E-Mail Address (if applicable)
acoristine@essexpower.ca

Description of Business Activities:

Essex Power Corporation is not currently an affiliate of the Applicant. Essex Power Corporation has agreed in principle to support the development, construction, operation, and long-term maintenance of the Proposed Facilities and will interface with customers and participate in regional activities as required. There is a letter of support in place where Essex Power Corporation agrees in principle to secure financing for the costs incurred by Essex Transmission LP for the Proposed Facilities, subject to the satisfaction of certain conditions. If such conditions are met, it is anticipated that Essex Power Corporation would become a partner of the Applicant.

Essex Power Corporation is the holding company that owns the regulated local distribution company (LDC) Essex Powerlines Corporation. The primary business activities of Essex Power Corporation are to provide strategic direction to its subsidiary affiliated regulated and non-regulated companies.

Essex Powerlines Corporation is an OEB-licensed LDC (Electricity Distribution License ED-2002-0499) operating in Amherstburg, LaSalle, Tecumseh and Leamington.

EPCs unregulated affiliates include Utilismart – a data analytics and software solution provider for LDCs in North America; Wattsworth – a settlement, energy & demand side management (EDSM), and peak strategy consultancy; and Essex Energy – a distributed energy resource (DER) owner-operator.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC Distribution Inc.

Business Address:

500 Second Line East PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC Distribution Inc. owns the assets that are used to distribute electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie as well as parts of Prince Township, Dennis Township and the Rankin Reserve.

PUC Distribution Inc. is licensed by the OEB as an electricity distributor (Electricity Distribution Licence No. ED-2002-0546).

PUC Distribution Inc. also owns transmission assets, such as 115kV lines and transformer stations, that are directly connected to the IESO controlled grid. PUC Distribution Inc.'s transmission assets (>50kV) have been deemed as distribution assets pursuant to Section 84(a) of the *Ontario Energy Board Act, 1998*. (See PUC Distribution Inc. EB-2017-0071 2018 Cost of Service Application, Exhibit 1, Page 26 of 106, dated March 29, 2018).

PUC Distribution Inc.'s transmission assets primarily consist of four 115kV overhead transmission circuits totaling 15.4km in length and two 120MVA transformer stations. Each station includes transformation to step down to 34.5kV for distribution and all associated switchgear, protective systems, telecommunications and SCADA systems. Wholesale metering points are also installed at these two locations. As well as delivering electricity to PUC Distribution's 12 distribution substations and load customers, these transformer stations are host to just over 63MW of renewable generation and a 7MW/7MWh IESO contracted energy storage facility.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

PUC Services Inc.

Business Address:

500 Second Line East PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

PUC Services Inc. is a utility services company operating as a wholly owned municipal corporation of the Corporation of the City of Sault Ste. Marie (the City). PUC Services Inc. manages, operates, and maintains the assets and business of both PUC Distribution Inc. and PUC (Transmission) LP, manages the City's Public Utilities Commission water treatment and water distribution system assets and operates the City's two wastewater treatment plants under multi-year contracts. Water and wastewater services are also provided to several communities and organizations in the Algoma District.

PUC Services Inc. is under contract to provide the key operating and management services to PUC Distribution Inc and PUC (Transmission) LP including the administration, operation and upkeep of transmission assets owned by both PUC Distribution Inc. and PUC (Transmission) LP. Many administrative functions are primarily provided by PUC Services Inc.'s experienced staff in Finance and Engineering. PUC Services Inc. ensures that assets are tested and maintained in accordance with the Transmission System Code requirements and that any associated compliance reporting is filed with the IESO. PUC Services Inc. is also involved in the operation of all switching activities and outage plans with the upstream transmitter and the IESO in accordance with provincially established processes and rules.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

The Corporation of the City of Sault Ste. Marie

Business Address:

99 Foster Drive

City
Sault Ste. Marie

Prov.
Ontario

Country
Canada

Postal/Zip Code
P6A 5X6

Phone Number
705-759-2500

FAX Number
705-759-2310

E-Mail Address (if applicable)
info@cityssm.on.ca

Description of Business Activities:

The Corporation of the City of Sault Ste. Marie is a municipal corporation in the Province of Ontario that promotes, encourages and leads economic and social growth within the Sault Ste. Marie community through effective provision of municipal services and the development of community partnerships.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

Northern Waterworks Inc.

Business Address:

104 Howey Street, P.O. Box 1160

City
Red Lake

Prov.
Ontario

Country
Canada

Postal/Zip Code
P0V 2M0

Phone Number

807-727-2424

FAX Number

807-727-3732

E-Mail Address (if applicable)

info@nwi.ca

Description of Business Activities:

Northern Waterworks Inc. (NWI) provides water and wastewater operations, maintenance and management services to municipal, First Nation and Industrial clients and currently provides services to five municipal and 132 First Nation water and wastewater subsystems. Further, NWI provides various consulting services, including a 24-7 hotline for technical support and emergency responses, to every First Nation in Ontario either directly or through the government of Canada's Department of Indigenous Services Canada and the Ontario Ministry of the Environment, Conversation and Parks' Spills Action Centre.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

Affiliates of Applicant

a) Please provide the following information for all Affiliates of the Applicant:

Full Legal Name of Affiliate Company:

Watertight Lining Solutions Inc.

Business Address:

500 Second Line East PO Box 9000

City Sault Ste. Marie	Prov. Ontario	Country Canada	Postal/Zip Code P6A 6P2
Phone Number 705-759-6500	FAX Number 705-759-6510	E-Mail Address (if applicable) regulatory@ssmpuc.com	

Description of Business Activities:

Watertight Lining Solutions (WLS) is wholly owned by PUC Inc. WLS is an infrastructure remediation company providing multiple solutions to the problem of deteriorating watermain. Such services include inspection, status assessment, cleaning, spray in place lining (SIPP) and slip lining solutions along with disinfection services to municipal and industrial customers across Ontario and Manitoba. Though SIPP is not yet common practice in Ontario, it is well established globally and particularly in Europe. With the capabilities of WLS at its disposal, PUC is intent on bringing the noted services to their own infrastructure network as well as to the Canadian markets as a solution to aging water main infrastructure deterioration.

b) Please attach a Corporate organization chart describing the relationships between the Applicant and its Affiliates and, if applicable, the respective ownership percentages by the Applicant in each Affiliate.

Please see the attached organization charts and list of Affiliates (Attachment 3).

8. Energy Sector Activities

Has the Applicant or an Affiliate undertaken any energy sector activities in Ontario or any other jurisdiction?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If yes, please provide the following information for each:		
Full Legal Name of Company: PUC Distribution Inc.	Licence/Registration Number: ED-2002-0546	
Jurisdiction: Ontario	Type of Business Activity (e.g. Generation, Transmission, Distribution): Distribution	
<p>PUC Distribution Inc. distributes electricity to residences and businesses within the boundaries of the City of Sault Ste. Marie as well as parts of Prince Township, Dennis Township and the Rankin Reserve. PUC Distribution Inc. is a provincially regulated Local Distribution Company (LDC) and must comply with requirements issued by the Ontario Energy Board (OEB) with respect to provision of services. As a participant in the Ontario electricity market, PUC Distribution Inc. must comply with the rules of the Independent Electricity System Operator (IESO). As an LDC, the company must adhere to the provisions under the <i>Electricity Act</i> and the <i>Ontario Energy Board Act</i>.</p>		

Energy Sector Activities

Has the Applicant or an Affiliate undertaken any energy sector activities in Ontario or any other jurisdiction?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If yes, please provide the following information for each:		
Full Legal Name of Company: PUC Services Inc.	Licence/Registration Number: Exempt from Section 57(c) of the OEB Act, per section 4.0.3.3(1) of O. Reg 161/99	
Jurisdiction: Ontario	Type of Business Activity (e.g. Generation, Transmission, Distribution): Generation	
<p>PUC Services Inc. is a utility services company operating as a wholly owned OBICA corporation of the Corporation of the City of Sault Ste. Marie. PUC Services Inc. is under contract to manage, operate, and maintain the assets and business of PUC Distribution Inc. and PUC (Transmission) LP.</p> <p>PUC Services Inc. provides the key operating and management services including the administration, operation and upkeep of transmission assets owned by PUC Distribution Inc. and PUC (Transmission) LP.</p> <p>PUC Services Inc. has entered into the following FIT contracts with the OPA/IESO:</p> <ul style="list-style-type: none"> Contract dated August 26, 2010 for Solar (PV) (Rooftop) with a gross nameplate capacity of 116.6 kW located at the Water Treatment Plant in Sault Ste. Marie; and Contract dated June 21, 2011 for Solar (PV) (Rooftop) with a gross nameplate capacity of 159.3 kW located at George Leach Centre – Algoma University in Sault Ste. Marie. <p>As these generation facilities have name plate capacities under 500 kW, PUC Services Inc. is exempt from obtaining a licence pursuant to Section 57(c) of the OEB Act.</p>		

Energy Sector Activities

Has the Applicant or an Affiliate undertaken any energy sector activities in Ontario or any other jurisdiction?

Yes No

If yes, please provide the following information for each:

Full Legal Name of Company:

PUC (Transmission) LP

Licence/Registration Number:
ET-2021-0088

Jurisdiction: Ontario

Type of Business Activity (e.g. Generation, Transmission, Distribution):

Transmission

PUC (Transmission) LP is a licensed transmitter with transmission licence ET-2021-0088 and is engaged in business activities associated with planning, development, financing, construction, ownership, operation and maintenance of electricity transmission facilities within Ontario. A leave-to-construct application was approved by the OEB to provide additional transmission capacity to an industrial load customer in the City of Sault Ste. Marie, where there is insufficient capacity on the existing transmission facilities downstream of the Hydro One Third Line Station. PUC (Transmission) LP is a provincially regulated transmission company and must comply with requirements issued by the Ontario Energy Board (OEB) with respect to provision of services. When PUC (Transmission) LP registers as a participant in the Ontario electricity market, PUC (Transmission) LP will be required to comply with the rules of the Independent Electricity System Operator (IESO) and must adhere to the provisions under the *Electricity Act* and the *Ontario Energy Board Act*.

Technical Capability and Experience

9. Technical

- a) Please describe the applicant's technical ability to carry out the activities applied for including the Applicant's specific experience in Ontario and in other jurisdictions.

Essex Transmission LP and its general partner Essex Transmission GP Inc. are newly formed Ontario entities created to plan, develop, construct, own, operate and maintain transmission facilities in Ontario.

PUC (Transmission) LP, by its general partner PUC (Transmission) GP Inc., is a licenced transmitter (ET-2021-0088). While PUC (Transmission) GP Inc. and PUC (Transmission) LP do not strictly meet the definition of "affiliate" under the Ontario Business Corporations Act, they are included in this application as affiliates for the purpose of transparency and regulatory completeness as described above.

PUC (Transmission) LP is engaged in business activities associated with planning, development, financing, construction, ownership, operation and maintenance of electricity transmission facilities. PUC (Transmission) LP successfully obtained leave to construct for a transmission line and transmission station facilities (EB-2023-0360) to provide additional transmission capacity to accommodate new loads in the City of Sault Ste. Marie, and to support PUC Distribution's infrastructure renewal and connect new generators. PUC (Transmission) LP obtained approval of security deposit procedures and is in the process of seeking approval of its Transmission Connection Procedures (EB-2025-0193).

Once constructed and in service, PUC (Transmission) LP's new facilities will be comprised of:

- approximately 10 km of new 230 kV transmission lines that will cross the northerly and westerly areas of the City of Sault Ste. Marie, starting at Hydro One's Third Line TS and ending at a new 230 kV transformer station to be constructed at the easterly limit of Yates Avenue in Sault Ste. Marie, and
- a new 230 kV transformer station, with two 230/115 kV autotransformers that will step down voltage from 230 kV to 115 kV, to be owned and operated by PUC (Transmission) LP, and located at the easterly end of Yates Avenue within the boundaries of Sault Ste. Marie.

PUC Distribution Inc., Essex Transmission LP's affiliate, owns transmission assets and the administration, operation and upkeep of those transmission assets is primarily provided by Essex Transmission LP's other affiliate, PUC Services Inc. PUC Distribution Inc.'s transmission assets primarily consist of four 115kV overhead transmission circuits totaling 15.4km in length and two 120 MVA transformer stations. Each station includes transformation to step down to 34.5kV for distribution and all associated switchgear, protective systems, telecommunications and SCADA systems. As well as delivering electricity to PUC Distribution's 12 distribution substations and load customers, these transformer stations are host to just over 63MW of renewable generation and a 7MW/7MWh IESO contracted energy storage facility.

PUC Services Inc.'s operational staff complete routine system maintenance and testing of transmission and distribution assets in accordance with regulatory requirements and industry best practices. Transmission assets are tested and maintained in accordance with the Transmission System Code requirements and associated compliance reporting is filed with the IESO. An installed underfrequency load shedding scheme is also operated, maintained and reported on in accordance with IESO, NERC and NPCC requirements. Wholesale metering points are operated, maintained and settled in-house with support of a third-party MSP. A modern microprocessor-based SCADA system allows operation of the transmission assets from two central system control rooms which are manned by a dedicated system operator. The system operator coordinates all switching activities and outage plans with the upstream transmitter and the IESO in accordance with provincially established processes and rules.

Many administrative functions are provided by PUC Services Inc. primarily by experienced staff in finance and engineering departments. All functions associated with registration and reporting of assets in accordance with OEB regulations are handled by finance and engineering staff. Asset management planning and the execution of renewal, enhancement or expansion projects is led by the engineering department. PUC Services Inc., on behalf of PUC Distribution Inc., also participates in other regulated activities including Emergency Preparedness Planning, IESO Blackout Restoration plans and workshops and actively contributes to regional planning as a member of the East Lake Superior regional planning group administered by the IESO.

PUC (Transmission) LP and its affiliates' combined expertise, experience and resources provide a very high level of technical capability, expertise and experience with respect to the activities associated with this application.

The key individuals on the team include those with over 40 years in the energy sector and possesses significant experience in Transmission, Operations and Development and being responsible for leading Ontario transmission development activities with respect to the East West Tie Transmission Project. Also on the team are individuals with 30+years of experience related to the energy field and have experience spanning the entire spectrum of electrical transmission and distribution, engineering, operations,

maintenance and customer service. Various key individuals have previously been employed with Great Lakes Power Transmission/Great Lakes Power Limited and have gained extensive experience in asset management, operations and maintenance of transmission substations.

Third Party Contractors Experience

WSP Canada Inc. has extensive experience in high and extra high voltage substation design. Their expertise includes network studies; full secondary design; engineering design coordination and project management; environmental impact assessments; transport analysis; planning of electrical networks; architectural design services and fire engineering.

Chimax Inc. is an engineering company with over 20 years of experience in Canadian and international markets. They provide engineering services for transmission and distribution line engineering and substation civil and structural design.

Aecon Power Services is a contractor with extensive experience delivering complex electrical transmission and substation projects inclusive of transmission line projects up to 500 kV AC.

