

EXHIBIT 1 – ADMINISTRATIVE
DOCUMENTS
2027 Cost of Service

Rideau St-Lawrence Distribution Inc.
EB-2026-0069

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1.1 LEGAL APPLICATION & ADMINISTRATIVE MATTERS

In the matter of; the Ontario Energy Board Act, 1998; S.O. 1998, c.15, Schedule B, as amended; and in the matter of; an Application by Rideau St-Lawrence for an Order or Orders approving or fixing just and reasonable distribution rates effective Jan 1st, 2027.

Rideau St. Lawrence Distribution Inc. ("RSL," "the utility," "the applicant") is a licensed distributor of electricity under distribution license ED-2003-0003 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

RSL hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1st, 2027.

RSL meets the criteria to file under the Ontario Energy Board's Small Utility Filing Requirements. The OEB has confirmed that electricity distributors with fewer than 30,000 customers are eligible to use this framework. RSL serves approximately 6,000 customers and therefore qualifies.

This application has been prepared in accordance with the OEB's Filing Requirements for Electricity Distribution Rate Applications applicable to small electricity distributors, issued December 15, 2025.

Where applicable, RSL has identified its intention with respect to procedural options available under the Small Distributor Process, including the use of an Issues Meeting.

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

1. Approval to charge distribution rates, effective January 1st, 2027, to recover a base revenue requirement of \$4,959,191 which represents a revenue deficiency of \$932,588 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8.
2. Approval of 2027 net capital expenditures of \$1,608,929 including \$480,000 in capital contribution as supported by the Distribution System Plan outlined in Exhibit 2.
3. Approval to adjust the Retail Transmission Rates – Network and Connection previously approved and detailed in Exhibit 8.
4. Approval of the proposed Loss Factors as detailed in Exhibit 8.
5. Approval to continue to charge Wholesale Market Services, Capacity Based Recovery, and Rural Rate Protection Charges.
6. Approval of Low Voltage charges as detailed in Exhibit 8.
7. Approval to continue the specific Service Charges (except for the MicroFIT Monthly Service charge) and Transformer Allowance as previously approved by the OEB and detailed in Exhibit 8.

8. Approval to continue applying the MicroFIT monthly service charge of \$17.20 as approved in the Applicant's 2022 Cost of Service (2021-0056) and detailed in Exhibit 8.
9. Approval of the Rate Riders for a one-year disposition of the Group 1 and Group 2 and Other Deferral and Variance Accounts as detailed in Exhibit 9.
10. Disposal/recovery of 1588 & 1589 commodity account balances as of December 31st, 2025, on a final basis with Rate Riders for a one-year disposition.
11. Disposal of the balance in the wireline pole attachment variance account as of December 31st, 2025, as recorded in account 1508 with account disposition requested on a final balance.

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

- ✓ Exhibit 1: Administrative Documents
 - ✓ Exhibit 2: Rate Base and DSP
 - ✓ Exhibit 3: Revenues
 - ✓ Exhibit 4: Operation, Maintenance, and Administrative Costs
 - ✓ Exhibit 5: Cost of Capital
 - ✓ Exhibit 6: Revenue Requirement
 - ✓ Exhibit 7: Cost Allocation
 - ✓ Exhibit 8: Rate Design
 - ✓ Exhibit 9: Deferral and Variance Accounts
-
- ✓ EB-2026-0069 RSL 2027 TESI Load Forecasting 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 RTSR Workform 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Rev Reqt Workform 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Test year Income Tax PIL 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Cost Allocation Model 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 RTESI Load Profile Model 2025 Base Year 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Commodity Accounts Analysis Workform 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Benchmarking Forecast Model 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 DVA Continuity Schedule 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Filing Requirements Chapter2 Appendices 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 Tariff Schedule and Bill Impact Model 2026.04.30
 - ✓ EB-2026-0069 RSL 2027 COS Checklist 2026.04.30

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

1.2. HOW TO READ THIS EXHIBIT

What are the key filing requirements for this Exhibit? (Section 1.2):

Section 1.2 summarizes the key administrative elements required for a complete filing, including notices, certifications, issues lists, model amendments, and statements of compliance. These items establish the formal framework for the application.

What we are asking for (Section 1.3):

Section 1.3 outlines the approvals RSL is seeking, including proposed rates, the revenue requirement, load forecast, capital plan, OM&A needs, and associated bill impacts. These are supported by evidence in Exhibits 3 to 8.

What rules guide this application (Section 1.4):

Section 1.4 sets out the regulatory context, highlighting relevant OEB directives and policy initiatives such as reliability benchmarking, CCIM requirements, DER and electrification planning, and benefit–cost expectations for non-wires alternatives.

Who we are (Section 1.5):

Section 1.5 provides an overview of RSL’s system, service area, and planning environment, including key system characteristics and external factors shaping investment decisions.

Who we serve (Section 1.6):

Section 1.6 summarizes RSL’s customer engagement activities, including ongoing communication practices, recent survey results, and application-specific outreach used to inform rates and service planning.

How we are performing operationally (Section 1.7):

Section 1.7 presents RSL’s performance results, including scorecard metrics, benchmarking outcomes, and long-term reliability trends, with links to the Distribution System Plan.

How we are performing financially (Section 1.8):

Section 1.8 summarizes RSL’s financial performance and outlook, including historical results, the revenue requirement forecast, and the treatment of OM&A, capital, and cost of capital. Supporting details are provided in Exhibits 4 and 5.

LDC consolidation and collaboration (Section 1.9):

Section 1.9 outlines RSL’s position on sector consolidation. It references the Ministry’s 2021 direction and confirms that while no further updates have been issued, RSL continues to explore cost-sharing and service partnerships with neighbouring utilities and sector groups, consistent with its strong performance as a small distributor.

Sequencing of Evidence and Schedules (throughout):

While the requirement indicates that written evidence should precede data schedules, in practice it may be more effective for certain exhibits to present the detailed schedules first,

followed by explanatory evidence. This approach allows the reader to review the quantitative information upfront, with supporting context, assumptions, and analysis provided immediately thereafter for clarity.

1.2.1 Contact Information.

The key contacts for this application are as follow:

Applicants Name: Rideau St-Lawrence Inc.
Applicant Address: 985 Industrial Rd, P.O. Box 699, Prescott, Ontario K0E 1T0
Internet Address: <https://rslu.ca/>
Twitter/X: https://twitter.com/RideauStLawrenc?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor
LinkedIn: [\(4\) Rideau St. Lawrence Distribution Inc.: Company Page Admin | LinkedIn](#)
Facebook: [Facebook](#)

RSL's Contact Info. Simon Wu
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416-562-9295

RSL's Counsel: Michael Buonaguro
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Phone: 416-767-1666

RSL confirms the following administrative information:

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

1.2.2 Notice of Application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspaper with the highest circulation in its service area. Brockville Recorder and Times, additional publications include the Morrisburg Leader, My Prescott Now – Online and the Review Mirror.

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

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

1.2.3 Certification of Accuracy of Evidence

I, Simon Wu, Chief Executive Officer of Rideau St. Lawrence Distribution Inc (RSL), certify the following:

That to the best of my knowledge, the evidence filed, including the models and appendices, is accurate, consistent and complete; and complies with the Board's Filing Requirements for Electricity Distribution Rate Applications, Chapter 2 Cost of Service Filing Requirements 2026 edition for 2027 rate applications, dated December 16th, 2025.

That to the best of my knowledge, the evidence filed in support of this Application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules of Practice and Procedure (and the Practice Direction on Confidential Filings, as applicable).

That to the best of my knowledge, RSL has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being disposed of.

That the Board of Directors of RSL is aware of and approve the submission of RSL's 2027 Cost of Service application to the Ontario Energy Board. The letter in question is presented in the Appendices of this Exhibit.



Simon Wu
Chief Executive Officer
Rideau St. Lawrence Distribution Inc.

Artificial Intelligence Disclosure

RSL used artificial intelligence on a very limited basis. It was used primarily to assist in refining existing narrative with the intent to make it more efficient and easier to understand. Artificial intelligence was not used to replace critical thinking, to generate evidence or create content that did not already exist.

Therefore, I Simon Wu, confirm, to the best of my knowledge and ability, that RSL has established and maintains the appropriate processes and internal controls for the preparation, review, verification, and oversight of all deferral and variance accounts, irrespective of whether such accounts are proposed for disposition. I also confirm that all information filed in this application has been thoroughly reviewed and verified for accuracy and completeness.