PowerTel is one of Canada’s leading high voltage contractors offering services in transmission lines, substations and distribution systems including all phases from development to commissioning. It has constructed 1000s of kilometers of powerline in Canada and the United States for licensed transmitters, local distribution companies, First Nations communities, industrial facilities, and private installations.

b) If the Applicant intends to utilize the capability of others by contracting transmission activities, please indicate below which activities and to whom they will be contracted:

<input checked="" type="checkbox"/> Design	Contracted to: Essex Transmission LP anticipates procuring services from design and engineering contractors, for example: WSP Canada Inc., Chimax Inc., etc.
<input checked="" type="checkbox"/> Construction	Contracted to: Essex Transmission LP anticipates procuring services from construction contractors, for example, PowerTel, Aecon Power Services.
<input checked="" type="checkbox"/> Customer Connection	Contracted to: To be determined.
<input checked="" type="checkbox"/> Inspection & Maintenance	Contracted to: Essex Transmission LP anticipates procuring services from inspection & maintenance contractors, for example: PUC Services Inc., PowerTel, etc.
<input checked="" type="checkbox"/> Operation	Contracted to: Essex Transmission LP anticipates procuring services from operation contractors, for example, PUC Services Inc.
<input type="checkbox"/> Other (describe)	Contracted to:

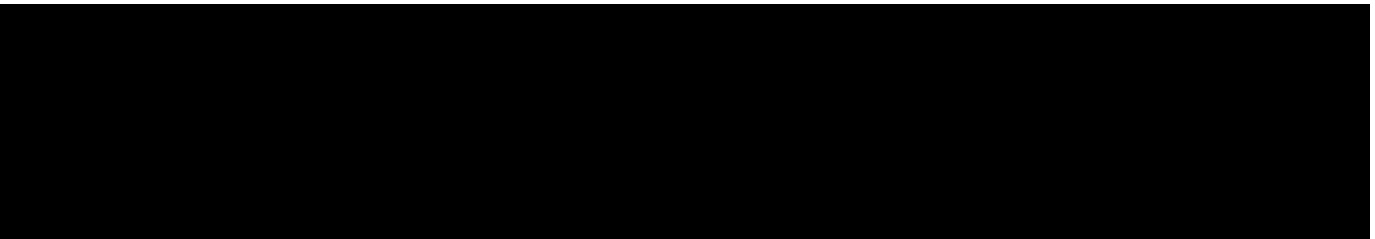
10. Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Brewer	Full First Name: Robert	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: President and Chief Executive Officer, PUC Services Inc. PUC Distribution Inc. PUC Transmission LP Inc., PUC Inc. and Essex Transmission GP Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.

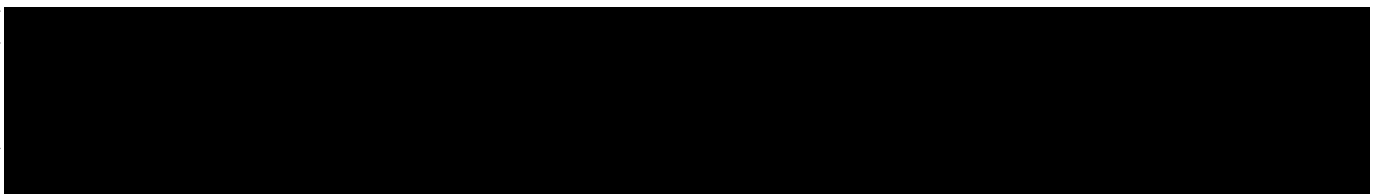


a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No



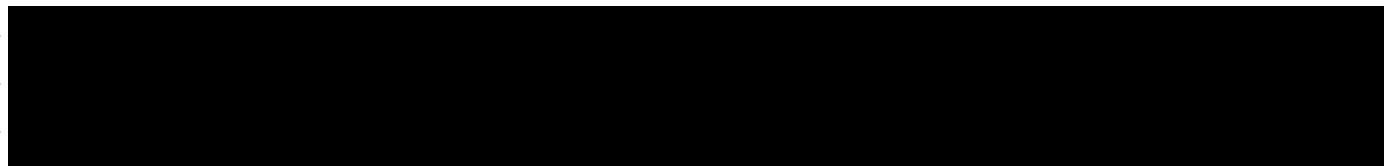
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.



c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

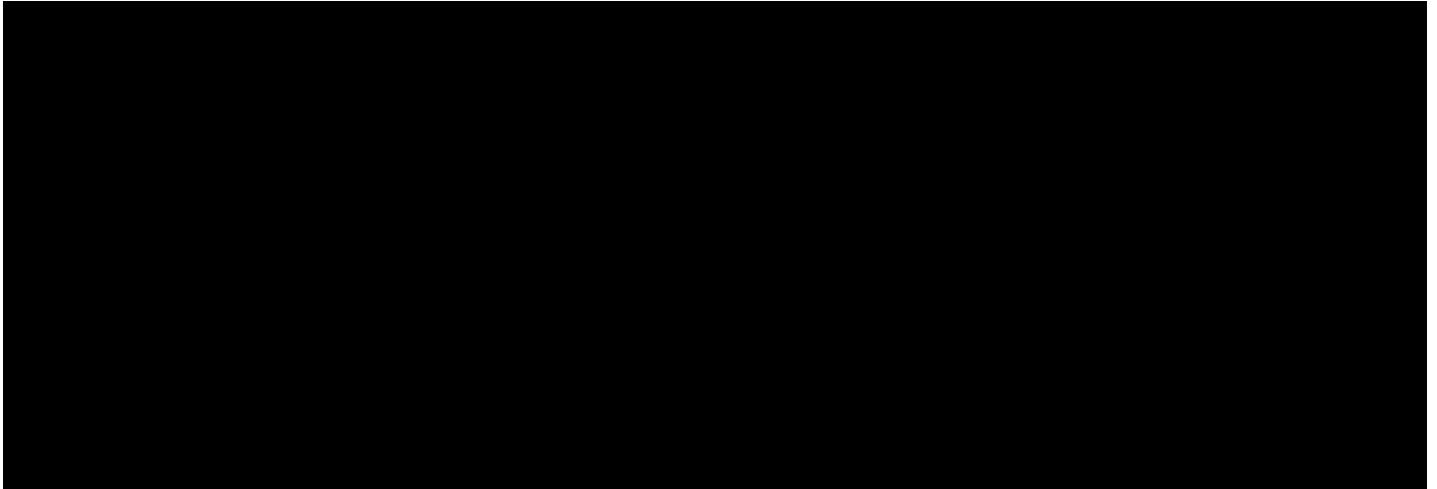
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.



Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: McPhee	Full First Name: Andrew	Initial: L.
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Former Chair of PUC Inc. and PUC Services Inc. and current Board Member. Former Chair and current Board Member of PUC (Transmission) LP.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.



- a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individuals specific related experience.



- b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.



Information About Each Key Individual

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

[Redacted]

Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Stefano	Full First Name: Claudio	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Executive Lead, Special Projects, PUC Services Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.



- a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individuals specific related experience.



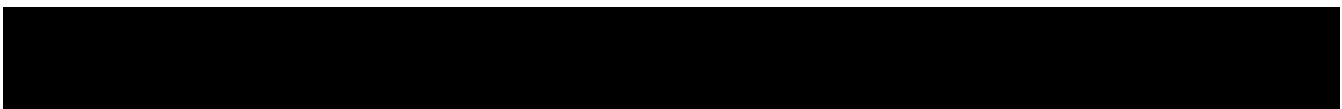
- b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.



- c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.



Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Parrella	Full First Name: Dominic	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Executive Lead, Special Projects		
Other: _____				
Please explain the person's experience in the electrical transmission business and in the energy field in general.				
a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the <i>Ontario Energy Board Act</i> , 1998.				Yes No <input type="checkbox"/> <input type="checkbox"/>
If yes, provide business names and licence number(s) and describe the individuals specific related experience.				
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation?				Yes No <input type="checkbox"/> <input type="checkbox"/>
If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.				
c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled?				Yes No <input type="checkbox"/> <input type="checkbox"/>
If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.				

Information About Each Key Individual

Mr. <input type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Gartshore	Full First Name: Janis	Initial:
Miss <input type="checkbox"/>	Ms. <input checked="" type="checkbox"/>	Position Held: Manager, Safety and Operational Support, PUC Services Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.

- a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

- b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.

- c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Baker	Full First Name: Matthew	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Vice President, Business Development, Transmission, PUC Services Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.

a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the Ontario Energy Board Act, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individuals specific related experience.

b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Faught	Full First Name: K. K. Mark	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Chief Financial Officer PUC Services Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.

- a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individual's specific related experience.

- b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.

Information About Each Key Individual

c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.

[Redacted area]

Information About Each Key Individual

Mr. <input checked="" type="checkbox"/>	Mrs. <input type="checkbox"/>	Last Name: Brason	Full First Name: Tracy	Initial:
Miss <input type="checkbox"/>	Ms. <input type="checkbox"/>	Position Held: Manager, Line Operations, PUC Services Inc.		
Other: _____				

Please explain the person's experience in the electrical transmission business and in the energy field in general.



a) Has this person been a proprietor, partner, officer or director of a business that was granted a licence under Part IV or Part V of the *Ontario Energy Board Act*, 1998. Yes No

If yes, provide business names and licence number(s) and describe the individuals specific related experience.



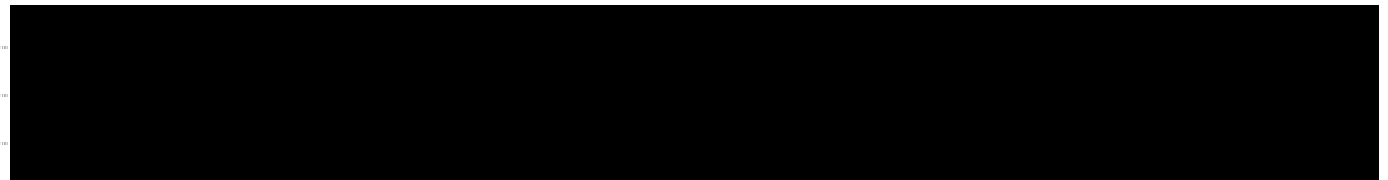
b) Has this person been a proprietor, partner, officer, or director of a business that was registered or licenced under this or any other acts or legislation? Yes No

If yes, identify the business name, the legislation, licence number(s), date of the licencing or registration and the individual's specific related experience.



c) Has this person been a proprietor, partner, officer or director of a business that had a registration or licence of any kind refused, suspended, revoked or cancelled? Yes No

If yes, please provide company name and describe the situation, including the jurisdiction and type of licence.



11. Financial Information

Please attach financial statements of the Applicant for each of the past two fiscal years. This may include audited financial statements, annual reports, prospectuses or other such information.

As newly created entities there are no financial results available for Essex Transmission LP or Essex Transmission GP Inc. at this time. Financial statements of PUC Inc., PUC (Transmission) LP, PUC (Transmission) LP Inc., PUC (Transmission) GP Inc., PUC Distribution Inc. and PUC Services Inc. are attached as Attachment 4.

Financial statements of Axiom Infrastructure Canada II Limited Partnership are attached as Attachment 5 and marked as “**CONFIDENTIAL**”.

Financial statements of Essex Power Corporation are attached as Attachment 7 and marked as “**CONFIDENTIAL**”.

Transmission Facilities Information

12. Facilities

Please indicate whether the Applicant's transmission facilities are:	
<input checked="" type="checkbox"/> New assets to be constructed?	Proposed In-service date: To be determined - please see Attachment 9 – Annual Pro Forma Financial Statements
<input type="checkbox"/> Existing assets presently owned by the Applicant?	
<input type="checkbox"/> Existing assets not presently owned by the applicant (i.e. to be purchased)?	Please indicate from whom assets will be purchased:
<input type="checkbox"/> Other (describe)	

13. Purpose of Facilities

Please indicate the intended purpose(s) of the Applicant's transmission facilities:	
<input type="checkbox"/> To provide a connection between a generator and a transmission system	
<input checked="" type="checkbox"/> To provide a connection between a transmission system and a load customer	
<input type="checkbox"/> To provide a connection between a generator and a load customer	
<input type="checkbox"/> To provide a connection between one transmission system and another	
<input type="checkbox"/> To import or export power	
<input checked="" type="checkbox"/> Other (please describe): The Proposed Facilities may be able provide additional capacity to Essex Powerlines Corporation and/or Hydro One Networks Inc. (Distribution) if require in the future and may be able to service other load customers in the area.	
If parties other than the Applicant are involved, please indicate the specific names of the participants (generator, load customer, transmission system(s)):	
<ul style="list-style-type: none">• A number of different transmission connected industrial load customers• Hydro One Networks Inc. (Transmitter)• Independent Electricity System Operator (Regional Transmission Operator)• Essex Powerlines Corporation .• Hydro One Networks Inc. (Distribution) and other potential loads in the area	

14. Location of Facilities

Please indicate the location (township or other such description as appropriate) of the Applicant's transmission facilities and attach a single-line diagram indicating the length (km), capacity (MW) and operating voltage (kV) of each element.

The 230 kV transmission line will be 7 km in length and will traverse in a southerly direction in the Municipality of Leamington, starting at Hydro One's Lakeshore TS and ending at the new 230 kV Autotransformer Station located at along Mersea Rd 10 west of the intersection of Highway 77.

Please see the attached transmission line routing map attached at Attachment 1 and the single-line diagram attached at Attachment 2.

15. Licensing History

Has the Applicant obtained Ontario Energy Board, National Energy Board, Federal Energy Regulatory Commission or any other regulatory approvals required for the acquisition, construction, or operation of the transmission facilities?

Yes No

If no, please indicate the status and plans for seeking these approvals.

The Applicant intends to file a section 92 application for leave to construct with the Ontario Energy Board upon successfully obtaining a transmission licence. The Applicant currently expects the application to be filed in or around third quarter of 2026 (estimated).

16. Service to other parties

If the transmission facilities are to be used to deliver electricity to a party other than the Applicant please attach the following:

- a) a summary of business plans relating to the Applicant's proposed transmission business for the next five years. This should include the following:
 - a forecast of annual peak demand (MW) and energy (MWh) transmitted and/or transformed.
 - annual pro forma financial statements including forecasts of costs, revenues and project financing indicating the underlying assumptions on which the forecasts are based.
- b) estimates of net annual cash flows for subsequent periods to demonstrate financial feasibility and security.
- c) indication of the Applicant's plans to seek Ontario Energy Board approval for rates for transmission services.

Load Forecast	2029	2030	2031	2032	2033
Station Total Demand (MW)	192	252	414	524	711
Station Total Energy Transmitted (MWh)	925,056	1,214,136	1,994,652	2,524,632	3,425,598

Annual Pro Forma Financial Statement with estimates of net annual cash flows included as Attachment 9.

The Applicant intends to file a Section 78 application for Ontario Energy Board approval of just and reasonable rates for transmission services for the year that the Proposed Facilities is anticipated to be in-service.

17. Proposed business transactions impact

Please provide a brief summary of the expected impact of the proposed business transactions on the Ontario electricity market under the following headings:

- Facilitate competition and enhance access to transmission services
- Improve reliability and quality of supply
- Promote economic and efficient electrical energy supply

Facilitate competition and enhance access to transmission services

The introduction of competition into the transmission business in Ontario is consistent with provincial policy. The introduction of new entrants will promote timely development of new resources, bring additional resources to the provincial transmission business and drive economic efficiency by introducing competition.

Development of the Applicant's Proposed Facilities will enhance access to transmission services for load customers in the Leamington area in a cost effective and timely way which will enable regional business investments and reduce risks of capital flight.

The proposed business transactions will facilitate competition and enhance access to transmission services by enabling the coordinated development of transmission infrastructure to serve a group of significant load customers in the Leamington area that would otherwise face a material first-mover disadvantage.

Multiple large load customers are seeking access to high-capacity transmission service in the Leamington area. Individually, no single customer can reasonably justify the cost, risk, or timing associated with developing new transmission facilities on a stand-alone basis. This creates a classic first-mover dilemma, where economically viable projects are delayed or foregone due to the absence of a coordinated transmission solution. Essex Transmission LP's proposed facilities address this market failure by providing a shared, open-access transmission platform capable of serving multiple customers, thereby unlocking investment that would not otherwise proceed.

As a new entrant in Ontario's transmission sector, Essex Transmission LP will, by its very presence, introduce competitive tension into the provision of transmission services. The introduction of new transmission proponents is consistent with long-standing provincial policy objectives, including:

- Promoting competition and choice where feasible,
- Ensuring non-discriminatory access to transmission services, and
- Encouraging the timely and efficient development of infrastructure to meet emerging electricity needs.

For example, in 2011, at the request of the Minister of Energy, the OEB initiated a proceeding to select the most qualified and cost-effective transmission company to develop the East-West Tie transmission line that connects Northeast and Northwest Ontario (EB-2011-0140, EB-2015-0216). In 2016, The *Electricity Act, 1998* was amended to give the IESO the authority under an approved implementation plan or directive from the Minister of Energy, to enter into procurement contracts for the development of transmission systems or any part of such systems. On July 31, 2025, the IESO launched the Transmitter Selection Framework Registry to begin intake of transmitters interested in participating in competitive transmission procurement. The purpose of the registry is to help identify eligible transmitters to ensure a pool of experienced and capable proponents is in place, allowing procurement processes to move forward efficiently as transmission projects are identified.

By enabling coordinated access for multiple customers and operating within the province's regulated framework, Essex Transmission LP enhances competition not only in transmission development but also downstream in electricity-dependent sectors.

Improve reliability and quality of supply

There is a considerable amount of incremental load, in the order of 700 MW, being considered for connection within the Municipality of Leamington, resulting in the need for new local transmission facilities in order to provide the required capacity and improve reliability and quality of supply of electricity in the area.

The resulting diversity of transmission supply in the Leamington area would improve reliability and quality of supply for all customers in the area.

There is a substantial amount of incremental load—estimated to be in the order of 700 MW—under active consideration for connection within the Municipality of Leamington. Existing transmission infrastructure is insufficient to reliably accommodate this scale of load growth.

The development of the Proposed Facilities will provide the necessary transmission capacity and redundancy to support this growth

while maintaining system reliability and voltage performance. By introducing additional transmission pathways and connection capability, the Proposed Facilities will improve the reliability and quality of supply for both new and existing customers in the Leamington area, reducing exposure to congestion, voltage limitations, and outage risk.

The resulting diversity of transmission supply will strengthen overall system resilience and better align local infrastructure with provincial reliability standards.

Promote economic and efficient electrical energy supply

By developing new transmission facilities, the Applicant can assist in balancing the cost of the Proposed Facilities and the ultimate rates paid by the proponents. The Applicant will provide a cost effective and timely solution for the anticipated substantial load growth.

Pursuant to the OEB's Decision in EB-2006/0189/EB-2006-0200 all 230kV transmission systems and 230kV autotransformers are considered network assets. Anything downstream from the new 230kV station would be treated as an expansion in accordance with the Transmission System Code.

The Proposed Facilities promote the economic and efficient supply of electricity by enabling a coordinated transmission solution that aligns infrastructure development with the scale and timing of anticipated load growth in the Leamington area.

By advancing new transmission facilities capable of serving multiple prospective load customers, the Applicant's approach allows costs and risks associated with transmission development to be managed more efficiently than would be possible through isolated, customer-specific solutions. This coordinated development reduces the likelihood of duplicative infrastructure, supports more efficient system planning, and facilitates timely access to transmission service for customers whose projects may otherwise be delayed or rendered uneconomic.

The Proposed Facilities are designed to integrate with Ontario's existing transmission framework and be developed in accordance with applicable regulatory requirements, including the Transmission System Code. This approach supports prudent capital investment, efficient utilization of transmission assets, and outcomes that are consistent with the broader objectives of economic efficiency and long-term system sustainability.

Support Economic Growth and Job Creation

Development of the Applicant's Proposed Facilities will directly enable economic growth and job creation within Ontario's greenhouse vegetable sector. This sector is a cornerstone of regional prosperity, contributing over \$2.3 billion annually to Ontario's GDP and supporting more than 32,000 jobs. Continued expansion of greenhouse operations depends on reliable, cost-effective electricity supply to power advanced lighting and climate control systems. By providing enhanced transmission capacity to meet these energy needs, the proposed facilities will reduce risks of capital flight, attract new investment, and secure long-term competitiveness for Ontario's greenhouse industry.

The development of the Proposed Facilities will support economic growth, job creation, and food security in Ontario by enabling expanded access to transmission services for electricity-intensive greenhouse operations in the Leamington area. Ontario's greenhouse vegetable sector is a cornerstone of the province's agri-food economy, contributing more than \$2.3 billion annually to provincial GDP and supporting over 32,000 jobs, and is explicitly recognized in provincial policy as a strategic growth sector.

Provincial economic and agri-food policies emphasize the importance of domestic food production, supply chain resilience, and competitiveness, particularly in the context of global trade uncertainty and geopolitical risk. Reliable and timely access to electricity infrastructure is a prerequisite to achieving these objectives. By facilitating coordinated access to transmission capacity for multiple greenhouse operators, rather than relying on isolated, customer-specific solutions, the Proposed Facilities help overcome barriers to entry and expansion that would otherwise constrain investment and growth.

In doing so, the Proposed Facilities advance the broader public interest by supporting competition among agricultural producers, enabling scale and efficiency, and strengthening Ontario's ability to supply fresh produce domestically. This reduces reliance on imported food products that may be exposed to trade disruptions, price volatility, or geopolitical constraints, while reinforcing long-term employment and investment within Ontario's agri-food sector.

Other Information

18. Ontario market activities

Please indicate whether the Applicant intends to be involved with other electricity sector activities in the Ontario market?			
<input type="checkbox"/>	Buy or Sell (Wholesale) electricity	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<input type="checkbox"/>	Distribute electricity	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<input type="checkbox"/>	Retail electricity	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<input type="checkbox"/>	Generate electricity	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If yes to any of the above:			
a) If affiliates have not yet been established, please indicate when this is planned _____			
b) Has Applicant or an affiliate applied for an Ontario Energy Board Licences?		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- If no, when planned? _____			
See above re Distribution Licence number ED-2002-0546 for PUC Distribution Inc. and Transmission Licence number ET-2021-0088 for PUC (Transmission) LP			

B. Notice and Consent

AS REQUIRED BY THE FREEDOM OF INFORMATION AND PROTECTION OF INDIVIDUAL PRIVACY ACT

In order to complete or verify the information provided on this form, it may be necessary for the Ontario Energy Board to collect additional information from some or all of the following sources: federal, provincial/state and municipal governments; licensing bodies; banks; professional and industry associations; and former and current employers. **Only information relevant to your application will be collected.**

The public official who can answer questions about the collection of information is:

Board Secretary
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto, Ontario M4P 1E4

Note: The issuance of an electricity transmitter licence does not guarantee accreditation by the IESO, or connection to a transmission or distribution system.

NOTE: This application must be signed by the proprietor or by at least one partner, officer or director of the organization.

WARNING: It is an offence to knowingly provide false information on this application.

I/We consent to the collection of this information as authorized under the *Ontario Energy Board Act, 1998*.

Yes



I/We understand that this information will be used to determine whether I am/we are and remain qualified for the licence for which I am/we are applying

Yes



Print Name and Title

Rob Brewer, President and Secretary

Signature of Applicant(s)



Date Signed

6-February-2026

C. Acknowledgement

NOTE: This acknowledgement must be signed by the proprietor or by at least one partner, officer or director of the organization.

I understand and acknowledge that, as a licenced electricity transmitter, I will be required, unless otherwise exempted:

- To provide non-discriminatory access to all persons wishing to connect to the transmission system.
- To comply with all licence conditions including the provisions of:
 - The Ontario Energy Board Affiliate Relationships Code for Electricity Distributors and Transmitters
 - The Ontario Energy Board Transmission System Code
 - The Market Rules made under section 32 of the Electricity Act.

Print Name and Title

Robert Brewer, President and Secretary

Signature of Applicant(s)



Date Signed

6-February-2026




Attachment 1

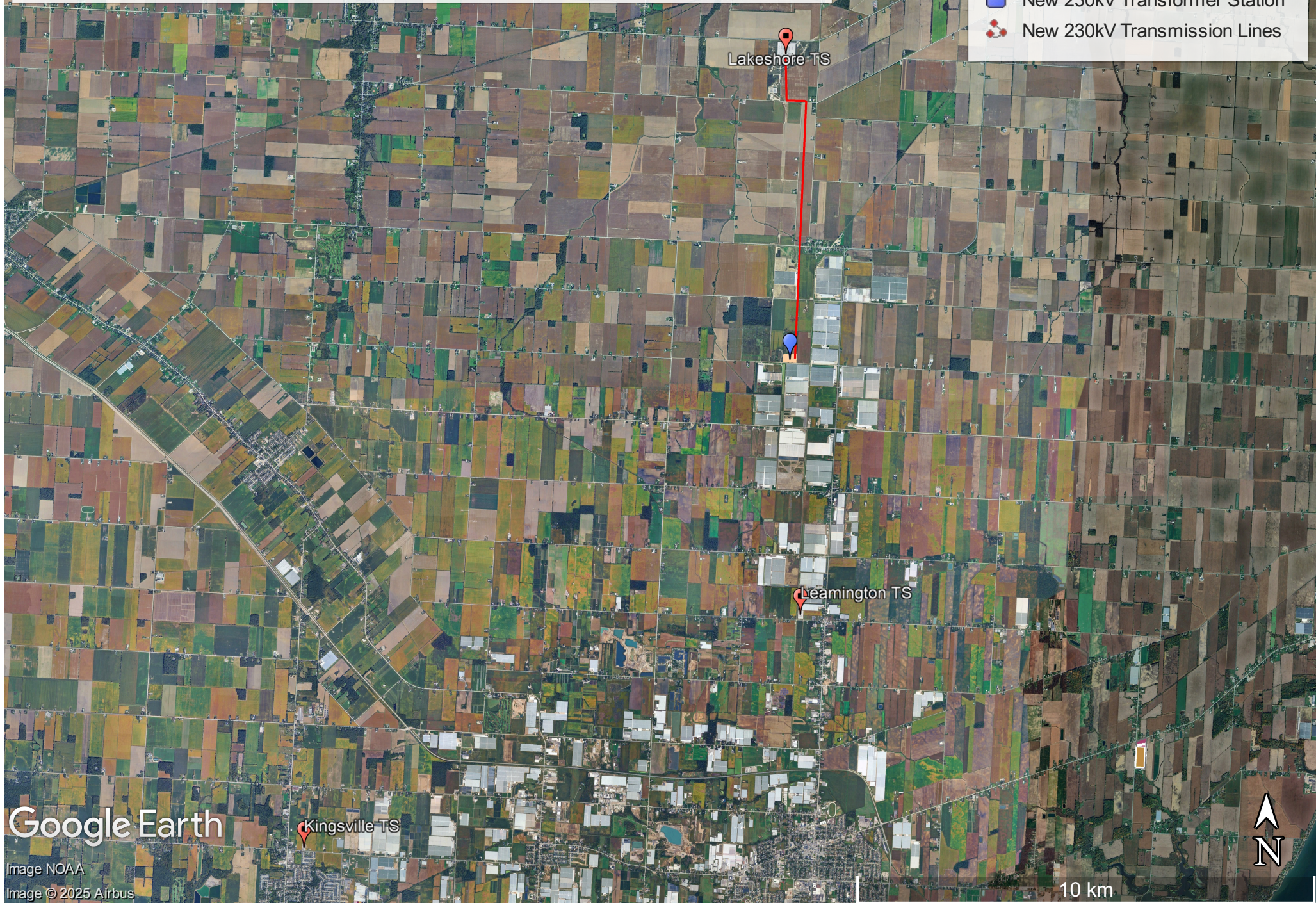
Transmission Line Routing Map and Station Location

Transmission Line Routing Map and Station Location

Location of Applicant's transmission facilities

Legend

-  Hydro One Stations
-  New 230kV Transformer Station
-  New 230kV Transmission Lines



Google Earth

Image NOAA
Image © 2025 Airbus

10 km



Attachment 2

230kV Transformer Station Single Line Diagram



IN PROGRESS

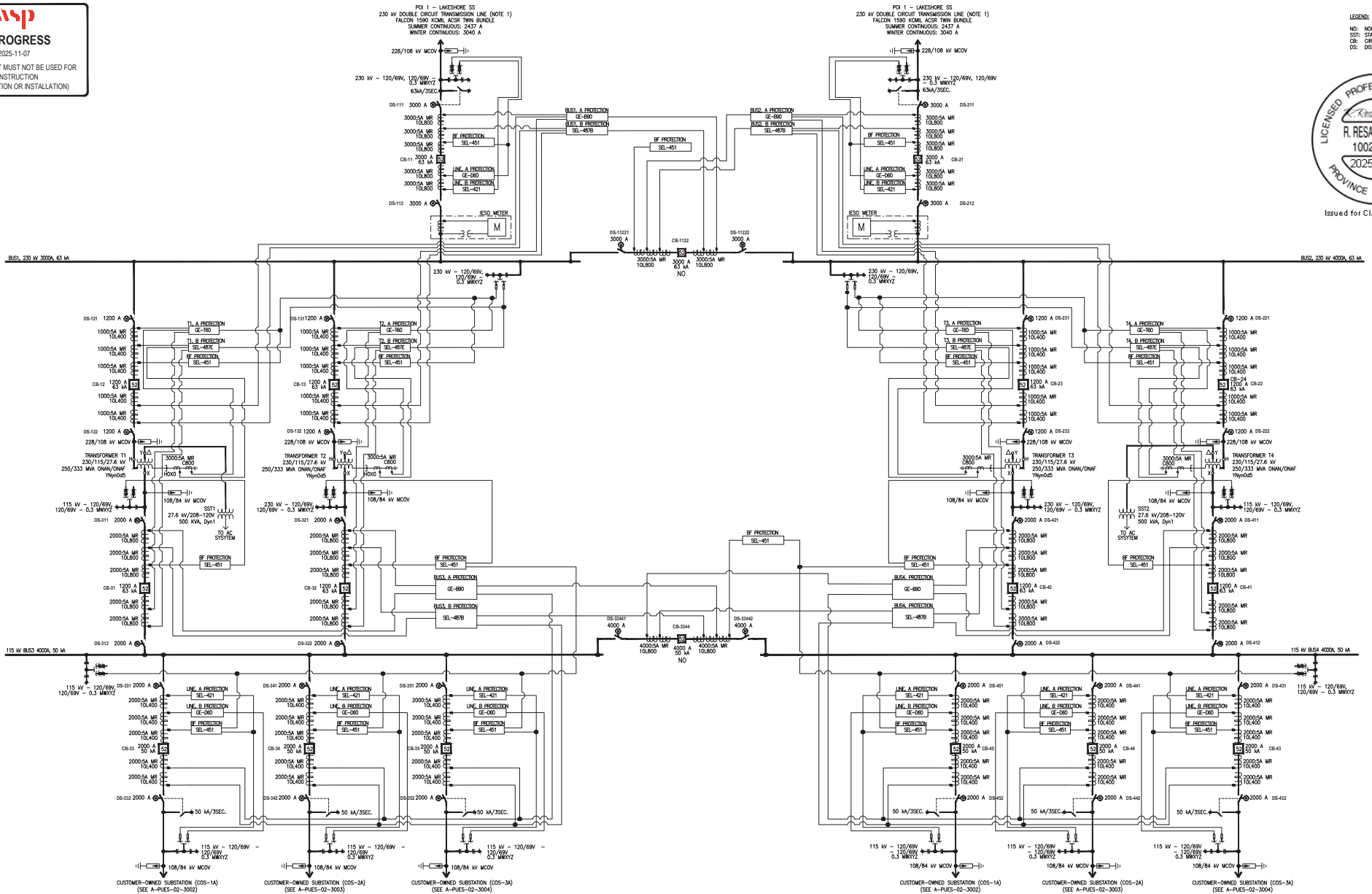
2025-11-07

THIS DOCUMENT MUST NOT BE USED FOR CONSTRUCTION (OR FABRICATION OR INSTALLATION)

LEGEND:
NS: NORMALLY OPEN
SS: STATION SERVICE TRANSFORMER
CB: CIRCUIT BREAKER
DS: DISCONNECT SWITCH



Issued for CIA/SIA application



NOTES:
1. REFER TO THE HYDRO ONE SINGLE LINE DIAGRAM FOR DETAILS ON THE CONNECTION OF TS-1a INTO LAKESHORE TS. TS-1a WILL CONNECT INTO LAKESHORE TS VIA TWO NEW 230 kV CIRCUITS. LAKESHORE TS IS CONFIGURED IN "A BREAKER AND A HALF" ARRANGEMENT CONSISTING OF TWO MAIN 230 kV BUSES. EACH 230 kV CIRCUIT WILL CONNECT TO ONE CONNECTION POSITION ON TWO (2) NEW DIAMETERS. THREE CIRCUIT BREAKERS ARE CONNECTED ON EACH DIAMETER BETWEEN THE TWO BUSES TO ESTABLISH TWO CONNECTION POSITIONS PER DIAMETER.
2. EACH PAIR OF 115 kV OUTGOING FEEDERS SUPPLYING A CUSTOMER-OWNED SUBSTATION SHARES THE SAME 115 kV TRANSMISSION TOWER ROUTE.
3. ALL ASSETS DOWNSTREAM OF THE 115 kV OUTGOING SWITCHGEAR ARE CUSTOMER-OWNED. REVENUE METERING WILL BE LOCATED ON THE 27.6 kV SIDE OF THE 115/27.6 kV CUSTOMER-OWNED SUBSTATIONS.