1.2.4 Confirmation of Privacy Protection

I Simon Wu, President and CEO of RSL confirms that the documents filed in support of RSL's referenced application do not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

1.2.5 Standard Proposed Issues List

1. Capital Spending and Rate Base

- 1.1 Are the proposed capital expenditures and in-service additions appropriate?
- 1.2 Are the proposed rate base and depreciation amounts appropriate?

2. OM&A

- 2.1 Are the proposed OM&A expenditures appropriate?
- 2.2 Is the proposed shared services cost allocation methodology and the quantum appropriate?

3. Cost of Capital, PILs, and Revenue Requirement

- 3.1 Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?
- 3.2 Is the proposed PILs (or Tax) amount appropriate?
- 3.3 Is the proposed Other Revenue forecast appropriate?
- 3.4 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
- 3.5 Is the proposed calculation of the Revenue Requirement appropriate?

4. Load Forecast

- 4.1 Is the proposed load forecast methodologies and the resulting load forecasts appropriate?

5. Cost Allocation, Rate Design, and Other Charges

- 5.1 Are the proposed cost allocation methodology, allocations, and revenue-to cost ratios appropriate?
- 5.2 Is the proposed rate design, including fixed/variable splits, appropriate?
- 5.3 Are the proposed Retail Transmission Service Rates and Low Voltage rates appropriate?
- 5.4 Are the proposed loss factors appropriate?
- 5.5 Are the Specific Service Charges and Retail Service Charges appropriate?
- 5.6 Are rate mitigation proposals required and appropriate?

6. Deferral and Variance Accounts

6.1 Are the proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts, requests for discontinuation of accounts, and the continuation of existing accounts, appropriate?

7. Other

7.1 Is the proposed effective date appropriate?

7.2 Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

1.2.6 Financial and Load Information filed in this application

RSL's application reflects a projected bridge (2026) and Test (2027) year. notes that its 2022 to 2025 financial and load information have been audited.

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

Capital Spending

- 2022-2025: Audited balances
- 2026-2027: Budgeted balances.

Operating Expenses

- 2022-2025: Audited balances
- 2026-2027: Budgeted balances.

Other Revenues

- 2022-2025: Audited balances
- 2026-2027: Budgeted balances.

Load Forecast

- 2015-2025 Wholesale: Actuals.
- 2026-2027 Wholesale: forecasted using 10-year regression analysis.

RTSR

- 2025: Actuals consumption at most recent published rates.

LV Charges

- 2025: Actuals consumption at most recent published rates.

Cost of Power

- Most current RPP/non-RPP split: 2025 Actuals applied to 2027 Load Forecast.

Cost of Capital

- Per Cost of Capital Parameters for 2026 Cost-Based Rates Issued by the OEB in a letter dated October 31st, 2025.

Deferral and Variance Accounts

- 2025 Audited Actuals
- Commodity Work form: 2025 Actuals

1.2.7 Statement of Deviation of Filing Requirements

Except where specifically identified in the Application, RSL followed Chapter 2 of the OEB's "Filing Requirements for Electricity Transmission and Distribution Applications", dated December 15, 2025. The excel version of the completed 2027 Cost of Service checklist is being filed in conjunction with this application. RSL has, as applicable, utilized the OEB's models as updated for 2027 Cost of Service applications in accordance with the OEB's letter dated April 11, 2025.

1.2.8 Amendments to OEB models

The only modification to OEB models was to add 3 sheets to the Revenue Requirement Workform to help better identify the variances and help with the settlement/rate order phase of the process.

1.2.9 Materiality Threshold.

For distributors with a distribution revenue requirement of less than \$10 million, the Minimum Filing Requirements prescribe a materiality threshold of \$50,000 for year-over-year variance analysis comparing the Board-approved test year to the proposed test year.

Consistent with this requirement, RSL uses the \$50,000 threshold to capital and OM&A year-over-year variance analysis, deferral and variance account balances, and capital projects requiring detailed analysis.

1.3. SUMMARY OF APPLICATION

1.3.1 Distribution Rates

The table below shows RSL's yearly OEB-approved fixed and variable rate from the last cost of Service in 2022 to the proposed 2027 rates. Rates in between the Cost-of-Service applications were adjusted through IRM applications to reflect the Price Cap in effect at that time. RSL is seeking an increase in its distribution rates from its current 2026 rates in all its customer classes.

Table 1 – Rates Since last Cost of Service (2022-2027)

Customer class name	2022 BA	2023	2024	2025	2026	2027
	CoS	IRM	IRM	IRM	IRM	CoS
Price cap applied		3.70	4.80	3.60	3.55	
FIXED						
Residential	31.49	32.61	34.13	35.31	36.56	\$45.01
General service < than 50 kw	32.29	33.44	34.99	36.20	37.49	\$37.49
General service 50 to 4,999 kw	307.78	318.71	333.53	345.04	357.29	\$357.29
Unmetered scattered load	5.36	5.55	5.81	6.01	6.22	\$6.01
Sentinel Lights	3.72	3.85	4.03	4.17	4.32	\$4.32
Street lighting	4.17	4.32	4.59	4.68	4.85	\$4.85
VOLUMETRIC						
Residential	0.00	0.00	0.00	0.00	0.0000	\$0.0000
General service <than 50 kw	0.0162	0.0168	0.0176	0.0182	0.0188	\$0.0258
General service 50 to 4,999 kw	3.0461	3.1542	3.3009	3.4148	3.5360	\$4.9529
Unmetered scattered load	0.0245	0.0254	0.0266	0.0275	0.0285	\$0.0275
Sentinel Lights	27.1846	28.1497	29.4587	30.4750	31.5569	\$103.1801
Street lighting	1.2202	16.4448	17.2095	17.8032	18.4352	\$47.1324

1.3.2 Revenue Requirement

The table below shows the change in RSL's revenue requirement from the last Cost of Service in 2022 compared to the proposed 2027 Test Year.

The proposed Revenue Requirement for the 2027 test year of \$4,959,191 reflects an increase of \$1.8M from the 2022 Board Approved. The increase is primarily due to;

- a) An increase in OM&A of \$1.2M;
- b) An increase in the Regulated Return on Capital due to additions of assets to the Rate Base; and
- c) An increase in "Other Revenues," which is explained in Exhibit 3.

Table 2 – Revenue Requirement

Item	2022 Amount	Change	2027 Amount	Notes / Drivers
Opening Revenue Requirement (2022 Board Approved)	3,171,602	—	—	As per last CoS decision
OM&A Increase	2,482,412	+1,236,525	3,718,936	Inflation, customer growth, cyber, vegetation management, SCADA, engineering, increase in compensation
Depreciation Expense Increase	405,339	+279,673	685,012	Larger asset base from capital additions 2022–2027
PILS Variance	0	0	0	No PILS impact
Net Power Supply & Controllable Expenses Increase	13,920,524	+5,719,865	19,640,390	Pass-through plus increased purchased power
Rate Base Increase	7,880,877	+7,664,801	15,545,678	Primarily plant additions and higher working capital
Deemed Interest Expense	166,539	+188,150	354,688	Higher rate base and updated capital structure
Deemed Return on Equity	272,994	+293,491	566,485	Higher base and updated ROE
Working Capital Allowance Change	1,044,039	+428,990	1,473,029	Increase in power supply at 7.5%
Revenue Offset / Other	(187,881)	(212,425)	(400,306)	Updated cost allocation, misc. offsets
Total Revenue Requirement Variance	—	+1,787,590	—	2027 RR less 2022 RR
Closing Revenue Requirement (2027 Test Year)	—	—	4,959,191	Reconciles to model

1.3.3 Load Forecast

RSL used the same methodology to determine its forecast as it did in its previous applications. The load forecast for 2027 is based on a standard multiple regression analysis that relates historical monthly wholesale kWh usage to various variables, which explains the variation in monthly electricity consumption. RSL's load is influenced by four main factors – weather (e.g., heating and cooling), which is by far the most dominant effect on most systems, the number of days per month, and a "Spring and Fall" flag.

Weather normalized values are determined using the regression equation with a "10-year average monthly degree days (2015-2025)".

Allocation to specific weather-sensitive rate classes (Residential, GS<50, GS>50) is based on the average share of each classes' actual retail kWh (exclusive of distribution losses) of actual wholesale kWh for the 2015 to 2025 period.

The 2027 Load Forecast is presented on the next page, and detailed explanations of the load forecast can be found in Exhibit 3.

Table 3 – Load Forecast

Class	2022 BA.	2027	G R O W T H
Residential	5,126	5,376	250
General Service < 50 kW	728	742	14
General Service > 50 to 4999 kW	60	66	6
Unmetered Scattered Load	17	60	44
Sentinel	69	69	0
Streetlights	1,712	1,713	1
Residential	40,152,605 kWh	50,042,036 kWh	9,889,431 kWh
General Service < 50 kW	18,422,393 kWh	22,686,577 kWh	4,264,184 kWh
General Service > 50 to 4999 kW	35,686,579 kWh	44,638,220 kWh	8,951,641 kWh
Unmetered Scattered Load	643,596 kWh	638,257 kWh	-5,339 kWh
Sentinel	85,700 kWh	137,577 kWh	51,877 kWh
Streetlights	557,843 kWh	647,807 kWh	89,964 kWh
Residential	0 kW	0 kW	
General Service < 50 kW	0 kW	0 kW	
General Service > 50 to 4999 kW	105,774 kW	121,844 kW	16,070 kW
Unmetered Scattered Load	0 kW	0 kW	
Sentinel	238 kW	152 kW	-86 kW
Streetlights	1,746 kW	1,621 kW	-125 kW
TOTAL Customer #	7,712	8,027	315
TOTAL kWh	95,548,716	118,790,474	23,241,758
TOTAL kW	107,758	123,617	15,859

1.3.4 Rate Base and Distribution System Planning

The proposed Rate Base for the 2027 test year of \$15,545,678 represents a \$7,664,801 increase from RSL's 2022 Board Approved Rate Base. An increase in the rate base is evidence of capital investments made by a utility in its infrastructure, such transformers, poles, and other essential assets required to provide reliable service to its customers. The rate base increase represents an increase in the value of the utility's assets that are used to deliver electricity or other services to customers.

The historical and proposed capital expenditures represent a reasonable and appropriate investment in distribution assets for the utility. RSL believes that the proposed Rate Base between 2022 and 2027 meets regulatory requirements such as the "obligation to connect" future expansion and the necessity to maintain electrical safety standards. Capital objectives include replacing deteriorating poles and transformers, maintaining as well as installing new distribution assets to support new services. Exhibit 2 shows details on RSL's historical and anticipated capital spending.

Table 4 – Rate Base

Particulars	2022BA.	2027	Var \$	Var %
Gross Fixed Assets (average)	\$10,021,877	\$18,899,363	\$8,877,486	88.58%
Accumulated Depreciation (average)	-\$3,185,039	-\$4,826,714	-\$1,641,675	51.54%
Net Fixed Assets (average)	\$6,836,838	\$14,072,649	\$7,235,811	105.84%
Allowance for Working Capital	\$1,044,039	\$1,473,029	\$428,990	41.09%
Total	\$7,880,877	\$15,545,678	\$7,664,801	97.26%

Working Capital Allowance				
Particulars	2022BA	2027		
3500-Distribution Expenses - Operation	\$362,465	\$654,159	\$291,694	80.47%
3550-Distribution Expenses - Maintenance	\$450,600	\$692,022	\$241,422	53.58%
3650-Billing and collecting	\$551,220	\$618,562	\$67,342	12.22%
3700-Community Relations	\$32,500	\$24,227	-\$8,273	-25.45%
3800-Administrative and General Expenses	\$1,085,627	\$1,729,967	\$644,340	59.35%
Other Expenses or Adjustments	\$32,200	\$34,377	\$2,177	6.76%
			\$0	#DIV/0!
Total Eligible Distribution Expenses	\$2,514,612	\$3,753,313	\$1,238,701	49.26%
Power Supply Expenses	\$11,405,913	\$15,887,077	\$4,481,164	39.29%
Total Expenses for Working Capital	\$13,920,525	\$19,640,390	\$5,719,865	41.09%
Working Capital factor	7.50%	7.50%	\$0	0.00%
Total	\$1,044,039	\$1,473,029	\$428,990	41.09%

1.3.5 Operating Expenses (OM&A)

The table below shows a summary of recoverable OM&A expenses for relevant years. As can be seen, the level of spending has increased since the last Board approval in 2022, with a total increase of \$1.2M or 49.81%.

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

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

	Board Approved	2027	Var \$	Var %
Operations	\$362,465	\$654,159	\$291,694	80.47%
Maintenance	\$450,600	\$692,022	\$241,422	53.58%
Billing and collecting	\$551,220	\$618,562	\$67,342	12.22%
Community Relations	\$32,500	\$24,227	-\$8,273	-25.45%
Administrative and General LEAP	\$1,085,627	\$1,729,967	\$644,340	59.35%
Total	\$2,482,412	\$3,718,936	\$1,236,525	49.81%

1.3.6 Cost of Capital

RSL seeks to recover a weighted average cost of capital of 5.93% through rates in the 2027 Test Year. As per the OEB's prescribed Cost of Capital Parameters published for 2027 Cost of Service applications, RSL has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, as well as the most recent, published allowed return on equity (ROE) rate of 9.11%. RSL commits to updating its proposed cost of capital parameters to reflect the OEB's prescribed Cost of Capital Parameters for 2027 Cost of Service Applications once available.

RSL's cost of capital and return on rate base for 2027 Test Year is shown in table 1 below.

Table 6 – Cost of Capital Parameters

Particulars	Cap Ratio %	Cap Ratio \$	Cost Rate %	Return \$
Debt	(%)	(\$)	(%)	(\$)
Long-term Debt (Notional)	15.03%	\$2,337,062	3.88%	\$90,678
Long-term Debt (Actual)	40.97%	\$6,368,518	3.88%	\$247,097
Short-term Debt	4.00%	\$621,827	2.72%	\$16,914
Total Debt	60.00%	\$9,327,407	3.80%	\$354,688
Equity				
Common Equity	40.00%	\$6,218,271	9.11%	\$566,485
Preferred Shares		\$0		\$0
Total Equity	40.00%	\$6,218,271	9.11%	\$566,485
Total	100.00%	\$15,545,678	5.93%	\$921,173

1.3.7 Cost Allocation

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate. RSL has prepared a Cost Allocation Study based on an allocation of the 2027 test year costs (i.e., the 2027 forecast revenue requirement) to the various customer classes using allocators based on the forecast class loads (kW and kWh) by class, customer counts, etc. Further details on Cost Allocation can be found in Exhibit 7.

Table 7 – Cost Allocation

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Shortfall Allocation
Residential	1.003	1.003	0.000	\$1,314
General Service < 50 kW	1.151	1.131	-0.020	\$17,730
General Service > 50 to 4999 kW	0.933	0.933	0.000	\$392
Unmetered Scattered Load	1.507	1.200	-0.307	\$6,030
Sentinel Lights	0.463	0.800	0.337	-\$8,969
Street Lighting	0.737	0.800	0.063	-\$16,496

1.3.8 Deferral and Variance Account Disposition

RSL proposes a credit of (\$337,314) relating to Group and a credit of (\$203,860) related to Group 2 accounts.

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

Table 8 – Deferral and Variance Accounts

Group	Account	Description	Amount (\$)	Allocator	Disposition
Group 1	1550	LV Variance Account	(104,294)	kWh	Yes
	1551	Smart Metering Entity Charge Variance Account	(2,432)	# of Customers	Yes
	1580	RSVA - Wholesale Market Service Charge	(137,146)	kWh	Yes
	1584	RSVA - Retail Transmission Network Charge	12,594	kWh	Yes
	1586	RSVA - Retail Transmission Connection Charge	(26,087)	kWh	Yes
	1588	RSVA - Power (excluding Global Adjustment)	(13,016)	kWh	Yes
	1589	RSVA - Global Adjustment	(57,524)	Non-RPP kWh	Yes
	1595	DVA (2023–2026)	(9,409)	%	Yes
Subtotal – Group 1 (excl. 1589)			(279,789)		
Total – Group 1			(337,314)		
Group 2	1508	Customer Choice Initiative Costs	7,056	kWh	Yes
	1508	Green Button Initiative Costs	9,144	kWh	Yes
	1508	ULO Implementation Costs	2,420	kWh	Yes
	1508	LEAP EFA	34,046	kWh	Yes
	1508	Lost Revenue – Collection of Charges	55,533	kWh	Yes
	1511	Cloud Computing Costs	170,998	kWh	Yes
	1518	Retail Cost Variance – Retail	(1,566)	Customers	Yes
	1522	Pension & OPEB Differential	(535)	kWh	Yes
	1525	Misc. Deferred Debits	(83,045)	kWh	Yes
	1548	Retail Cost Variance – STR	223	Customers	Yes
	1592	PILs Tax Variance	(6,153)	kWh	Yes
	1592	PILs CCA Sub-account	9,311	kWh	Yes
Total – Group 2			203,860		

1.3.9 Bill Impacts

The proposed rate changes result in net bill decreases for several rate classes. General Service 50–4,999 kW (Non-RPP), General Service under 50 kW (RPP), and Unmetered Scattered Load customers would experience net bill reductions of approximately 3.6%, 1.6%, and 5.6%, respectively. Residential RPP customers would experience a modest net bill increase of 0.4%, while Residential Non-RPP (Retailer) customers would experience a modest net bill decrease of 0.2%.