Revision table with columns: NO., REVISION, DATE, INITIAL. Includes entries for issued for review and issued for review.



PUC 230 kV TRANSMISSION FACILITIES
PUC - ESSEX
TS-1a SUBSTATION
SINGLE LINE DIAGRAM

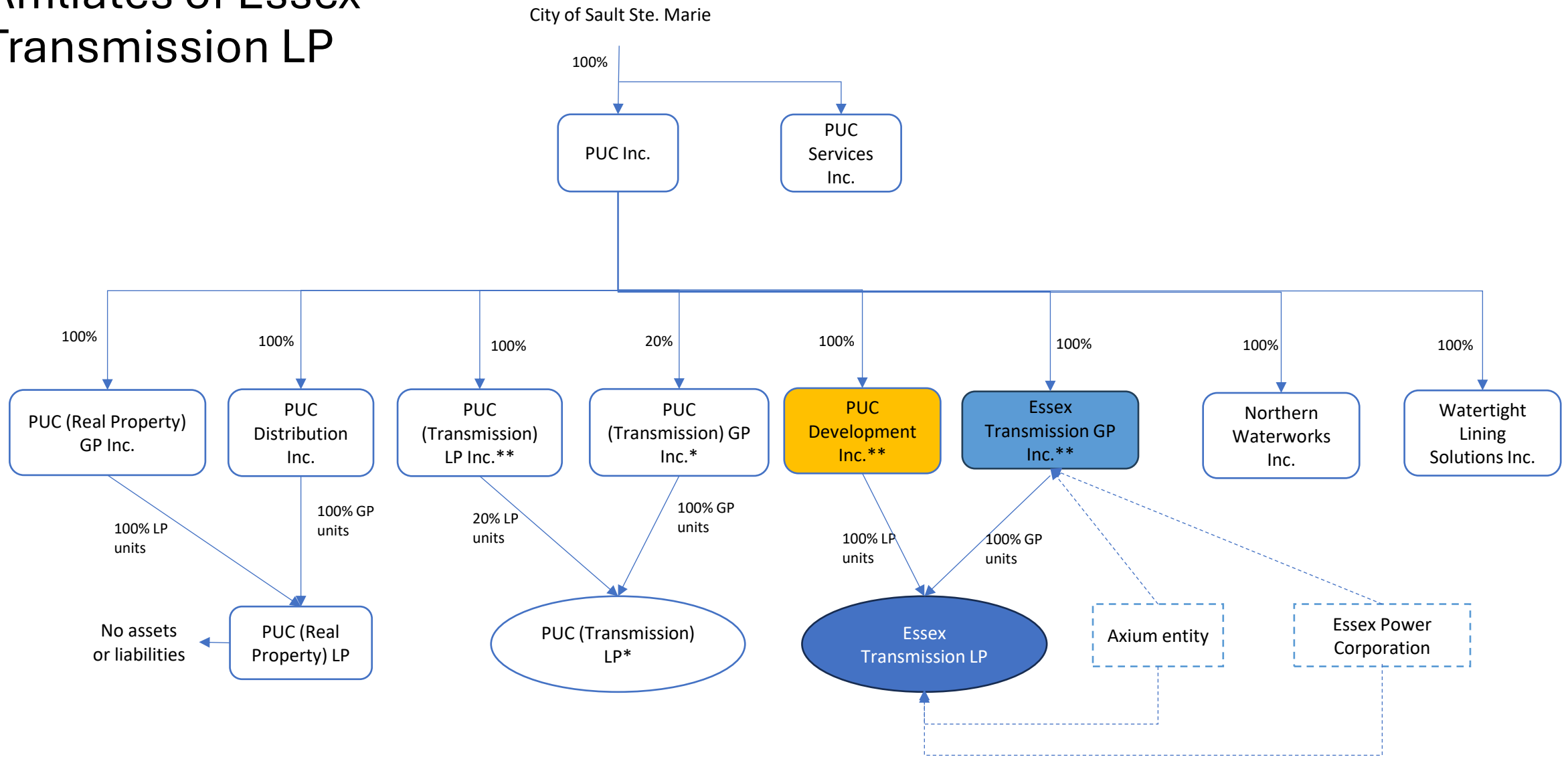
Project information table with columns: DRAWN BY, CHECKED BY, APPROVED BY, DWG. NO., DATE DRAWN, DATE CHECKED, DATE APPROVED, REV. Includes names like A. Medina C. and R. Resalatpanah.

SCALE: N.T.S.

Attachment 3

Organizational Chart Showing Affiliates of Essex Transmission LP

Affiliates of Essex Transmission LP



*PUC (Transmission) LP and PUC (Transmission) GP Inc. are included in this application despite not being official affiliates of PUC Inc., due to their direct connection to the matter. Other entities in which PUC Inc. holds a minority stake have been omitted, as they are not considered affiliates of PUC Inc.

** A director of PUC Inc., holds a non-voting Preferred share in the capital of each of these entities for tax purposes and to ensure these entities are not subject to the PILs regime.

List of Affiliates of Essex Transmission LP

- **Corporation of the City of Sault Ste. Marie**
- **PUC Inc.**
- **PUC Services Inc.**
- **PUC Distribution Inc.**
- **PUC (Transmission) LP***
- **PUC (Transmission) GP Inc.***
- **PUC (Transmission) LP Inc.**
- **Essex Transmission GP Inc.**
- **PUC Development Inc.**
- **Northern Water Works Inc,**
- **Watertight Lining Solutions Inc.**

*Indicates that these entities are not 'affiliates' of the Applicant as such term is defined in the Ontario Business Corporations Act

Attachment 4

PUC Inc., PUC Distribution Inc., PUC (Transmission) LP, PUC (Transmission) GP Inc., PUC (Transmission) LP Inc., and PUC Services Inc.

Consolidated Financial Statements for Year Ended December 31, 2024

Financial Information of

PUC INC.

And Compilation Engagement Report thereon

Year ended December 31, 2024



KPMG LLP

480 Pim Street, Unit 1
Sault Ste. Marie, ON P6B 2V4
Canada
Telephone 705 949 5811
Fax 705 949 0911

COMPILATION ENGAGEMENT REPORT

To the Board of Directors of PUC Inc.

On the basis of information provided by management, we have compiled the balance sheet of PUC Inc. as at December 31, 2024, the statement of earnings and statement of retained earnings for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

March 26, 2025

PUC INC.

Balance Sheet

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Accounts receivable	\$ 2,269	\$ 2,269
Payment in lieu of taxes recoverable	5,382	5,382
Receivable from Ecobility Inc.	-	614,163
Receivable from Northern Waterworks Inc.	200,000	-
Receivable from PUC Services Inc.	929,520	2,382,439
Receivable from PUC Distribution Inc.	610,080	610,080
	<u>1,747,251</u>	<u>3,614,333</u>
Deferred tax assets	207,000	127,000
Investments in subsidiaries	52,905,641	50,801,579
Note receivable	8,310,000	8,310,000
	<u>61,422,641</u>	<u>59,238,579</u>
	<u>\$ 63,169,892</u>	<u>\$ 62,852,912</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 322,940	\$ 8,861
Payable to City of Sault Ste. Marie	610,080	610,080
	<u>933,020</u>	<u>618,941</u>
Long-term debt	31,720,000	31,720,000
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited Special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
100,000 Common shares		
Issued and outstanding:		
21,632 Common shares	14,618,248	14,618,248
1,462 Special shares	14,620,000	14,620,000
	<u>29,238,248</u>	<u>29,238,248</u>
Retained earnings	1,278,624	1,275,723
	<u>30,516,872</u>	<u>30,513,971</u>
	<u>\$ 63,169,892</u>	<u>\$ 62,852,912</u>

See accompanying note to financial information.

PUC INC.

Statement of Earnings

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Interest income	\$ 2,291,446	\$ 2,286,463
Dividend income	810,080	1,704,243
	<u>3,101,526</u>	<u>3,990,706</u>
Expenses:		
Interest on long-term debt	1,934,920	1,934,920
Business development	470,024	618,687
Administrative	163,601	124,452
	<u>2,568,545</u>	<u>2,678,059</u>
Earnings before income taxes	532,981	1,312,647
Payment in lieu of taxes (recovery)	(80,000)	(102,000)
Net earnings	<u>\$ 612,981</u>	<u>\$ 1,414,647</u>

See accompanying note to financial information.

PUC INC.

Statement of Retained Earnings

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Retained earnings, beginning of year	\$ 1,275,723	\$ 1,561,236
Net earnings	612,981	1,414,647
Dividends	(610,080)	(1,700,160)
Retained earnings, end of year	\$ 1,278,624	\$ 1,275,723

See accompanying note to financial information.

PUC INC.

Note to Financial Information

Year ended December 31, 2024

1. **Basis of accounting:**

The basis of accounting applied in the preparation of the financial information is on a historical cost basis reflecting cash transactions with the addition of the following:

- Deferred tax is recognized using the balance sheet method
- Interest revenue and expense is accrued as of the year end date in accordance with the agreements
- Accounts receivable
- Accounts payable and accrued liabilities

Financial Statements of

PUC DISTRIBUTION INC.

And Independent Auditor's Report thereon
Year ended December 31, 2024



KPMG LLP
480 Pim Street, Unit 1
Sault Ste. Marie, ON P6B 2V4
Canada
Telephone 705 949 5811
Fax 705 949 0911

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of PUC Distribution Inc.

Opinion

We have audited the financial statements of PUC Distribution Inc. (the "Company"), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholder's 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 Company as at December 31, 2024, and its financial performance, and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 report.

We are independent of the Company 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 the IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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.



Page 3

- 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 Company'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 Company'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 Company 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 represents 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

April 29, 2025

PUC DISTRIBUTION INC.

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 1,205,245	\$ 1,007,300
Accounts receivable (note 4)	8,666,033	6,156,887
Unbilled revenue	11,845,279	12,501,681
Inventory (note 5)	2,814,752	2,857,352
Payment in lieu of taxes	263	-
Prepaid expenses	505,266	632,025
Total current assets	25,036,838	23,155,245
Non-current assets:		
Property, plant and equipment (note 6)	156,869,863	152,914,898
Total assets	181,906,701	176,070,143
Regulatory debit balances (note 8)	7,096,610	7,590,390
Total assets and regulatory balances	\$ 189,003,311	\$ 183,660,533

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2024, with comparative information for 2023

	2024	2023
Liabilities and Shareholder's Equity		
Current liabilities:		
Line of credit (note 18 b iii)	\$ 3,780,000	\$ 3,460,000
Accounts payable and accrued liabilities	9,620,887	13,016,694
Customer deposits (note 11)	180,575	200,638
Payment in lieu of taxes	-	95,419
Dividends payable	610,080	610,080
Due to related parties (note 17)	17,480,455	13,109,863
Current portion of long-term debt (note 10)	3,120,624	2,589,392
Total current liabilities	34,792,621	33,082,086
Non-current liabilities:		
Deferred revenue (note 9)	13,840,832	13,892,859
Deferred tax liability (note 7)	4,400,000	4,083,000
Long-term debt (note 10)	86,653,393	85,426,708
Total non-current liabilities	104,894,225	103,402,567
Total liabilities	139,686,846	136,484,653
Shareholder's equity:		
Share capital (note 12)	20,062,107	20,062,107
Retained earnings	28,647,923	24,888,624
Total shareholder's equity	48,710,030	44,950,731
Total liabilities and shareholder's equity	188,396,876	181,435,384
Regulatory credit balances (note 8)	606,435	2,225,149
Commitments and contingences (note 16)		
Total liabilities, regulatory balances and shareholder's equity	\$ 189,003,311	\$ 183,660,533

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

PUC DISTRIBUTION INC.

Statement of Income and Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Electricity sales (note 13)	\$ 74,778,496	\$ 70,559,207
Distribution revenue (note 13)	25,857,072	24,062,249
	<u>100,635,568</u>	<u>94,621,456</u>
Other operating revenue (note 14)	2,871,739	2,622,508
	<u>103,507,307</u>	<u>97,243,964</u>
Expenses:		
Energy purchases	75,643,051	69,941,227
Operations and maintenance	6,972,579	7,067,135
General and administrative	4,897,118	4,429,728
Billing and collection	1,144,579	1,534,006
Depreciation and amortization	5,919,600	5,578,272
Community relations	776,119	720,112
	<u>95,353,046</u>	<u>89,270,480</u>
Income before undernoted items	8,154,261	7,973,484
Net finance costs (note 15)	4,528,190	2,855,146
	<u>3,626,071</u>	<u>5,118,338</u>
Income tax expense:		
Current (note 7)	121,247	121,510
Deferred (note 7)	317,000	1,206,000
	<u>438,247</u>	<u>1,327,510</u>
Income for the year before movements in regulatory deferral account balances	3,187,824	3,790,828
Net movement in regulatory deferral account balances related to income or loss	(864,555)	617,979
Income tax	(317,000)	(1,206,000)
	<u>(1,181,555)</u>	<u>(588,021)</u>
Net income, being total comprehensive income for the year	<u>\$ 4,369,379</u>	<u>\$ 4,378,849</u>

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Changes in Shareholder's Equity

Year ended December 31, 2024, with comparative information for 2023

	Share Capital	Retained Earnings	Total
Balance as at January 1, 2023	\$ 20,062,107	\$ 21,599,855	\$ 41,661,962
Net income and comprehensive income	-	4,378,849	4,378,849
Dividends on common shares	-	(1,090,080)	(1,090,080)
Balance at December 31, 2023	20,062,107	24,888,624	44,950,731
Net income and comprehensive income	-	4,369,379	4,369,379
Dividends on common shares	-	(610,080)	(610,080)
Balance at December 31, 2024	\$ 20,062,107	\$ 28,647,923	\$ 48,710,030

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in)		
Cash flows from operating activities:		
Total comprehensive income for the year	\$ 4,369,379	\$ 4,378,849
Items not involving cash:		
Depreciation and amortization	5,919,600	5,578,272
Amortization of deferred revenue	(367,764)	(264,913)
Net finance costs	4,528,190	2,855,146
Income tax expense	438,247	1,327,510
	<u>14,887,652</u>	<u>13,874,864</u>
Changes in non-cash working capital:		
Accounts receivable	(2,509,146)	(1,079,050)
Unbilled revenue	656,402	(1,370,360)
Inventory	42,600	(159,200)
Prepaid expenses	126,759	(90,247)
Accounts payable and accrued liabilities	(3,395,807)	81,606
Customer deposits	(20,063)	(130,782)
Income tax refunded	(26,091)	(61,894)
Net movements in regulatory balances	(1,124,934)	17,286,320
Net cash from operating activities	<u>8,637,372</u>	<u>28,351,257</u>
Cash flows from financing activities:		
Repayment of long-term debt	(2,742,083)	(2,340,080)
Proceeds from line of credit	320,000	3,460,000
Proceeds from issuance of long-term debt	4,500,000	15,200,000
Advances from related parties	4,370,592	848,200
Interest paid	(4,528,190)	(2,855,146)
Dividends paid	(610,080)	(1,090,080)
Net cash from financing activities	<u>1,310,239</u>	<u>13,222,894</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,749,666)	(41,673,469)
	<u>(9,749,666)</u>	<u>(41,673,469)</u>
Change in cash	197,945	(99,318)
Cash, beginning of year	1,007,300	1,106,618
Cash, end of year	<u>\$ 1,205,245</u>	<u>\$ 1,007,300</u>

See accompanying notes to financial statements.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

1. Reporting entity:

PUC Distribution Inc. (the "Company") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Company is located in the City of Sault Ste. Marie. The address of the Company's registered office is 500 Second Line East, Sault Ste. Marie, Ontario Canada.