Street Lighting (RPP) customers would experience a total bill increase of 18.5%, while Sentinel Lighting (Non-RPP) customers would experience a total bill increase of 37.2%. These are the only two classes that exceed the Board's $\pm 10\%$ bill impact threshold.

The Sentinel Lighting impact is addressed in Exhibit 8. As discussed therein, the increase reflects the class's small revenue base and the correction of a historical under-recovery, resulting in a modest absolute dollar impact. Similarly, the Street Lighting increase reflects the updated cost allocation results and represents a relatively small absolute dollar impact of approximately \$2.39 per year for a typical customer.

Table 9 – Bill Impacts

Class	Subtotal A (\$ / %)	Subtotal B (\$ / %)	Subtotal C (\$ / %)	Total Bill (\$ / %)
Residential – RPP	+\$10.56 / +29.5%	+\$4.22 / +8.8%	+\$0.86 / +1.4%	+\$0.62 / +0.4%
GS < 50 kW – RPP	+\$18.92 / +25.7%	+\$2.01 / +1.9%	-\$5.99 / -4.3%	-\$5.75 / -1.6%
GS 50–4,999 kW – non-RPP	+\$315.42 / +37.1%	+\$131.32 / +11.9%	-\$61.59 / -3.0%	-\$357.65 / -3.6%
Unmetered Scattered Load – RPP	+\$1.14 / +3.7%	-\$6.27 / -14.2%	-\$9.82 / -16.4%	-\$8.96 / -5.6%
Sentinel Lighting – Non-RPP	+\$13.60 / +136.9%	+\$12.41 / +105.4%	+\$12.22 / +96.1%	+\$10.91 / +37.2%
Street Lighting – RPP	+\$2.46 / +39.9%	+\$2.20 / +33.4%	+\$2.12 / +30.3%	+\$2.39 / +18.5%
Residential – Non-RPP (Retailer)	+\$10.56 / +29.5%	+\$3.22 / +6.8%	-\$0.14 / -0.2%	-\$0.27 / -0.2%

1.4. REGULATORY CONTEXT AND RECENT INITIATIVES

1.4.1 Directives from Previous Decisions

2022 Rates (EB-2021-0056)

The OEB approved the 2022 Cost of Service application effective June 1, 2022. A typical residential customer using 750 kWh per month experienced an increase of approximately 7.75 dollars. The OEB accepted the settlement including capital requirements, OM and A, cost allocation and rate design. An Advanced Capital Module treatment was approved for the Morrisburg Substation 2 project to avoid an incremental capital filing in 2023. The OEB accepted the 2022 load forecast of 95,549 MWh and a test year OM and A of 2.5 million dollars. Deferral and variance accounts were approved for disposition.

The OEB directed the company to update its load profiles in the cost allocation model at its next rebasing. The Decision identified that ACM rate riders must use updated inflation and growth data once the project entered service. All approved balances were required to be transferred to Account 1595 in accordance with the Accounting Procedures Handbook.

2023 Rates (EB-2022-0061)

The OEB approved the 2023 IRM application effective May 1, 2023. A typical residential customer using 750 kWh per month experienced an increase of approximately 3.97 dollars. The OEB approved a 3.55 percent price cap adjustment and updated Retail Transmission Service Rates consistent with Hydro One. Group 1 deferral and variance accounts totaling 222,091 dollars were approved for recovery over one year. Global Adjustment and Capacity Based Recovery treatment was applied separately for Class B customers.

The OEB directed that GA and CBR balances be disposed using separate rate riders. Approved balances were required to be transferred to Account 1595 at the effective date of rate implementation. RTSR adjustments were to be recorded in Accounts 1584 and 1586 and the company was required to seek disposition of outstanding LRAMVA amounts related to conservation programs where appropriate data existed..

2024 Rates (EB-2023-0050)

The OEB approved the 2024 IRM application effective May 1, 2024. A typical residential customer using 750 kWh per month experienced an increase of approximately 3.92 dollars. The OEB approved a 4.65 percent price cap adjustment and updated RTSRs to reflect Hydro One charges. Group 1 accounts were approved for disposition and the

Board also approved disposition of Account 1509 for forgone revenues related to postponed rate implementation during COVID-19.

The OEB directed that the COVID-19 forgone revenue balance be collected through fixed monthly riders over one year and transferred to Account 1595. The Decision confirmed ongoing requirements to record RTSR differences in Accounts 1584 and 1586 and to apply transfers in accordance with OEB accounting rules for electricity distributors.

2025 Rates (EB-2024-0053)

The OEB approved the 2025 IRM application effective May 1, 2025. A typical residential customer using 750 kWh per month saw a decrease of approximately 2.25 dollars. The OEB approved a 3.45 percent price cap adjustment and updated RTSRs based on Hydro One rates. Group 1 deferral and variance accounts totaling 260,430 dollars were approved for recovery.

The OEB directed that approved balances be transferred to Account 1595 at the start of the rate year. Separate Class B allocation was required for CBR variance amounts. Future RTSR adjustments were directed to continue to be tracked in variance accounts and all accounting treatment must follow the Accounting Procedures Handbook.

2026 Rates (EB-2025-0010)

The OEB approved the 2026 IRM application effective May 1, 2026. A typical residential customer using 750 kWh per month experienced an increase of approximately 0.41 dollars. The OEB approved a 3.55 percent price cap adjustment based on the standard inflation minus X-factor methodology and updated Retail Transmission Service Rates consistent with Hydro One.

Group 1 deferral and variance accounts totaling 268,161 dollars were approved for recovery over a one-year period. The OEB confirmed that the balances exceeded the disposition threshold and were appropriate for disposition. During the proceeding, corrections were made to Account 1589 related to Global Adjustment, and the updated balances were accepted as meeting reasonability tests.

The OEB directed that approved balances be transferred to Account 1595 at the effective date of rate implementation in accordance with the Accounting Procedures Handbook. RTSR differences are to continue to be recorded in Accounts 1584 and 1586.

The Decision also requires the distributor to implement the Electric Vehicle Charging rate for eligible customers beginning in 2026, consistent with OEB policy.

1.4.2 Reliability Benchmarking Directive

RSL supports the OEB's reliability benchmarking initiative and understands that distributors are expected to improve reporting consistency and establish performance targets. RSL will continue to provide annual reliability results through its scorecard and will use benchmarking information to identify potential areas of improvement. Further detail on reliability performance, trends, and system priorities is provided in Exhibit 2 and Exhibit 5.

1.4.3 CCIM Capacity Mapping Requirements

RSL participates in the provincial Capacity and Connections Assessment mapping initiative administered through the Planview platform. The utility continues to upload system information, capacity indicators, and connection data in the required formats to support provincial visibility and DER hosting information. Where the information submitted differs from historical submissions, RSL tracks supporting data changes in accordance with OEB guidance. Additional detail on mapping data sources and system characteristics is provided in Exhibit 2.

1.4.4 DER and Electrification Planning Expectations

RSL acknowledges the OEB's direction to consider electrification and distributed energy resources in system planning.

Since the last COS, RSL has connected a total of 285kW of DERs capacity, with 160kW in the Westport area through micro generations connections and 125kW in Iroquois through a non injecting DER offsetting new load. RSL is currently working with Hydro One to advance a Connection Impact Assessment (CIA) to enable an additional 250 kW of DER capacity in the Westport area. In parallel, RSL continues to engage through regional planning processes to understand the requirements and timing to address the thermal constraint at the Hydro One Morrisburg TS, which currently limits both load growth and DER integration across a significant portion of RSL's service territory.