The Company delivers electricity and related energy services to residential and commercial customers in Sault Ste. Marie. The Company is wholly owned by PUC Inc., which is itself wholly owned by The Corporation of the City of Sault Ste. Marie.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting standards Board ("IFRS Accounting Standards").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors for issue on April 29, 2025.

(c) Basis of measurement:

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

(d) Functional and presentation currency:

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

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by regulators and governments.

Management reviews its estimates and judgments on an ongoing basis using the most current information available. The financial statements have, in management's opinion, been properly prepared using careful judgement and reasonable limits of materiality within the framework of the material accounting policies. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

2. Basis of presentation (continued):

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

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

- (i) Notes 3 (d), 6 - Property, plant and equipment: estimation of useful lives
- (ii) Note 16 - Commitments and contingencies
- (iii) Note 8 - Recognition of regulatory balances

(f) Rate regulation:

The Company is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Company, 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.

(g) Rate setting:

i) Distribution revenue:

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

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

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

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

2. Basis of presentation (continued):

(g) Rate setting (continued):

i) Distribution revenue (continued):

The Company filed an IRM application in 2023 requesting a 4.50% inflationary increase to distribution rates effective May 1, 2024, to April 30, 2025. The IRM application Decision and Rate order was issued on March 21, 2024.

The Company filed an IRM application in 2024 requesting a 3.30% inflationary increase to distribution rates effective May 1, 2025, to April 30, 2026. The IRM application is pending final approval.

ii) Electricity rates:

The OEB sets Ontario electricity prices for low-volume consumers twice each year (May and November) based on an estimate of how much it will cost to supply the province with electricity for the next year.

All remaining consumers pay the market price for electricity.

The Company is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

3. Material accounting policies:

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

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

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

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(a) Financial instruments (continued):

The company classifies and subsequently measures its financial instruments as follows:

- Cash and accounts receivable are financial assets classified and measured at amortized cost using the effective interest rate method.

- Bank indebtedness, accounts payable and accrued liabilities, customer deposits and long-term debt are financial liabilities classified and measured at amortized cost using the effective interest rate method

Measurement of fair values:

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) 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 or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Company measures loss allowances for electricity receivables, unbilled receivables and trade receivables via a simplified approach as permitted by IFRS 9 - Financial Instruments at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(b) Revenue recognition:

i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. 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

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(b) Revenue recognition (continued):

i) Electricity sales (continued):

by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

The difference between the amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

ii) Distribution sales:

The Company charges customers for the delivery of electricity based on rates established by the OEB. The rates are intended to allow the Company to recover its prudently-incurred costs and earn a fair return on invested capital. Distribution revenue is recognized over time as electricity is delivered to the customer as measured by meter reading or usage estimates.

iii) Capital contributions:

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

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 Company 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.

iv) Rendering of services:

Revenue earned from the provision of services is recognized as the service is rendered.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion or replacement are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

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

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

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

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

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

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

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

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

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

The estimated useful lives are as follows:

Buildings	25 – 50 years
Transmission and distribution	15 – 60 years
Plant and equipment	5 – 40 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(e) 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.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. 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 profit or loss.

(ii) Non-financial assets:

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). 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 profit or loss.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(e) Impairment (continued):

(ii) Non-financial assets (continued):

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, if no impairment loss had been recognized.

(f) Provisions:

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

(g) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unrelated environment and regulated entities that have not adopted IFRS 14, Regulatory Deferral Accounts.

(h) Regulatory deferral accounts:

The Company has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures.

These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Company's statement of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(h) Regulatory deferral accounts (continued):

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2024, the rate was 5.49% for the first and second quarter, 5.20% for the third quarter and to 4.40% for the fourth quarter. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable.

In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Company's statement of income and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position and on the statement of income and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

(i) Credit support for service delivery:

Credit support for service delivery represents cash deposits from electricity distribution customers as well as construction deposits.

Deposits from electricity distribution customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. Customer deposits are also refundable to residential electricity distribution customers demonstrating an acceptable level of credit risk, as determined by the Company.

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded as credit support for service delivery, a current liability. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

(j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue within non-current liabilities. Deferred revenue represents the

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(j) Deferred revenue and assets transferred from customers (continued):

Company's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) The contract involves the use of an identified asset;
- (ii) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - a) The Company has the right to operate the asset; or
 - b) The Company designed the asset in a way that predetermines how and for what purposes it will be used.

Short-term leases and low value assets

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

(l) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Company makes payments in lieu ("PILs") of corporate taxes to the Ontario Electricity Financial Company ("OEFEC"). 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 Company's Tax Act (Ontario) as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

Current PILS is the expected amount of tax 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.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(l) Payment in lieu of taxes (continued):

Deferred PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, 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 PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Critical accounting estimates and judgments:

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(m) Critical accounting estimates and judgments (continued):

Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. At December 31, 2024, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in note 6. Actual results, however, may vary due to technical obsolescence, particularly for software and electronic equipment.

Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

3. Material accounting policies (continued):

(n) Standards issued but not yet adopted:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted. However, the Company has not early adopted the new and amended accounting standards in preparing these financial statements.

(i) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7):

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

(ii) IFRS 18 Presentation and Disclosures in Financial Statements:

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of income, namely the operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

(iii) Other accounting standards:

The Lack of Exchangeability (Amendments to IAS 21) is not expected to have a significant impact on the Company's financial statements.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

4. Accounts receivable:

	2024	2023
Trade receivables	\$ 8,550,469	\$ 6,054,031
Other receivables	115,564	102,856
	\$ 8,666,033	\$ 6,156,887

Included in the trade receivables balance above is an expected credit loss in the amount of \$350,000 (2023 - \$350,000).

5. Inventory:

The amount of inventories consumed by the Company and recognized as an expense during 2024 was \$267,435 (2023 - \$352,470).

	2024	2023
Stores	\$ 1,321,527	\$ 1,337,979
Wire and cable	1,025,244	1,078,310
Poles	467,981	441,063
	\$ 2,814,752	\$ 2,857,352

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2024	\$ 27,388,361	\$ 101,136,600	\$ 64,099,430	\$ 41,919	\$ 192,666,310
Additions	136,342	6,091,561	3,688,581	-	9,916,484
Disposals/retirements/transfers	-	-	-	(41,919)	(41,919)
Balance at December 31, 2024	\$ 27,524,703	\$ 107,228,161	\$ 67,788,011	\$ -	\$ 202,540,875

	Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2023	\$ 27,247,037	\$ 89,065,290	\$ 26,232,391	\$ 299,808	\$ 142,844,526
Additions/transfers from Regulatory assets	141,324	18,091,776	31,846,573	-	50,079,673
Disposals/retirements/transfers	-	-	-	(257,889)	(257,889)
Balance at December 31, 2023	\$ 27,388,361	\$ 107,157,066	\$ 58,078,964	\$ 41,919	\$ 192,666,310

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

6. Property, plant and equipment (continued):

(b) Accumulated depreciation:

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2024	\$	6,935,561	\$ 23,016,701	\$ 9,799,150	\$ –	\$39,751,412
Depreciation charge		730,595	3,105,755	2,083,250	–	5,919,600
Balance at December 31, 2024	\$	7,666,156	\$26,122,456	\$ 11,882,400	\$ –	\$ 45,671,012

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
Balance at January 1, 2023	\$	6,208,437	\$ 20,098,463	\$ 7,866,240	\$ –	\$ 34,173,140
Depreciation charge		727,124	2,918,238	1,932,910	–	5,578,272
Balance at December 31, 2023	\$	6,935,561	\$23,016,701	\$ 9,799,150	\$ –	\$ 39,751,412

Contributed tangible assets:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. The carrying value of contributed assets at the end of the year is \$13,840,832 (2023 - \$13,892,859), comprised of distribution infrastructure (note 9).

(c) Carrying amounts:

		Land and buildings	Transmission & distribution	Plant & equipment	Construction -in- Progress	Total
At December 31, 2024	\$	19,858,547	81,105,705	55,905,611	–	\$156,869,863
At December 31, 2023	\$	20,452,800	84,140,365	48,279,814	41,919	\$152,914,898

(d) Security:

At December 31, 2024, property, plant and equipment with a carrying amount of \$156,869,863 (2023 - \$152,914,898) are subject to a general security agreement. See note 10 for additional information.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

7. Payments in lieu of income taxes:

Payment in lieu of taxes expense (recovery):

Current PILs Expense:

	2024	2023
Current payments in lieu of income tax	\$ 121,247	\$ 121,510
Payment in lieu of income tax expense	\$ 121,247	\$ 121,510

Deferred PILs Expense:

	2024	2023
Origination and reversal of timing differences	\$ 317,000	\$ 1,206,000
Total payment in lieu of income tax expense	\$ 438,247	\$ 1,327,510

Reconciliation of effective tax rate:

	2024	2023
Net income being total comprehensive income for the year	\$ 3,626,071	\$ 5,118,338
Statutory rate	26.5%	26.5%
PILS using the Company's statutory rate	960,909	1,356,360
Increase (decrease) resulting from:		
Regulatory movements	(229,107)	163,764
Prior period adjustments	(292,555)	—
Other	(1,000)	(192,614)
	\$ 438,247	\$ 1,327,510

Significant components of the Company's deferred tax balances are as follows:

	2024	2023
Deferred tax assets (liabilities):		
Plant and equipment	\$ (5,767,000)	\$ (5,413,000)
Reserves	93,000	93,000
CMT credit	775,000	584,000
Non-capital loss carry forward	499,000	653,000
	\$ (4,400,000)	\$ (4,083,000)

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

8. Regulatory deferral account balance:

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory deferral account balances.

Group 1 deferral and variance accounts (Group 1 accounts) track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2024	Balances arising in the period	Recovery/ reversal	December 31, 2024	Recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement variance	\$ 1,944,954	\$ 1,321,691	\$ (2,156,035)	\$ 1,110,610	< 1
Deferred taxes	5,555,000	431,000		5,986,000	< 1
LRAMVA	90,436	7,553	(97,989)	–	< 1
Total amount related to regulatory deferral account debit balances	\$ 7,590,390	\$ 1,760,244	\$ (2,254,024)	\$ 7,096,610	
Regulatory deferral account credit balances					
Deferred taxes	\$ (1,472,000)	\$ (114,000)	\$ –	\$ (1,586,000)	< 1
Smart Meter Entity Charges	(166,441)	(31,845)	100,066	(98,220)	< 1
Regulatory Asset Recovery Account Phase 10	1,326	–	(1,326)	–	< 1
Regulatory Asset Recovery Account Phase 11	12,535	521	–	13,056	< 1
Regulatory Asset Recovery Account Phase 12	(58,534)	(3,485)	(379)	(62,398)	< 1
Regulatory Asset Recovery Account Phase 13	(542,035)	228,766	355,249	41,980	< 2
Regulatory Asset Recovery Account Phase 14	–	2,103,432	(1,018,285)	1,085,147	< 3
Total amount related to regulatory deferral account credit balances	\$ (2,225,149)	\$ 2,183,389	\$ (564,675)	\$ (606,435)	

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

8. Regulatory deferral account balance (continued):

	January 1, 2023	Balances arising in the period	Recovery/ reversal	December 31, 2023	Recovery/ reversal period (years)
Regulatory deferral account debit balances					
Settlement variance	\$ 20,285,187	\$ (150,822)	\$ (18,189,411)	\$ 1,944,954	< 1
Deferred taxes	3,376,000	–	2,179,000	5,555,000	< 1
LRAMVA	527	90,434	(525)	90,436	< 1
Total amount related to regulatory deferral account debit balances	\$ 23,661,714	\$ (60,388)	\$ (16,010,936)	\$ 7,590,390	
Regulatory deferral account credit balances					
Deferred taxes	\$ (499,000)	\$ –	\$ (973,000)	\$ (1,472,000)	< 1
Smart Meter Entity Charges	(110,852)	(72,783)	17,194	(166,441)	< 1
Regulatory Asset Recovery Account Phase 10	1,326	–	–	1,326	< 1
Regulatory Asset Recovery Account Phase 11	12,114	523	(102)	12,535	< 1
Regulatory Asset Recovery Account Phase 12	194,291	1,839	(254,664)	(58,534)	< 2
Regulatory Asset Recovery Account Phase 13	–	(20,218)	(521,817)	(542,035)	< 3
Accelerated CCA	(608,032)	24,020	584,012	–	
Total amount related to regulatory deferral account credit balances	\$ (1,010,153)	\$ (66,619)	\$ (1,148,377)	\$ (2,225,149)	

On October 11, 2023, the Company filed a COS Application with the OEB (EB- 202230048) for 2024 rates.

i. Disposition - 2024:

Included in this application was the proposed disposition and recovery of regulatory deferral account balances as at December 31, 2022, with carrying charges estimated to April 30, 2024. The proposed disposition included eligible settlement variance balances, recovery of lost revenues, as well as the residual balances of prior approved disposition and recovery amounts.

On March 21, 2024, the OEB approved the Group 1 settlement variances of (\$2,057,294) disposition of the net regulatory assets. Rate riders are being refunded to customers over a one-year period commencing May 1, 2024 and ending April 30, 2025.

ii. Deferred Income Taxes:

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax debit balance of \$5,986,000 (2023 – \$5,555,000) arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral credit balance of \$1,586,000 (2023 - \$1,472,000). The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

Included in the 2023 COS was an approved disposition of \$584,012 credited to customers through a rate rider over a one-year period from May 1, 2023 to April 30, 2024.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

9. Deferred revenue:

Deferred revenue relates to capital contributions received from customers and others for distribution assets.

	2024	2023
Contributions		
Balance at January 1,	\$ 14,915,717	\$ 6,767,402
Contributions received during the year	124,281	8,148,315
Balance at December 31	\$ 15,039,998	\$ 14,915,717
	2024	2023
Accumulated amortization		
Balance at January 1,	\$ 1,022,858	\$ 757,945
Amounts amortized during the year	176,308	264,913
Balance at December 31	\$ 1,199,166	\$ 1,022,858
Carrying amounts at December 31,	\$ 13,840,832	\$ 13,892,859

Contributions received include \$124,281 (2023 - \$490,092) related to construction in process projects, which will be amortized into revenue on the same basis as the related asset amortization once construction is completed and put into active use.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

10. Long-term debt:

	2024	2023
Notes payable:		
i) Infrastructure Ontario smart meter loan	\$ 1,621,526	\$ 1,989,986
ii) Infrastructure Ontario land and building loan	14,568,544	15,307,172
iii) Infrastructure Ontario term loan 1	11,229,572	11,728,703
iv) Infrastructure Ontario term loan 2	4,457,755	4,811,062
v) Infrastructure Ontario term loan 3	3,606,940	3,754,449
vi) Infrastructure Ontario term loan 4	8,524,998	8,814,413
vii) Infrastructure Ontario term loan 5	5,683,332	5,876,275
viii) Infrastructure Ontario term loan 6	5,160,020	5,200,000
ix) Infrastructure Ontario term loan 7	3,921,888	4,000,000
x) Infrastructure Ontario term loan 8	4,465,402	-
xi) Note payable to parent company, PUC Inc.	26,534,040	26,534,040
	89,774,017	88,016,100
Current portion of long-term debt	(3,120,624)	(2,589,392)
	\$ 86,653,393	\$ 85,426,708

- i) Smart Meter Loan with Infrastructure Ontario: Reducing Debenture Facility, amortization period of 15 years to July 17, 2028 with loan interest rate of 3.82%. Interest of \$66,667 (2023 - \$80,567) was paid and expensed during the year. The loan is payable in the amount of \$220,496 in semi-annual principal and interest repayments. Security is in the form of a second ranking general security agreement.
- ii) Land and Building Loan with Infrastructure Ontario: Reducing Debenture Facility, amortization period of 25 years to October 1, 2038, with loan interest rate of 4.57%. Interest of \$684,194 (2023 - \$717,131) was paid and expensed during the year. The loan is payable in the amount of \$118,568 monthly which includes principal and interest. Security is in the form of a first charge over the Company's land and building and a third ranking general security agreement.
- iii) Infrastructure Ontario term loan 1, for electric distribution infrastructure, with interest rate of 3.47%, repayable over 25 years by a blended principal and interest payment of \$74,852 monthly maturing on May 16, 2041. Interest of \$399,097 (2023 - \$416,096) was paid and expensed during the year. Security is in the form of a fourth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- iv) Infrastructure Ontario term loan 2, for electric distribution infrastructure, with interest rate of 2.11%, repayable over 15 years by a blended principal and interest payment of \$37,618 monthly maturing on January 15, 2036. Interest of \$98,110 (2023 - \$105,480) was paid and expensed during the year. Security is in the form of a fifth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

10. Long-term debt (continued):

- v) Infrastructure Ontario term loan 3, for electric distribution infrastructure, with interest rate of 3.65%, repayable over 20 years by a blended principal and interest payment of \$23,508 monthly maturing on March 1, 2042. Interest of \$134,586 (2023 - \$139,865) was paid and expensed during the year. Security is in the form of a sixth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- vi) Infrastructure Ontario term loan 4, for electric distribution infrastructure, with interest rate of 4.61%, repayable over 20 years by a blended principal and interest payment of \$57,474 monthly maturing on April 28, 2043. Interest of \$400,276 (2023 - \$471,156) was paid and expensed during the year. Security is in the form of a seventh ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- vii) Infrastructure Ontario term loan 5, for electric distribution infrastructure, with interest rate of 4.61%, repayable over 20 years by a blended principal and interest payment of \$38,316 monthly maturing on April 28, 2043. Interest of \$266,851 (2023 - \$182,805) was paid and expensed during the year. Security is in the form of an eighth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- viii) Infrastructure Ontario term loan 6, for electric distribution infrastructure, with interest rate of 4.58%, repayable over 20 years by a blended principal and interest payment of \$33,123 monthly maturing on September 16, 2044. Interest of \$59,388 (2023 - \$NIL) was paid and expensed during the year. Security is in the form of a ninth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- ix) Infrastructure Ontario term loan 7, for electric distribution infrastructure, with interest rate of 5.10%, repayable over 20 years by a blended principal and interest payment of \$26,620 monthly maturing on April 15, 2044. Interest of \$134,845 (2023 - \$NIL) was paid and expensed during the year. Security is in the form of a tenth ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- x) Infrastructure Ontario term loan 8, for electric distribution infrastructure, with interest rate of 4.58%, repayable over 20 years by a blended principal and interest payment of \$28,664 monthly maturing on September 16, 2044. Interest of \$51,393 (2023 - \$NIL) was paid and expensed during the year. Security is in the form of an eleventh ranking general security agreement and a guarantee and assignment of shares from the Company's shareholder, PUC Inc.
- xi) Note payable to parent company, PUC Inc., bears interest payable quarterly at rates periodically negotiated and principal payable one year after demand. The average interest rate for 2024 was 6.1% (2023 - 6.1%). The balance outstanding for 2024 is \$26,534,040 (2023 - \$26,534,040).

The Infrastructure Ontario agreements contain covenants requiring a minimum debt service coverage of 1.30 and debt to total assets of less than 60%. As of December 31, 2024, the Company was in compliance with these covenants.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

10. Long-term debt (continued):

Borrowing costs include interest which is capitalized related to eligible qualifying assets. During the year interest of \$213,099 (2023 - \$1,381,520) was capitalized.

Principal payments on the long-term debt are as follows:

2025	\$	3,120,624
2026		3,247,870
2027		3,379,910
2028		3,517,701
2029		3,216,525
2030 - 2043		73,291,387
	\$	89,774,017

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2024	2023
Long-term debt, beginning of year	\$ 88,016,100	\$ 75,156,180
Less: cash outflows for principal repayments	(2,742,083)	(2,340,080)
Add: cash inflow for new debt	4,500,000	15,200,000
Long-term debt, end of year	\$ 89,774,017	\$ 88,016,100

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service. The balance at December 31, 2024 is \$180,575 (2023 - \$200,638).

12. Share capital:

	2024	2023
Authorized:		
Unlimited number of special shares, non-voting, non-cumulative		
Redeemable at \$10,000 per share		
10,000 Common shares		
Issued and outstanding:		
8,612 common shares	\$ 20,062,107	\$ 20,062,107

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

13. Electricity sales and distribution revenue:

The Company generates revenue primarily from the sale and distribution of electricity to its customers. In the following table, revenue from contracts with customers is disaggregated by type:

	2024	2023
Residential	\$ 51,555,946	\$ 47,811,038
Commercial	48,415,096	46,200,438
Street lights	664,526	609,980
	\$ 100,635,568	\$ 94,621,456

14. Other operating revenue:

Other income comprises:

	2024	2023
Service work related to distribution operations	\$ 1,233,673	\$ 1,275,897
Pole attachment and duct rentals	722,062	691,383
Account-related charges	335,426	240,369
Other	212,814	149,946
Capital contributions from customers amortized to revenue	367,764	264,913
Total other income	\$ 2,871,739	\$ 2,622,508

15. Finance income and expense:

	2024	2023
Interest income	\$ 146,125	\$ 228,052
Interest expense on long-term debt	4,469,121	2,831,300
Other interest and carrying charges	205,194	251,898
	4,674,315	3,083,198
Net finance costs recognized in profit or loss	\$ 4,528,190	\$ 2,855,146

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

16. Commitments and contingencies:

i) General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company 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 Company's financial position, results of operations or its ability to carry on any of its business activities.

ii) General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

iii) Letter of Guarantee:

The Company maintains a \$5,000,000 letter of guarantee with its bank in favor of the IESO.

17. Related party transactions:

(a) Parent, ultimate controlling party, and other related parties:

The sole shareholder of the Company is PUC Inc., which in turn is wholly-owned by the Corporation of the City of Sault Ste. Marie (City). The City produces financial statements available for public use. Other related parties to the Company include:

- PUC Services Inc. (Services) - 100% owned by City
- Public Utilities Commission of the City of Sault Ste. Marie (Utility) - 100% owned by the City
- PUC Inc. – 100% owned by the City
- Northern Waterworks Inc. (NWI) - 100% owned by PUC Inc.
- 17 Trees Inc. (17 Trees) - 33.3% owned by PUC Inc, managed by PUC Services Inc.
- Watertight Lining Solutions Inc.(WLS) - 100% owned by PUC Inc.
- PUC (Transmission) LP Inc. (LP Inc.) - 100% owned by PUC Inc.
- PUC (Transmission) GP Inc. (GP Inc.) - 100% owned by PUC Inc.

(b) Key management personnel:

The key management personnel of the Company have been defined as members of its board of directors and is summarized below:

	2024	2023
Directors' fees	\$ 29,105	\$ 18,817

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

17. Related party transactions (continued):

(c) Transactions with ultimate parent (the City):

In the year, the Company had significant transactions with the City, its ultimate parent and a government entity, with the delivery of electricity throughout the year to meet the electricity needs of the City and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The amount charged to the City for electricity consumed by streetlights is \$642,810 (2023 - \$532,780) and for other electricity consumption is \$4,180,879 (2023 - \$3,814,766).

(d) Transaction with PUC Inc.:

The Company declared dividends on its common shares held by PUC Inc. in the amount of \$610,080 (2023 - \$ 610,080) and special dividends of \$NIL (2023 - \$480,000). This amounts to \$70.84 per share (2023 - \$126.58 per share). Dividends payable to PUC Inc. at the end of the year amount to \$610,080 (2023 - \$ 610,080).

(e) Transactions with Services:

The Company has a management, operation and maintenance agreement with Services which has been extended to December 31, 2026, under which Services (owned 100% by the City) manages, controls, administers and operates the business of the Company. During the year, management fees were charged by Services in the amount of \$6,511,994 (2023 - \$7,132,898).

The Company pays interest on its payable balance to Services at the OEB prescribed short-term borrowing rate on its average monthly balance. Interest of \$190,648 (2023 - \$177,347) was paid during the year.

The payable balance to Services at December 31, 2024 amounts to \$17,246,443 (2023 - \$12,942,877). Amounts owing are unsecured and have no specified terms or repayment.

(f) Transactions with 17 Trees:

The Company is related to 17 Trees which is owned 33% by PUC Inc. During the year tree trimming services were charged by 17 Trees in the amount of \$678,309 (2023 - \$693,392) related to tree trimming services. Amounts payable to 17 Trees at the end of the year amount to \$234,012 (2023 - \$166,986). Amounts owing are unsecured and have no specified terms or repayment.

(g) Transactions with other related entities:

The Company is related to WLS, PUC (Transmission) LP Inc and PUC (Transmission) GP Inc. which are owned 100% by PUC Inc. There were no related party transactions from these entities with the Company during the year (2023 - \$Nil).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

18. Financial instruments and risk management:

(a) Fair value disclosure:

Cash is measured at fair value. The carrying values of receivables, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

(b) Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

i) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the City. No single customer accounts for a balance in excess of 2.63% of total accounts receivable.

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 net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2024 is \$350,000 (2023 - \$350,000).

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has over 33,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2024, the Company holds security deposits in the amount of \$180,575 (2023 - \$200,638).

PUC DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2024

18. Financial instruments and risk management (continued):

(b) Financial risks (continued):

ii) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

iii) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a \$4,500,000 credit facility at an interest rate of prime plus 0.5% which is 5.7% at December 31, 2024 (2023 – 7.7%) and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2024, \$3,780,000 (2023 - \$3,460,000) amounts had been drawn under the Company's credit facilities.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days. There has been no change in the liquidity risk noted when compared to 2023.

iv) Capital disclosures:

The main objectives of the Company, 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 Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$48,701,030 (2023 - \$44,950,731) and long-term debt amounts to \$89,774,017 (2023 - \$88,016,100).

19. Comparative information:

Certain comparative information have been reclassified to conform with the presentation of the current year.

Financial Statements of

PUC TRANSMISSION LP

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP

480 Pim Street, Unit 1
Sault Ste. Marie, ON P6B 2V4
Canada
Telephone 705 949 5811
Fax 705 949 0911

INDEPENDENT AUDITOR'S REPORT

To the Partners of PUC Transmission LP

Opinion

We have audited the accompanying financial statements of PUC Transmission LP (the Entity), which comprise:

- the balance sheet as at December 31 2024
- the statement of changes in partners' 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, 2024, and its cash flows for the year then ended in accordance with the Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility 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.

Other Matter – Comparative Information

The comparative information as at and for the year ended December 31, 2023 is unaudited. Accordingly, we do not express an opinion on it.



Responsibility 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 Canadian accounting standards for private enterprises, 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 risk 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, internal 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 purposes 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.



Page 3

- 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 the 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's 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.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

May 26, 2025

PUC TRANSMISSION LP

Balance Sheet

December 31 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Amounts due from related party (note 2)	\$ 1,427,250	\$ 2
Property and equipment (note 3)	9,475,261	-
	\$ 10,902,511	\$ 2

Liabilities and Partners' Equity

Current liabilities:		
Amounts due to related parties (note 2)	\$ 1,644,829	\$ -
Partners' equity	9,257,682	2
	\$ 10,902,511	\$ 2

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PUC TRANSMISSION LP

Statement of Changes in Partners' Equity

Year ended December 31, 2024, with comparative information for 2023

2024					
	Number of units issued	General Partner	Number of units issued	Limited Partners	Total
Partners' equity, beginning of the year	1	\$ 1	1	\$ 1	2
Contributions from partners	-	-	99,999,999	9,257,680	9,257,680
Net earnings	-	-	-	-	-
Partners' equity, end of year	1	\$ 1	100,000,000	\$ 9,257,681	\$ 9,257,682

2023					
	Number of units issued	General Partner	Number of units issued	Limited Partner	Total
Partners' equity, beginning of the year	1	\$ 1	1	\$ 1	2
Net earnings	-	-	-	-	-
Partners' equity, end of year	1	\$ 1	1	\$ 1	2

See accompanying notes to financial statements.

PUC TRANSMISSION LP

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Net earnings	\$ -	\$ -
Change in non-cash operating working capital:		
Increase in deferred revenue	-	-
Financing:		
Contributions from limited partners	9,257,680	-
Increase in advances from related parties	217,581	-
	<u>9,475,261</u>	<u>-</u>
Investing:		
Additions to property and equipment	(9,475,261)	-
Net increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

PUC Transmission LP (the “Partnership”) received its declaration under the Limited Partnership Act on January 11, 2021. The purpose of the partnership is the transmission of electricity. Its principal place of business is Sault Ste. Marie, Ontario.

Within the 2024 year end, previous costs accumulated for an ongoing capital project within PUC Transmission LP Inc. were transferred to PUC Transmission LP.

1. Significant accounting policies:

The Partnership's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

(b) Basis of presentation:

These financial statements present the financial position of the Partnership, and as such, do not include all the assets, liabilities, revenue and expenses of the partners, nor has any provision been made for income taxes payable by the partners or interest on invested capital.

(c) Revenue recognition:

Revenue is recognized when the services are provided and the customer assumes risk of loss in accordance with customer contracts, collection of the related receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Machinery and equipment:

Machinery and equipment are stated at cost. Interest costs related to the acquisition or construction of machinery and equipment that are being prepared for their intended use are capitalized. Interest costs are capitalized from the date of commencement of construction or acquisition until the asset is ready for its intended use. Interest costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of the debt incurred on the PUC consolidated group's borrowings. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Machinery and equipment	4 - 40

In the year of acquisition and disposal, property and equipment are amortized at one-half the above rates. Assets under construction are not depreciated until they are put in use.

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

Long-lived assets, including property and equipment subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Partnership uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Partnership has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Partnership determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Partnership expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment and provisions for impairment of trade accounts receivable. Actual results could differ from those estimates.

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

2. Due to / from related parties:

The amounts owing from related parties at December 31, 2024 are as follows:

	2024	2023
Axium	\$ 1,141,800	\$ –
PUC Transmission LP Inc.	285,450	–
	1,427,250	–
Less current portion	–	–
	\$ 1,427,250	\$ –

Axium and PUC Transmission LP Inc. are related to PUC Transmission LP by virtue of the partnership units held of PUC Transmission LP. These amounts are non-interest bearing and are due within 30 days of invoicing.

The amounts owing to related parties at December 31, 2024 are as follows:

	2024	2023
PUC Services Inc.	\$ 1,427,250	\$ –
Axium	217,529	–
	\$ 1,644,829	\$ –

PUC Services Inc. is related to PUC Transmission LP by virtue of shareholdings. These amounts owing from PUC Services and Axium are non-interest bearing and have no specified terms of repayment.

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

3. Property and equipment:

Cost	Balance at December 31, 2023	Additions	Disposals	Balance at December 31, 2024
Machinery and Equipment	\$ -	\$ 9,475,261	\$ -	\$ 9,475,261
Total	\$ -	\$ 9,475,261	\$ -	\$ 9,475,261

Accumulated Amortization	Balance at December 31, 2023	Amortization	Disposals	Balance at December 31, 2024
Machinery and Equipment	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

	Net book value, December 31, 2023	Net book value, December 31, 2024
Machinery and Equipment	\$ -	\$ 9,475,261
Total	\$ -	\$ 9,475,261

For the year ending December 31, 2024, \$38,093 of interest costs (2023 - \$Nil) were capitalized and are included in the cost of machinery and equipment.