With respect to electrification, RSL is incorporating emerging trends such as electric vehicle adoption and heat pump uptake into its load monitoring and planning activities. Given the size and pace of development within the service territory, these impacts are currently being tracked through observed load growth and customer connection activity, and are reflected in the load forecast.

At this time, RSL has not identified any near term material capacity-driven needs where a DER or non-wires alternative would represent a cost-effective solution. This conclusion is based on current load levels, available feeder capacity, and the absence of localized constraints within RSL-owned assets. The primary system limitation affecting the service territory remains the upstream constraint at the Hydro One Morrisburg TS.

RSL will continue to monitor load patterns, customer connection activity, and feeder capacity to identify opportunities where potential DER or non wire opportunities may be appropriate in future planning cycles. As the system need evolve, DER considerations will be assessed as part

of the standard planning and investment evaluation process. Related planning information is referenced in Exhibit 2.

1.4.5 IESO Energy Efficiency and eDSM Participation

RSL supports the ongoing provincial energy efficiency initiatives offered through the IESO. The utility participates in the Stream 1 local demand management program administered through the EDA and continues to promote eligible conservation programs to customers. RSL tracks related revenues, and bill impacts in accordance with OEB requirements, with additional detail provided in Exhibit 4 and Exhibit 8.

1.4.6 LEAP Low-Income Support and Affordability Programs

RSL supports the OEB's updated approach to the Low-Income Energy Assistance Program. Eligible customers will not be denied emergency financial assistance based solely on annual funding limits. Any variance between the funding collected through rates and program amounts provided is recorded in a deferral and variance account in accordance with OEB policy.

1.4.7 Benefit-Cost Analysis Framework and Non-Wires Solutions Screening

RSL acknowledges the OEB's Benefit-Cost Analysis (BCA) Framework and the Non-Wires Solutions (NWS) Guidelines for Electricity Distributors. RSL's capital plan for the 2027 test year is primarily driven by asset condition replacement and compliance requirements. As these projects are required to maintain safe and reliable operation of existing assets, they do not represent opportunities where non-wires alternatives would be applicable.

For projects involving incremental capacity needs, RSL considers non-wires alternatives as part of its planning process. In particular, for the 2026 Iroquois Distribution Station project, RSL assessed at a screening level whether non-wires solutions could address the identified need for additional capacity while also providing N-1 reliability within the service area. This screening considered the ability of potential alternatives, such as distributed energy resources, energy storage, and demand-side measures, to reliably meet the required capacity and redundancy requirements. Given the magnitude and location of the need, as well as the requirement to have N-1 capability, RSL determined that currently available non-wires solutions would not be able to provide a comparable level of reliability and capacity in a cost-effective manner. Accordingly, a traditional wires solution was determined to be the most appropriate approach to meet the system need.

RSL will continue to apply the OEB's BCA Framework and Non-Wires Solutions Guidelines for future capacity-driven investments. Where a need is identified, RSL will assess non-wires alternatives, including consideration of cost, technical feasibility, reliability requirements, and implementation timing, to determine whether a non-wires solution represents a viable alternative.

1.5. ABOUT THE UTILITY

1.5.1 Distribution System Overview and Service Area

Rideau St. Lawrence Distribution Inc. (“RSL”) is a licensed electricity distributor serving six established communities in Eastern Ontario. RSL operates a compact and fully embedded distribution system supplied by Hydro One Networks Inc. (“HONI”). The total service area encompasses approximately 18 square kilometres, serving an estimated distribution service population of 11,842 within a broader municipal population of 20,547.

RSL’s customer density is approximately 52 customers per kilometre of primary line, reflecting the predominantly urban and small-town nature of the service territory. Service area boundaries have remained unchanged since RSL’s previous Cost of Service application.

At the beginning of 2026, RSL operates nine RSL-owned transformer stations, with a tenth station expected to be commissioned by the end of 2026. Following commissioning, station energization dates will range from 1953 to 2026. Transformer capacities range from 3.0 MVA to 5.0 MVA, with feeder counts ranging from two to four per station.

In addition to RSL-owned transformation facilities, portions of the distribution system are supplied directly from HONI distribution feeders. RSL is served by shared 4.8 kV HONI feeders in Westport and Williamsburg. In limited areas, certain large customers are supplied via 44 kV feeders directly from HONI.

The distribution system consists of approximately:

- 98 km of overhead line supported by 1,994 poles
- 15 km of underground line
- 928 distribution transformers

While the total service area footprint is compact, the easternmost and westernmost service areas are approximately 130 km apart. RSL operates primarily from its Prescott office, with system operations structured to manage geographically separated communities efficiently. RSL does not serve a defined rural service territory. The system is predominantly urban and small-town in configuration.

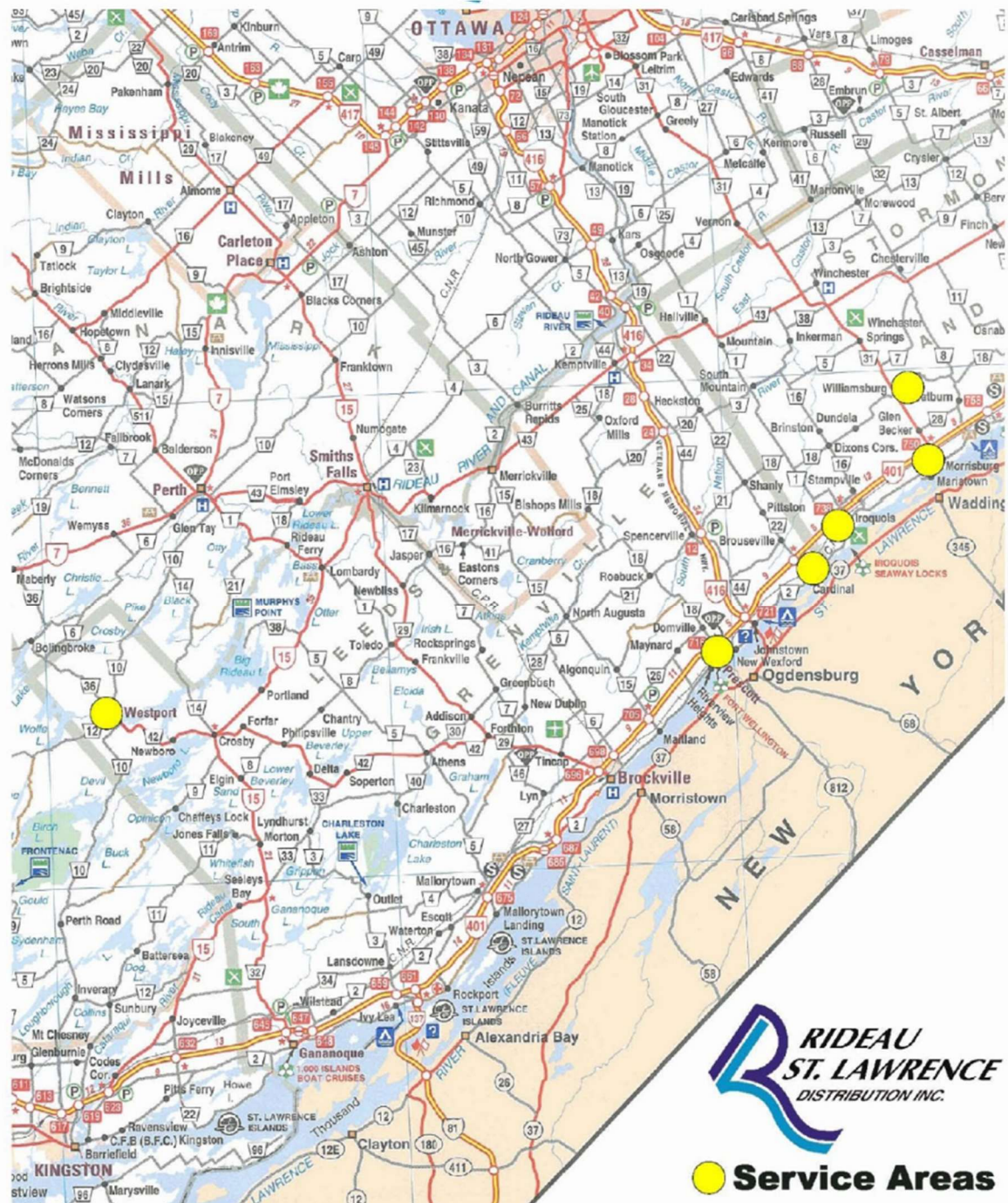
Communities Served:

- Town of Prescott
- Village of Westport
- Former Village of Cardinal, now the Township of Edwardsburg Cardinal
- Former Village of Iroquois, now the Municipality of South Dundas
- Former Village of Morrisburg, now the Municipality of South Dundas
- Former Village of Williamsburg , now the Municipality of South Dundas

System Characteristics:

- Total service area: 18 km²
- Customer density: 52 customers/km of primary line
- Distribution system type: Embedded in HONI
- Municipal population: 20,547
- Service population: 11,842
- No rural service area defined

Table 10 Maps of Service Area



Asset Summary:

- Overhead line: 98 km
- Underground line: 15 km
- Utility poles: 1,994
- Utility-owned transformers: 928
- RSL-owned stations: 9
- Shared stations with HONI: 2

Table 11 – Municipal Stations

Station	Year Energized	Voltage	Transformer Size	No. of Feeders
Cardinal MS1	1953	44–2.4 kV	3.0 MVA	2
Cardinal MS2	1996	44–2.4 kV	3.0 MVA	2
Iroquois MS1	1953 / 2016	44–4.8 kV	3.0 MVA	2
Morrisburg MS1	1976	44–2.4 kV	5.0 MVA	4
Morrisburg MS2	1989	44–2.4 kV	5.0 MVA	2
Prescott MS1	1965	44–2.4 kV	3.0 MVA	3
Prescott MS2	1954 (refurb 2017)	44–2.4 kV	5.0 MVA	2
Prescott MS3	1963	44–2.4 kV	5.0 MVA	4
Prescott MS4	1991	44–2.4 kV	5.0 MVA	2

Distribution Model:

RSL operates a compact and geographically separated distribution system that is fully embedded within Hydro One Networks. System oversight, outage coordination, customer service activities, and administrative functions are centrally managed from the Prescott office, with additional live customer service available from Morrisburg and Prescott.

Each service area is supplied from distinct transformer station assets which operate independently of one another. RSL reports that existing service areas continue to function reliably and that no changes to service boundaries have occurred since the previous Cost of Service Application.

RSL continues to evaluate and maintain its assets through ongoing assessment and inspection. Operations personnel are responsible for routine switching, emergency response, line patrol, vegetation management, and coordination with Hydro One where shared assets and station facilities exist. Customer billing, collections, outage response, and stakeholder engagement continue to be managed locally through RSL personnel.

1.5.2 Business Plan and Planning Priorities

In 2025, the RSL Board of Directors undertook a formal review and renewal of its strategic plan. The strategy process incorporated input from key stakeholders, including customers, municipal shareholders, regulatory requirements, and broader provincial energy policy direction. The outcome reaffirmed RSL's mission, values, and long-term priorities.

Management operationalizes the Board-approved strategy through an annual corporate business plan, which is further translated into quarterly action plans and monthly execution tracking. This structured planning framework integrates strategic objectives, capital investment planning, operating priorities, regulatory commitments, and workforce considerations. The framework is proportionate to RSL's size and complexity and has been consistently used to support disciplined oversight and resource allocation.

The business plan functions as RSL's primary operational management tool. It provides visibility into capital execution, regulatory filings, system renewal programs, customer-driven growth requirements, and workforce development activities. Executive management reviews progress regularly to ensure alignment between strategic objectives and operational delivery.

For purposes of this application, RSL relied upon its 2026 Business Plan to confirm capital priorities, operational readiness, and financial planning assumptions. The plan reflects preparation for infrastructure renewal, electrification-related growth, regulatory compliance, and internal capability development. As a small LDC, RSL's streamlined planning approach provides an appropriate balance between governance oversight and operational efficiency.

Below are the key elements of the 2026 Plan.

Mission

RSL's mission is to provide stable electricity and innovative services that deliver superior value to its communities. This statement guides operational priorities and ensures reliability, safety, and customer service remain at the core of the utility's decisions.

Values

RSL's values emphasize integrity, continuous improvement, and collaboration. These principles support transparent governance, operational efficiency, and constructive engagement with customers, employees, and municipal partners.

2026 Corporate Goals

RSL's 2026 goals focus on financial stability and targeted system investment. The earnings target of \$170,000 and the planned \$3.5 million capital program support system expansion for access, system renewal, modernization, and future system needs, while aligning with shareholder expectations.

2026 Strategic Focus Areas

RSL priorities are driven from continuing to maintain and improve on strong customer satisfaction by delivering on the following:

1. Support Regional Growth
 - a. Facilitate timely connection of multi-phase residential developments, long-term care facilities, commercial developments, fibre infrastructure, and EV charging installations in accordance with the Distribution System Code.
 - b. Commission a tenth transformer station to address forecasted load growth and maintain appropriate system capacity margins.
 - c. Participate in regional planning processes to support long-term supply adequacy and coordinated infrastructure development.
2. Enhance System Reliability
 - a. Expand vegetation management activities.
 - b. Pursue NRCan SREP funding to reduce rate payer impacts associated with modernization initiatives, including deployment of SCADA, reclosers, and automation technologies while reducing rate payer burden.
 - c. Execute asset renewal plans based on condition and lifecycle analysis.
3. Enable Distributed Energy Resources (DER)
 - a. Participate in regional planning discussions with Hydro One Networks Inc. and other stakeholders to support appropriate DER integration.
 - b. Complete required Connection Impact Assessments (CIAs) in coordination with HONI to support customer connection requests while maintaining system reliability.
4. Meet Evolving Regulatory Requirements
 - a. Enhance internal capability in system loading analysis, GIS asset management, and cybersecurity compliance to meet increasing regulatory and reporting expectations.
 - b. Complete required cybersecurity enhancements and regulatory reporting enhancements.
5. Develop Workforce Capacity
 - a. Conduct collective bargaining in support of maintaining a stable and skilled workforce.
 - b. Advance succession planning and workforce development initiatives to manage retirements and institutional knowledge transfer.
 - c. Staff engineer support to meet utility growth and evolving requirements.

Summary of 2026 Projects

RSL's annual plan organizes its activities into three main categories: Corporate, Operations and Capital. All projects included in the 2026 plan were prioritized based on safety, regulatory compliance, asset condition, customer-driven growth, and lifecycle replacement considerations. Projects were evaluated in light of available financial resources and customer rate impact.

Corporate Related Activities

Governance and Oversight

RSL's 2026 plan includes regular governance requirements including bi-monthly Board meetings and the annual general meeting. These activities ensure appropriate oversight, review of financial and operational performance, and alignment with shareholder expectations.

Additionally, board directors periodically visit the organization to maintain familiarity with operations. Board members also regularly participate in industry conferences and training to keep abreast of the latest developments in the sector.

Shareholders are engaged through monthly join-ups with the municipal shareholder representatives, and board meeting summaries are provided to all shareholders.

Corporate Administration and Financial Controls

The utility will complete its annual audit cycle with KPMG, including year-end audits and mid-year inventory sampling, and finish implementing the ERP transition from Cayenta to Accumatica to strengthen financial reporting, internal controls, and asset management accuracy. These activities support regulatory transparency and audit readiness.

Corporate Cybersecurity Risk Assessment

Complete required improvements identified through Group 2 cybersecurity assessment.

Labour Relations

RSL has collective bargaining planned with CUPE in March of 2026. Preparing for and conducting these negotiations is essential to maintaining stable operations and managing workforce costs, while also addressing the challenge of attracting and retaining a skilled labour force.

Customer Service Systems

RSL will continue to review and improve the Paymentus IVR platform to assess functionality and identify opportunities for service improvement. This review supports customer service reliability and payment system efficiency.

Organizational Capacity and Cross-Training

To support succession planning and operational resiliency, RSL will continue cross-training initiatives within administrative and finance roles. This helps ensure coverage for key functions and reduces operational risk in a small-utility environment.

Employee Engagement, Culture, and Health and Safety

Regular health and safety meetings and ongoing engagement activities remain part of RSL's operating plan. These initiatives promote a strong safety culture and support employee retention and organizational well-being.

Operations Related Activities

Operational projects focus on maintaining safe and reliable day-to-day service while meeting regulatory and corporate requirements. Key activities include:

Regulatory and Compliance Requirements

RSL's operating plan includes several mandatory regulatory filings and compliance activities. These include preparation of the 2027 Cost of Service application, execution of eDSM program requirements, completion of annual RRR filings, production of the OEB Scorecard, and a scheduled cybersecurity assessment. Together, these activities ensure RSL remains compliant with OEB, IESO, and cybersecurity standards.

ESA audits are also planned under the regulatory compliance requirements for the utility.

Customer and Community Engagement

The utility will transition its customer satisfaction and safety awareness surveys to OraclePoll to enhance survey methodology and reporting consistency. These activities support RSL's commitment to understanding customer needs and maintaining transparent communication.

Workforce Development and Training

RSL plans to continue developing staff skills through training initiatives, including onboarding and mentoring a new engineer, PLT apprentice training, PLT instruction on three-phase metering, and training on remote disconnect technology. This reflects the utility's focus on succession planning, safety, driving efficiency, and maintaining a multi-skilled workforce.

GIS, Engineering, and System Data

RSL will continue updating its Autocad 3D GIS platform and migrate the system to industry prevalent ESRI GIS, maintaining it as a living document that supports mapping accuracy, work planning, and future DSP requirements. These updates strengthen RSL's asset and system data environment. To make the work more efficient RSL will be staffing and onboarding a new distribution engineer.

The onboarding of a distribution engineer supports increasing complexity in system planning, connection impact assessments, GIS data governance, and regulatory

reporting. The role is expected to improve internal technical oversight and reduce long-term reliance on external engineering consultants.

Vegetation Management and System Safety

RSL's Vegetation Management Plan supports system reliability, reduces outage risk, and ensures compliance with applicable safety and inspection requirements.

RSL continues to inspect the system and has increased vegetation management activities beyond historical funding levels in response to changing system conditions. Over the past five years, vegetation growth rates have increased due to changing weather patterns, including longer growing seasons and more frequent and severe wind events. These conditions have increased both the frequency of vegetation encroachment and the need to maintain greater clearances from energized conductors.

The current program includes a combination of cycle-based and condition-based trimming, with work prioritized based on system risk, accessibility, asset condition, and reliability performance. The program also incorporates compliance-driven activities, including adherence to ESA Bulletin 22-04 requirements and Distribution System Inspection (DDI) obligations.

The increase in vegetation management spending in the bridge and test years reflects the implementation of this enhanced program, which is designed to address evolving vegetation pressures within the service territory. The proposed spending levels represent the expected annual cost required over a multi-year period to maintain system reliability and regulatory compliance under current vegetation growth conditions.

Over the planning horizon, RSL has also planned capital investments that are expected to improve system resiliency and reduce vegetation-related risk, contributing to more sustainable vegetation management requirements over time.

RSL will continue to monitor vegetation growth trends, system access activity, and reliability performance, and will adjust the program as needed to ensure it remains appropriately scaled and cost-effective.

Further details are provided in Section 4.5 of Exhibit 4.

Capital Related Activities

Capital projects focus on renewing, expanding, and modernizing RSL's distribution system to support reliability, customer growth, and electrification. Key activities include:

Distribution System Expansion

Expand the capacity in Iroquois by added a second distribution station for the community. The addition of a second distribution station in Iroquois addresses load growth, reduces single-point-of-failure risk, improves voltage support, and enhances system resiliency within that community.

Expand the 44kV feeder for the Prescott Long Term Care Home driven by the customer.

Distribution System Improvements

RSL's system renewal program includes targeted station, line, and equipment replacements required to maintain reliability and support long-term system resiliency. Key projects include transformer and station work at Cardinal MS1, SCADA-ready switch installations, pole and kiosk replacements in Prescott and Morrisburg, and NRCAN-supported recloser upgrades in Iroquois. These projects address aging infrastructure and prepare the system for increased automation and electrification.

Development and Customer Growth

RSL continues to support significant residential, commercial, and institutional growth across its service area. Planned work includes servicing new apartment buildings, retail facilities, long-term care facilities, and multi-phase subdivisions in Prescott, Iroquois, Morrisburg, and Westport. Additional projects also include new fibre deployments by Bell and Xplore. These investments ensure RSL can meet customer demand and municipal development timelines.

Growth-related capital investments are subject to applicable capital contribution and expansion cost recovery mechanisms under the Distribution System Code to ensure costs are appropriately allocated.

Fleet Projects

RSL's fleet replacement program includes procurement of a new single bucket truck, a double bucket truck with cab and chassis, and the replacement of the aging 2015 GMC Sierra. The utility also plans to dispose of older vehicles and trailers no longer suitable for service. These investments support safe field operations and reduce maintenance costs associated with aging equipment.

Major Tools

The 2026 plan includes the replacement of key operational tools, including a system locator used for underground plant identification. This contributes to safe construction practices and operational efficiency.

Meters

RSL will continue its meter replacement program, ensuring compliance with Measurement Canada requirements and maintaining accurate customer billing.

The program primarily relies on reverification through statistical sampling, which allows RSL to extend the service life of existing meters in a cost-effective manner while maintaining regulatory compliance. Meters that fail reverification or reach end-of-life are replaced with new units. New meter installations include enhanced functionality, such as bi-directional metering capability and remote disconnect features, supporting evolving customer needs and operational efficiency.

In addition, RSL is initiating a program to replace primary metering equipment (PMEs) over the planning period, based on asset condition and lifecycle considerations.

Facilities

Modest facility upgrades are planned, including enhancements to the conference room and additional seating for new staff. These improvements support workplace functionality and accommodate recent staffing changes.

Information Technology

The capital plan includes replacement of aging computer hardware and workstation equipment to maintain cybersecurity standards, support the ERP transition, and ensure compliance with cybersecurity standards and vendor support requirements.

1.5.3 Sector Changes:

Digital Modernization and Grid Transformation Initiatives

RSL's 2026 plan incorporates several initiatives that align with sector expectations for digital modernization. The transition to Accumatica strengthens financial and operational data management. Ongoing GIS updates improve asset records and support future DSP and CCIM requirements. A scheduled cybersecurity assessment reflects increasing sector emphasis on cyber resilience. System renewal work, including SCADA-ready reclosers and switching equipment, supports greater automation and positions the utility for future grid transformation.

Sector Changes, Electrification, and Growth Considerations

RSL's planning reflects ongoing sector trends related to electrification, community growth, and increasing load requirements. The utility continues to support significant development activity across Prescott, Iroquois, Morrisburg, and Westport, requiring new customer connections and targeted system upgrades. Electrification considerations are integrated through EV-ready infrastructure, DER hosting capacity, and load capacity-supporting renewal work. These factors influence RSL's capital sequencing and long-term system planning to ensure reliability and service quality as customer demand evolves.

Participation in Sector Working Groups

RSL participates in sector initiatives that support regulatory compliance and alignment with emerging practices. Activities such as eDSM program execution, survey modernization through Advanis/OraclePoll, ESA compliance work, and cybersecurity assessments reflect the utility's engagement with broader industry expectations.

Given its size and resource constraints, RSL leverages collaboration through industry associations and shared service groups to access expertise and best practices in a cost-effective manner. RSL is an active participant in sector organizations and working groups, including the Electricity Distributors Association (EDA), Cornerstone Hydro Electric Concepts Association (CHEC), and the Utilities Standards Forum (USF).

RSL also coordinates externally on initiatives such as system automation and fibre deployment, supporting awareness of technological developments and opportunities relevant to small LDCs.

Climate, Weather, and System Resiliency Considerations

RSL is monitoring the OEB direction toward feeder level reliability indicators and asset health reporting such as FAIFI, FAIDI and VASH. As a smaller utility, RSL intends to move toward these tools using a step in approach that prioritizes data availability and internal process development. This method allows RSL to gradually align with future benchmarking expectations while maintaining cost control and practical staffing considerations.

1.5.4 Operating Environment

Organizational Structure:

RSL operates with an efficient and proportionate organizational structure that reflects the scale of the utility and the need to balance operational responsibilities with growing administrative and regulatory requirements. The organization has sixteen FTEs across three core functions reporting to the President and CEO:

- (1) Operations – 7 positions – 7 FTE
- (2) Finance – 4 positions – 4 FTE
- (3) Business Services – 4 positions – 3 FTE
- (4) Temporary eDSM – 1 position – 1 FTE

Two employees are currently on parental leave at the time of this writing, and two technical position remains vacant. Additional staffing detail is provided in Exhibit 4.

Operations

The Operations function is led by the Operations Manager and is responsible for the safe and reliable operation of the distribution system. The team of 5 PLT includes:

- 1. Operations Manager
- 2. PLT Foreman
- 3. PLT Lead Hand Journeyman
- 4. PLT Journeyman
- 5. PLT Journeyman (currently under recruitment)
- 6. Apprentice
- 7. Distribution Engineer (new position filled in 2026)

The Operations team performs locates, system inspections, capital construction, system expansions, maintenance, and emergency response. Where specialized civil, directional drilling, or technical services are required, RSL engages qualified contractors to supplement internal resources.