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

3. Property and equipment (continued):

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Machinery and Equipment	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

Accumulated Amortization	Balance at December 31, 2022	Amortization	Disposals	Balance at December 31, 2023
Machinery and Equipment	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

	Net book value, December 31, 2022	Net book value, December 31, 2023
Machinery and Equipment	\$ -	\$ -
Total	\$ -	\$ -

PUC TRANSMISSION LP

Notes to Financial Statements

Year ended December 31, 2024

4. Accounts payable and accrued liabilities:

There are no amounts included in accounts payable and accrued liabilities for government remittances payable including amounts payable for HST and payroll related taxes.

5. Financial risks and concentration of risks:

(a) Industry:

The Partnership operates is currently in the construction phase and operates in the business of transmission of electricity and is affected by general economic trends. A decline in economic conditions or other adverse conditions could lead to increased costs associated with ongoing capital projects.

(b) Liquidity risk:

Liquidity risk is the risk that the Partnership will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Partnership manages liquidity risk by monitoring its operating requirements.

The Partnership

(b) Credit risk:

Credit risk is the risk of financial loss to the Partnership if a customer fails to meet its contractual obligations, and arises principally from the Partnership's receivables from customers.

The Partnership is exposed to credit risk with respect to the collection and concentration of its accounts receivable. The counterparties are considered highly creditworthy and it is management's view that there is minimal collection risk.

Financial Information of

PUC (TRANSMISSION) GP INC.

And Compilation Engagement Report thereon

Year ended December 31, 2024



KPMG LLP

480 Pim Street, Unit 1
Sault Ste. Marie, ON P6B 2V4
Canada
Telephone 705 949 5811
Fax 705 949 0911

COMPILATION ENGAGEMENT REPORT

To the Management of PUC (Transmission) GP Inc.

On the basis of information provided by management, we have compiled the balance sheet of PUC (Transmission) GP Inc. as at December 31, 2024, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

May 26, 2025

PUC (TRANSMISSION) GP INC.

Balance Sheet

December 31, 2024, with comparative information for 2023

	2024		2023
Assets			
Current assets:			
Due from shareholder	\$ 2	\$	1
Shareholder's Equity			
Shareholder's equity:			
Share capital	\$ 2	\$	1

See accompanying note to financial information.

PUC (TRANSMISSION) GP INC.

Note to Financial Information

Year ended December 31, 2024

1. Basis of accounting:

The basis of accounting applied in the preparation of the financial information is on the historical cost basis, reflecting cash transactions with the addition of the following.

- Due from shareholder

Financial Information of

PUC (TRANSMISSION) LP INC.

And Compilation Engagement Report thereon

Year ended December 31, 2024



KPMG LLP

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COMPILATION ENGAGEMENT REPORT

To the Management of PUC (Transmission) LP Inc.

On the basis of information provided by management, we have compiled the balance sheet of PUC (Transmission) LP Inc. as at December 31, 2024, the statement of earnings and deficit for the year then ended, and Note 1, which describes the basis of accounting applied in the preparation of the compiled financial information and, if applicable, other explanatory information ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

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Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

May 26, 2025

PUC (TRANSMISSION) LP INC.

Balance Sheet

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,851,536	\$ -
Accounts receivable	1	1
	<u>1,851,537</u>	<u>1</u>
Construction in process	-	4,347,367
	<u>\$ 1,851,537</u>	<u>\$ 4,347,368</u>
Liabilities and Shareholder's Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10	\$ -
Due to PUC Inc.	1,533,486	4,439,368
Due to PUC Services	36,600	-
Due to PUC Transmission LP	285,450	-
Deferred contributions	-	217,581
	<u>1,855,546</u>	<u>4,656,949</u>
Shareholder's deficiency:		
Common shares	1	1
Deficit	(4,010)	(309,582)
	<u>(4,009)</u>	<u>(309,581)</u>
	<u>\$ 1,851,537</u>	<u>\$ 4,347,368</u>

See accompanying note to financial information.

PUC (TRANSMISSION) LP INC.

Statement of Earnings and Deficit

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Expenses	\$ 4,010	\$ -
Loss before the undernoted item	(4,010)	-
Other expense (income):		
Project transfered to Limited Partnership	(309,582)	-
Earnings	305,572	-
Deficit, beginning of year	(309,582)	(309,582)
Deficit, end of year	\$ (4,010)	\$ (309,582)

See accompanying note to financial information.

PUC (TRANSMISSION) LP INC.

Note to Financial Information

Year ended December 31, 2024

1. **Basis of accounting:**

The basis of accounting applied in the preparation of the financial information is on the historical cost basis, reflecting cash transactions with the addition of the following:

- Due from shareholder

Financial Statements of

PUC SERVICES INC.

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of PUC Services Inc.

Opinion

We have audited the accompanying financial statements of PUC Services Inc. (the Company), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of income and comprehensive income for the year then ended
- the statement of changes in shareholder's 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 material 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 Company as at December 31, 2024, and its financial performance, and its cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 report.

We are independent of the Company 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 the IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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 Company's internal control.



Page 3

- 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 Company'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 Company 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 represents 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

Sault Ste. Marie, Canada

March 26, 2025

PUC SERVICES INC.

Statement of Financial Position

As at December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 6,140,701	\$ 693,011
Accounts receivable (note 5)	4,710,964	4,078,552
Due from related parties (note 19)	23,176,993	21,794,898
Inventories (note 6)	557,584	593,334
Prepaid expenses	1,434,893	1,524,040
Payment in lieu of taxes recoverable	258,292	-
Total current assets	36,279,427	28,683,835
Non-current assets:		
Property, plant and equipment (note 7)	19,291,965	18,471,573
Intangible assets (note 8)	856,820	1,045,078
Total non-current assets	20,148,785	19,516,651
Total assets	\$ 56,428,212	\$ 48,200,486
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,218,070	\$ 5,160,799
Deferred tax liabilities (note 9)	729,000	713,000
Payment in lieu of income taxes (note 9)	-	185,953
Due to related parties (note 19)	19,971,659	14,224,108
Current portion of long-term debt (note 10)	85,656	85,656
Lease liabilities - current (note 11)	159,299	28,987
Total current liabilities	28,163,684	20,398,503
Non-current liabilities:		
Long-term debt (note 10)	8,715,250	8,800,906
Lease liabilities (note 11)	191,312	18,991
Deferred revenue (note 7)	9,857,662	10,113,479
Employee future benefit obligations (note 12)	1,101,216	1,573,623
Total non-current liabilities	19,865,440	20,506,999
Total liabilities	48,029,124	40,905,502
Shareholder's equity:		
Share capital (note 15)	1,943,300	1,943,300
Accumulated other comprehensive income	1,354,250	930,064
Retained earnings	5,101,538	4,421,620
Total shareholder's equity	8,399,088	7,294,984
Commitments and contingences (note 18)		
Total liabilities and shareholder's equity	\$ 56,428,212	\$ 48,200,486

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director _____ Director

PUC SERVICES INC.

Statement of Income and Comprehensive Income

As at December 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Management fees	\$ 14,925,026	\$ 15,658,990
Contracts	8,963,095	9,392,380
Services	415,953	340,321
Other operating revenue (note 16)	1,420,929	1,522,854
	<u>25,725,003</u>	<u>26,914,545</u>
Expenses:		
Contract service	8,032,279	9,112,208
Administrative	7,636,900	6,458,284
Facilities	2,118,073	2,204,329
Depreciation and amortization	3,113,866	2,872,302
Billing and collection	871,540	960,192
Customer service	1,249,977	1,150,505
Street lights	533,702	344,258
New business development	690,588	618,687
Other business and maintenance	80,587	73,833
	<u>24,327,512</u>	<u>23,794,598</u>
Income from operating activities	1,397,491	3,119,947
Net finance costs (note 17)	635,862	570,413
Income before provision for payment in lieu of taxes	761,629	2,549,534
Payment in lieu of taxes (note 9):		
Current (recovery) expense	218,649	331,447
Deferred expense	(136,938)	263,714
	<u>81,711</u>	<u>595,161</u>
Income for the year	679,918	1,954,373
Other comprehensive income (loss): items that will not be classified to profit or loss, net of income tax:		
Remeasurement of employee future benefit obligations (note 12)	577,124	(32,882)
Income tax recovery (expense) on other comprehensive income (note 9)	(152,938)	8,714
Other comprehensive income (loss) for the year	<u>424,186</u>	<u>(24,168)</u>
Net income and comprehensive income for the year	<u>\$ 1,104,104</u>	<u>\$ 1,930,205</u>

See accompanying notes to financial statements.

PUC SERVICES INC.

Statement of Changes in Shareholder's Equity

Year ended December 31, 2024, with comparative information for 2023

	Share capital	Retained earnings	Accumulated other comprehensive income	Total
Balance, January 1, 2023	\$ 1,943,300	\$ 2,467,247	\$ 954,232	\$ 5,364,779
Net income for the year	-	1,954,373	-	1,954,373
Remeasurement of employee future benefit obligation	-	-	(24,168)	(24,168)
Balance, December 31, 2023	1,943,300	4,421,620	930,064	7,294,984
Net income for the year	-	679,918	-	679,918
Remeasurement of employee future benefit obligation	-	-	424,186	424,186
Balance, December 31, 2024	\$ 1,943,300	\$ 5,101,538	\$ 1,354,250	\$ 8,399,088

See accompanying notes to financial statements.

PUC SERVICES INC.

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash flows from operating activities:		
Net income and comprehensive income	\$ 1,104,104	\$ 1,930,205
Items not involving cash:		
Depreciation and amortization	3,113,866	2,872,302
Amortization of deferred revenue	(604,107)	(584,331)
Gain on disposal of property, plant and equipment	(71,348)	(23,575)
Net finance costs	635,862	570,413
Employee future benefit (gain) expense	(404,799)	196,432
Payment in lieu of taxes	234,649	586,447
	<u>4,008,227</u>	<u>5,547,893</u>
Changes in non-cash working capital:		
(Increase) decrease in accounts receivables	(632,412)	1,640,219
Increase (decrease) in balances with related entities	4,365,456	(2,282,787)
Decrease in inventories	35,750	8,872
Decrease (increase) in prepaid expenses	89,147	(207,752)
Increase (decrease) in accounts payable and accrued liabilities	2,057,271	(541,601)
Employee future benefits paid	(67,608)	(75,989)
Payment in lieu of taxes paid (refunded)	(331,447)	28,615
Net cash from operating activities	<u>9,524,384</u>	<u>4,117,470</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(85,656)	(85,656)
Payments of lease liabilities	(127,783)	(26,917)
Interest paid	(635,862)	(570,413)
Net cash from financing activities	<u>(849,301)</u>	<u>(682,986)</u>
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	71,348	23,575
Purchase of property, plant and equipment	(3,115,741)	(3,118,370)
Purchase of intangible assets	(183,000)	(408,542)
	<u>(3,227,393)</u>	<u>(3,503,337)</u>
Increase (decrease) in cash	<u>5,447,690</u>	<u>(68,853)</u>
Cash, beginning of year	693,011	761,864
Cash, end of year	<u>\$ 6,140,701</u>	<u>\$ 693,011</u>

See accompanying notes to financial statements.

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2024

1. Reporting entity:

PUC Services Inc. (the “Company”) is incorporated under the Ontario Business Corporations Act and provides management, operations and maintenance services related to water, waste water and electrical services to its related entities and other organizations. The Company’s head office is located at 500 Second Line East Sault Ste. Marie, Ontario.

The Company is wholly owned by The Corporation of the City of Sault Ste. Marie.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Approval of the financial statements:

The financial statements have been approved and authorized for issue by the Board of Directors on March 26, 2025.

(c) Basis of measurement:

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

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(e) Use of estimates and judgments:

The preparation of the financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

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

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

- (i) Notes 3(d), (e), 7, 8 – Property, plant and equipment and intangible assets: estimation of useful lives

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of preparation (continued):

- (e) Use of estimates and judgments (continued):
 - (ii) Note 12 – Employee future benefits: key actuarial assumptions
 - (iii) Note 18 – Commitments and contingencies

3. Material accounting policies:

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

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

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

Measurement of fair values:

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) 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 or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(a) Financial instruments (continued):

Measurement of fair values (continued):

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

(b) Revenue recognition:

(i) Management fee revenue:

The Company provides management services to related parties and recognizes revenues as services are rendered.

(ii) Streetlight revenue:

The Company is contracted by the City of Sault Ste. Marie to provide electricity for streetlights to the city and provide maintenance services on the lights. Revenue is recognized in the period the billing services are rendered and as services are provided.

(iii) Contracts with customers:

The Company is contracted by the City of Sault Ste. Marie to operate the water and wastewater plants. The Company is also contracted by other municipalities and entities in the Algoma District to provide services relating to water, wastewater and electrical utility management. Revenue is recognized according to the contracts as services are rendered.

(iv) Other revenues:

Other revenues are recognized when services are provided and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the revenue amount is fixed or determinable. Amounts received for future services are deferred until the service is provided.

(c) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion and operations and are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(d) Property, plant and equipment:

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

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

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

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

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

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

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

Buildings	25 – 50 years
Plant and equipment	4 – 40 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(e) Intangible assets:

(i) Computer software:

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

(ii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are:

Computer software	2 – 5 years
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Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

(f) 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.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. 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 profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories 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.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets (continued):

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 profit or loss.

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.

(g) Provisions:

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

(h) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Company's obligation to continue to provide customers services related to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(i) Employee future benefits:

(i) Pension plan:

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

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

(ii) Post-employment benefits, other than pension:

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. 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. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

(j) Net finance costs:

Net finance costs consist of finance income and finance charges.

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

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(j) Net finance costs (continued):

Finance charges comprise interest expense on borrowings. Finance charges are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(k) Leased assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) The contract involves the use of an identified asset.
- (ii) The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - a) The Company has the right to operate the asset; or
 - b) The Company designed the asset in a way that predetermines how and for what purposes it will be used.

Short-term leases and low value assets:

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

(l) Payment in lieu of taxes:

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations' Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu ("PILs") of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). 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 Company's Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

PILs comprises current and deferred payments in lieu of income tax. PILs are recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or equity, in which case, it is recognized in comprehensive income or in equity.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(l) Payment in lieu of taxes (continued):

Current PILS is the expected amount of tax 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 PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, 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 PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Future changes in accounting policy:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted. However, the Company has not early adopted the new and amended accounting standards in preparing these financial statements.

(i) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7):

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(m) Future changes in accounting policy (continued):

(ii) IFRS 18 Presentation and Disclosures in Financial Statements:

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of income, namely the operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

(iii) Other accounting standards:

The Lack of Exchangeability (Amendments to IAS 21) is not expected to have a significant impact on the Company's financial statements.

4. Critical accounting estimates and judgments:

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Critical accounting estimates and judgments (continued):

Fair value of financial instruments:

The Company determines the fair value of financial instruments that are not quoted in an active market, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods, and assumptions applied, and the valuation techniques used, for financial instruments that are not quoted in an active market are disclosed in note 20.

Payment in lieu of taxes:

The Company periodically assesses its liabilities and contingencies related to PILs for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current PILs provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the PILs liabilities.

Useful lives of depreciable assets:

Management reviews the useful lives of depreciable assets at each reporting date. On December 31, 2024, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 7 and 8.

Impairment:

An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

Employee retirement benefits:

The Company estimates the present value of employee retirement benefits, which depends on a number of assumptions including discount rates, expected salary and other cost increases, and mortality rates. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Refer to note 12 for information relating to these estimates.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Accounts receivable:

	2024	2023
Trade other	\$ 1,573,748	\$ 2,415,008
Receivables from the City	2,256,490	960,156
Contract receivables	453,399	452,564
Other receivables	427,327	250,824
	<u>\$ 4,710,964</u>	<u>\$ 4,078,552</u>

6. Inventories:

	2024	2023
Stores	\$ 151,222	\$ 162,568
Fuel	49,896	30,346
Streetlights	356,466	400,420
	<u>\$ 557,584</u>	<u>\$ 593,334</u>

The amount of inventories consumed by the Company and recognized as an expense during 2024 was \$558,300 (2023 - \$573,161).

PUC SERVICES INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2024

7. Property, plant and equipment:

(a) Cost or deemed cost:

	Land	Buildings	Plant and equipment	Right-of-use assets	Construction-in-progress	Total
Balance, January 1, 2023	\$ 447,169	\$ 262,704	\$ 45,262,063	\$ 128,488	38,574	\$ 46,138,998
Additions	-	-	3,267,663	-	14,996	3,282,659
Disposals/retirements	-	-	(722,958)	-	(34,961)	(757,919)
Balance, December 31, 2023	447,169	262,704	47,806,768	128,488	18,609	48,663,738
Additions	-	-	3,152,466	428,582	-	3,581,048
Disposals/retirements	-	-	(350,597)	-	(18,054)	(368,651)
Balance, December 31, 2024	\$ 447,169	\$ 262,704	\$ 50,608,637	\$ 557,070	555	\$ 51,876,135

(b) Accumulated depreciation:

	Land	Buildings	Plant and equipment	Right-of-use assets	Construction-in-progress	Total
Balance, January 1, 2023	\$ -	\$ 139,402	\$ 28,251,239	\$ 41,524	-	\$ 28,432,165
Depreciation charges	-	5,254	2,445,582	32,122	-	2,482,958
Disposals/retirements	-	-	(722,958)	-	-	(722,958)
Balance, December 31, 2023	-	144,656	29,973,863	73,646	-	30,192,165
Depreciation charges	-	5,254	2,600,715	136,633	-	2,742,602
Disposals/retirements	-	-	(350,597)	-	-	(350,597)
Balance, December 31, 2024	\$ -	\$ 149,910	\$ 32,223,981	\$ 210,279	-	\$ 32,584,170

(c) Carrying amounts:

	Land	Buildings	Plant and equipment	Right-of-use assets	Construction-in-progress	Total
At December 31, 2023	\$ 447,169	118,048	17,832,905	54,842	18,609	\$ 18,471,573
At December 31, 2024	447,169	112,794	18,384,656	346,791	555	19,291,965

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment (continued):

(d) Security:

At December 31, 2024, property, plant and equipment with a carrying amount of \$19,291,965 (2023 - \$18,471,573) are subject to a general security agreement.

(e) Contributed Capital:

Contributed tangible assets have been recognized at a fair market value at the date of contribution. During the year the Company received \$662,610 (2023 - \$332,783) of contributed tangible assets. The carrying value of contributed assets at the end of the year is \$9,857,662 (2023 - \$10,113,479), comprised mainly of streetlights is included in deferred revenue.

8. Intangible assets:

(a) Cost:

	Computer software
Balance at January 1, 2023	\$ 3,890,500
Additions	416,432
Balance at December 31, 2023	4,306,932
Additions	183,000
Balance at December 31, 2024	\$ 4,489,932

(b) Accumulated amortization:

	Computer software
Balance at January 1, 2023	\$ 2,864,620
Amortization charges in 2023	397,234
Balance at December 31, 2023	3,261,854
Amortization charges in 2024	371,258
Balance at December 31, 2024	\$ 3,633,112

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Intangible assets (continued):

(c) Carrying amounts:

	Computer software
December 31, 2023	\$ 1,045,078
December 31, 2024	856,820

9. Payments in lieu of income taxes:

Payment in lieu of taxes ("PILs"):

	2024	2023
Current PILs:		
Expense	\$ 218,649	\$ 331,447
Prior year reassessment recoveries received in the year	—	—
	218,649	331,447
Deferred PILs:		
Origination and reversal of timing differences	(136,938)	263,714
Payment in lieu of taxes expense	81,711	595,161
Net impact of tax on other comprehensive income (OCI)	152,938	(8,714)
Payment in lieu of taxes expense including OCI	\$ 234,649	\$ 586,447

Reconciliation of effective tax rate:

	2024	2023
Earnings before payments in lieu of income taxes	\$ 761,629	\$ 2,549,534
Statutory rate	26.5%	26.5%
Income tax	201,832	675,627
Increase (decrease) resulting from:		
Permanent difference	11,447	8,535
Tax credits	4,240	(76,222)
Other	17,130	(21,493)
	\$ 234,649	\$ 586,447

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Payments in lieu of income taxes (continued):

Significant components of the Company's deferred tax balances are as follows:

	2024	2023
Deferred tax assets (liabilities):		
Plant and equipment	\$ (1,015,000)	\$ (1,132,000)
Employee benefits	292,000	417,000
Right of use asset	(6,000)	2,000
	<u>\$ (729,000)</u>	<u>\$ (713,000)</u>

10. Long-term debt:

	2024	2023
Notes payable:		
(i) PUC Inc.	\$ 6,990,000	\$ 6,990,000
(ii) PUC Inc.	1,320,000	1,320,000
(iii) Infrastructure Ontario	200,001	253,334
(iv) Federation of Canadian Municipalities	290,905	323,228
	<u>8,800,906</u>	<u>8,886,562</u>
Less: current portion of long-term debt	(85,656)	(85,656)
	<u>\$ 8,715,250</u>	<u>\$ 8,800,906</u>

(i) Note payable to related company, PUC Inc., is unsecured, bears interest at 7.62% per annum and is payable one year after demand. Interest of \$532,638 (2023 - \$532,638) was paid and expensed during the year.

(ii) Note payable to related company, PUC Inc., is unsecured and without interest and is payable one year after demand. At December 31, 2024 and as of March 26, 2025 PUC Inc. has not indicated their intention to demand repayment of either notes payable.

(iii) Note payable to Infrastructure Ontario, bears interest at 4.22% per annum and is payable in monthly principal payments of \$4,444, due September 16, 2028. Interest of \$9,686 (2023 - \$11,909) was paid and expensed during the year. The agreement contains covenants requiring a minimum debt service coverage of 1.15 and debt capitalization ratios of less than 65%. As of December 31, 2024, the Company was in compliance with these covenants.

(iv) Note payable to Federation of Canadian Municipalities, unsecured, bears interest at 4.21% per annum and is payable in semi-annual principal payments of \$16,161, due October 30, 2033. Interest of \$13,038 (2023 - \$14,410) was paid and expensed during the year.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Long-term debt (continued):

Principal payments on the long-term debt are as follows:

2025	\$	85,656
2026		85,656
2027		85,656
2028		72,323
2029		32,323
2030 - 2035		8,439,292
	\$	8,800,906

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2024	2023
Long-term debt - beginning of year	\$ 8,886,562	\$ 8,972,218
Less: cash outflows for principal repayments	(85,656)	(85,656)
Long-term debt - end of year	\$ 8,800,906	\$ 8,886,562

11. Lease liabilities:

The Company has entered into lease agreements for electric vehicles, to be used in administrative functions, representing right-of-use assets (note 6).

Maturity analysis – contractual undiscounted cash flows	2024	2023
Less than one year	\$ 159,299	\$ 28,987
One to five years	191,312	18,991
Total undiscounted lease liabilities at December 31	\$ 350,611	\$ 47,978
Interest included on the liabilities included in the statement of financial position at December 31	\$ 27,201	\$ 1,213
Payments made during the year	127,783	26,918

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefit obligations:

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2024 of \$1,101,216 was based on an actuarial valuation completed in 2024 using a discount rate of 4.60%

The cost of providing benefits under the benefit plans is actuarially determined using the projected unit credit method, which incorporates management's best estimate of future salary levels, retirement ages of employees, health care costs, and other actuarial factors. Changes in actuarial assumptions and experience adjustments give rise to actuarial gains and losses. Actuarial gains and losses on medical, dental and life insurance benefits are recognized in OCI as they arise. Actuarial gains and losses related to rate-regulated activities are subsequently reclassified from OCI to a regulatory balance on the consolidated statement of financial position. Actuarial gains and losses on accumulated sick leave credits are recognized in the unconsolidated statement of income and comprehensive income in the period in which they arise.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2024	2023
Defined benefit obligation, beginning of year	\$ 1,573,623	\$ 1,453,180
Current service cost	102,654	93,117
Interest cost	69,671	70,433
Benefits paid during the year	(67,608)	(75,989)
Actuarial loss (gain) recognized in other comprehensive income	(577,124)	32,882
Defined benefit obligation, end of year	\$ 1,101,216	\$ 1,573,623

Components of net benefit expense recognized are as follows:

	2024	2023
Current service cost	\$ 102,654	\$ 93,117
Interest cost	69,671	70,433
Net benefit expense recognized	\$ 172,325	\$ 163,550

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefit obligations (continued):

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2024	2023
Accrued benefit obligation:		
Discount rate	4.60%	4.60%
Benefit cost for the year:		
Withdrawal rate	0.50%	0.50%
Assumed health care cost trend rates:		
Cost trend rate estimated to range from 4.2% to 5.10% between 2024 and 2027	5.10%	4.90%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Cost trend	Discount rate
1% increase	\$ 114,100	\$ (115,300)
1% decrease	(98,400)	138,800

13. Pension agreement:

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Company made employer contributions of \$2,042,267 to OMERS (2023 - \$1,889,000). The Company's net benefit expense has been charged to income.

14. Salaries and benefits:

	2024	2023
Salaries, wages and benefits	\$ 19,769,540	\$ 19,258,802
CPP and EI remittances	978,927	911,960
Contributions to OMERS	2,042,267	1,889,000
	\$ 22,790,734	\$ 22,059,762

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Share capital:

	2024	2023
Authorized:		
Unlimited special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
10,000 common shares		
Issued and outstanding:		
105 special shares	\$ 1,050,000	\$ 1,050,000
4,000 common shares	893,300	893,300
	<u>\$ 1,943,300</u>	<u>\$ 1,943,300</u>

16. Other operating revenue:

	2024	2023
Streetlights	\$ 344,258	\$ 418,623
Miscellaneous	270,065	398,264
Amortization of deferred revenue	604,107	584,331
Generation revenue	202,499	121,636
Total other operating revenue	<u>\$ 1,420,929</u>	<u>\$ 1,522,854</u>

17. Finance income and finance charges:

	2024	2023
Interest income	\$ —	\$ 11,063
Interest expense on amounts due to related party	582,945	553,089
Interest expense on long-term debt	25,716	26,318
Interest expense on lease liabilities	27,201	2,069
	<u>635,862</u>	<u>581,476</u>
Net finance costs recognized in comprehensive income	<u>\$ 635,862</u>	<u>\$ 570,413</u>

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

18. Commitments and contingencies:

General:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company 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 Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance:

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the local Local Distribution Companies in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

19. Related party transactions:

(a) Parent, ultimate controlling party, and other related parties:

- The Corporation of the City of Sault Ste. Marie ("City") – 100% shareholder of PUC Services Inc., and 100% shareholder of PUC Inc.
- PUC Inc. - 100% owned by the City.
- PUC Distribution Inc. (Distribution) - 100% owned by PUC Inc.
- Public Utilities Commission of the City of Sault Ste. Marie (Utility) - 100% owned by the City.
- Northern Waterworks Inc. (NWI) – 100% owned by PUC Inc.
- 17 Trees Inc. – 33.3% owned by PUC Inc and managed by PUC Services Inc.
- Watertight Lining Solutions Inc. – 100% owned by PUC Inc.
- Ecobility Inc. – 21% owned by PUC Inc.
- PUC (Transmission) LP Inc. - 100% owned by PUC Inc.
- PUC (Transmission) GP Inc. - 100% owned by PUC Inc.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions (continued):

- (b) The key management personnel of the Company have been defined as members of its board of directors and executive management team members and is summarized below.

	2024	2023
Directors' fees	\$ 30,481	\$ 19,403
Salaries and other short-term benefits	1,030,897	1,365,109
Post-employment benefits	11,136	7,757
	<u>\$ 1,072,514</u>	<u>\$ 1,392,269</u>

- (c) Transactions with ultimate parent (the "City"):

In the year, the Company had the following significant transactions with its ultimate parent, a government entity:

The Company provides streetlight services and water and wastewater services to the City. The amount charged to the City for streetlight maintenance is \$344,258 (2023 - \$418,623) and water and wastewater services is \$4,671,866 (2023 - \$4,277,986). As part of the water services, the Company charges the City a sewage administration charge for billing, collecting, and remitting payment to the City. The amount charged to the City for the sewage administration charge is \$402,932 (2023 - \$337,223). At December 31, 2024, \$485,252 (2023 - \$699,920) relating to contract revenue and \$1,771,238 (2023 - \$260,236) relating to other services is included in accounts receivable.

- (d) Transactions with other related parties:

The Company has agreements which expire December 31, 2024, with the Utility, and with its other related entities, to manage, control, administer and operate the business of these entities.

The Company charged the following management fees to the related parties:

	2024	2023
PUC Distribution Inc.	\$ 6,511,994	\$ 7,132,898
Public Utilities Commission of the City of Sault Ste. Marie	7,680,314	7,893,187
PUC Inc.	732,718	632,905
	<u>\$ 14,925,026</u>	<u>\$ 15,658,990</u>

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions (continued):

(d) Transactions with other related parties (continued):

The following summarizes the Company's related party payable and receivable balances for the year ended December 31:

	2024	2023
Amounts due to:		
Public Utilities Commission of the City of Sault Ste. Marie	\$ 19,042,139	\$ 11,752,144
PUC Inc.	929,520	2,382,439
17 Trees Inc.	–	89,525
	<u>\$ 19,971,659</u>	<u>\$ 14,224,108</u>

	2024	2023
Amounts due from:		
PUC Distribution Inc.	\$ 17,246,443	\$ 12,942,877
17 Trees Inc.	853,464	–
PUC Transmission Inc	1,463,858	4,876,341
Watertight Lining Solutions Inc	2,859,429	3,770,768
Northern Waterworks Inc	753,799	204,912
	<u>\$ 23,176,993</u>	<u>\$ 21,794,898</u>

The Company charges interest on payable balances at the Ontario Energy Board Deemed Rate on the average payable balance for the month. Interest was charged to PUC Inc., and the Public Utilities Commission of the City of Sault Ste. Marie of \$79,232 and \$497,273 (2023 - \$74,249 and \$357,529 respectively). Interest was charged from PUC Distribution Inc. of \$190,648 (2023 - \$177,347).

The Company was charged interest on its long-term debt to PUC Inc. of \$582,945 (2023 - \$553,089).

New business development costs of \$690,588 (2023 - \$618,687) were charged to PUC Inc.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

PUC SERVICES INC.

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management:

Fair value disclosure

Cash is measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns in excess of 90% of its revenue from related parties and other municipal corporations.

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company's credit risk associated with accounts receivable is primarily related to payments from the related parties and municipal corporations. As of December 31, 2024, no allowance for doubtful accounts reported.

(b) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 days.

(c) Capital disclosures:

The Company's definition of capital includes shareholder's equity and long-term debt and the main objectives of the Company in managing capital are to ensure ongoing access to funding to maintain operations, compliance with covenants related to its credit facilities and prudent management of its capital structure to deliver appropriate financial returns. As at December 31, 2024, shareholder's equity amounts to \$8,399,088 (2023 - \$7,294,984) and long-term debt amounts to \$8,715,250 (2023 - \$8,800,906).

Attachment 5

Axium Infrastructure Canada II Limited Partnership
Consolidated Financial Statements for Year Ended December 31, 2024

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Attachment 6

Axium Infrastructure Canada II Limited Partnership

Letter of Support

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Attachment 7

Essex Power Corporation

Consolidated Financial Statements for Year Ended December 31, 2024

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Attachment 8

Essex Power Corporation

Letter of Support

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Attachment 9

Annual Pro Forma Financial Statements

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