The RSL Board has approved the addition of an incremental Distribution Engineer position to address increasing system planning complexity, Connection Impact Assessments (CIAs), load analysis, GIS asset integration, and evolving regulatory reporting requirements. Historically, engineering services were primarily obtained externally. The establishment of internal engineering capability is intended to strengthen technical oversight, enhance asset management integration, and reduce long-term reliance on external engineering consultants.

The financial impacts associated with this position are addressed in Exhibit 4. The addition of this role reflects the increasing regulatory and technical complexity associated with the maintenance of a regulated distribution system.

Given the small size of the field workforce, operational redundancy is limited. As a result, the utility is sensitive to turnover or extended absences, reinforcing the importance of succession planning and cross-training.

Finance

The Finance function consists of:

- Vice President and Chief Financial Officer
- Financial Manager (Accounting and Regulatory)
- Collections Clerk
- Administration Clerk (accounts payable, accounts receivable)

Together, the finance staff manage budgeting, accounting, regulatory reporting, OEB model preparation, PILs and tax requirements, audits, and financial planning. This structure is efficient but requires external regulatory and financial support during major filings such as a Cost-of-Service application.

Business Services

Business Services is overseen by the Business Manager and supports all customer-facing and administrative functions. The team includes:

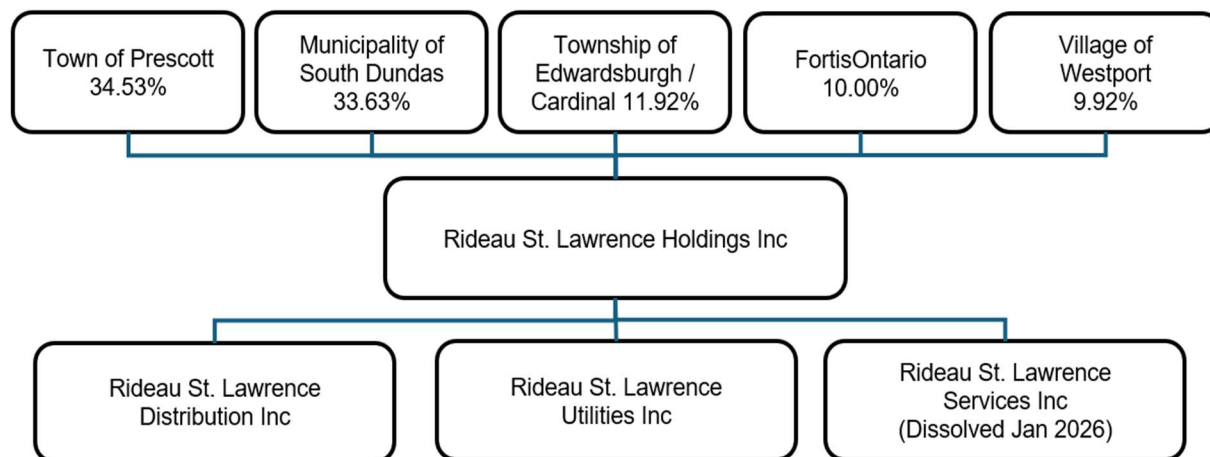
- Business Manager
- Three part time Customer Service and Billing staff (2FTE)

This group manages billing, customer inquiries, rate updates, customer education, and collections. The reliance on hybrid roles reflects the utility's need to meet regulatory and communication expectations with a small administrative team.

Temporary eDSM (1FTE)

Beginning 2026, RSL based on funding, RSL staffed a 1FTE to administer the eDSM program.

Corporate Governance Structure:



Rideau St. Lawrence Holdings Inc. (HoldCo) and its affiliated companies were incorporated on October 17, 2000 under the laws of the Province of Ontario. The principal activity of HoldCo is as a Holding Company.

Rideau St. Lawrence Distribution Inc. (RSL), Rideau St. Lawrence Utilities Inc (UtilitiesCo) and Rideau St. Lawrence Services (ServiceCo) operate under HoldCo.

The principal activity of the RSL is to provide electrical power distribution in the Town of Prescott, the village of Westport, and the former villages of Williamsburg, Morrisburg, Iroquois, and Cardinal.

The principal activity of UtilitiesCo is to provide services to RSL. In addition, UtilitiesCo also engages in utility related affiliated activities, including water and sewer billing for local municipalities, hot water tank rentals and services, street lighting, and fibre services.

As of January 2026, ServiceCo Inc was dissolved.

Board of Directors:

The board of Directors of the HoldCo are nominated by shareholders and approved through shareholder resolutions following the Unanimous Shareholder Agreement. The HoldCo has a total of five Directors. The Board of Directors of HoldCo are responsible for the appointment of RSL's Board of Directors.

In accordance with the Ontario Energy Board's Affiliate Relationships Code ("ARC"), HoldCo ensures that at least one-third of the DistributionCo Board is independent. For the purposes of governance, an independent director is an individual who is free from

relationships with the utility, its shareholders, and its affiliates that could reasonably be perceived to interfere with the exercise of independent judgment. This includes not being an employee or officer of the utility, not being influenced by the shareholder (including municipalities, FortisOntario, or HoldCo), not being influenced by management, and having no material relationship with affiliates.

No municipal employees or elected officials sit on the RSL Board. The current Board is composed of:

- a Chair with 25 years of utility board experience with a C.Dir designation from Degroote School of Business;
- a retired international industrial continuous improvement executive; and
- a lawyer with significant government and corporate law experience.

This composition satisfies the Affiliate Relationships Code requirement that at least one third of directors remain independent from affiliated corporations.

Board Oversight and Practices

The Board meets on a bi-monthly basis and reviews operational, regulatory, financial, risk, administrative, and health and safety matters. Management provides written reports, presentations, and responses to support informed oversight. Potential conflicts of interest are declared and assessed at the outset of all Board meetings.

RSL supports director orientation and continuing education. New directors are provided with organizational charts, corporate policies, historic Board minutes, budget materials, and health and safety information. Directors also participate in industry training through EDA regional meetings, management briefings, CHEC forums, and other industry association events. Governance training and development needs are reviewed, planned, and executed annually as part of the Board education process.

RSL renewed its Board Mandate in December 2023. The mandate spells out the directors, mandate, responsibilities, functions, conduct policies, and roles of the board chair. Below is a snippet of the mandate:

1. To adhere to and operate under the articles set out in the Unanimous Shareholders Agreement.
2. To duly inform themselves of the RSL business models, code of ethics and Shareholders Agreement.
3. Each Director has a fiduciary duty to act with due care and with a view to the best interests of the company.
4. To bring independent opinions based on their unique education and experience to all issues and discussion.

5. To declare all conflicts of interest and to include the corporate Code of Conduct into all decision-making dialogue and subsequent action orders.

With a small Board of 3 directors, utilizes committees of the whole in making decisions in all its governance work.

No changes to corporate structure are planned at this time.

Conditions of Service

RSL's Conditions of Service are available on its website at the link below. The utility confirms that the Conditions of Service are current and were last updated in July of 2025.

RSL further confirms that there have been no material changes to the Conditions of Service since its last rebasing application other than meeting the DSC conditions.

The utility confirms that there are no rates or charges referenced in the Conditions of Service that are not included in the approved Tariff of Rates and Charges.

<https://rslu.ca/notice-to-customers-rsl-conditions-of-service-updated/>

1.6. CUSTOMER ENGAGEMENT

1.6.1 Application Specific Outreach to Customers

As part of preparing this Cost-of-Service application, RSL undertook customer engagement activities to inform customers of the proposed changes to distribution rates. Consistent with Ontario Energy Board expectations, RSL provided a clear and accessible summary of planned investments, key cost drivers, and anticipated bill impacts through an advance public notice distributed prior to filing.

The notice was communicated through multiple channels including, RSL's website, social media platforms to ensure broad customer awareness. As a small distributor, RSL adopts a proportionate approach to customer communication during the rate-setting process, recognizing that applications are subject to review and may change prior to final approval. This approach is intended to minimize potential customer confusion where proposed and approved rates may differ.

Additionally, RSL engaged with the municipal staff representing the communities within its service territory. High level information regarding the Cost-of-Service application, including capital investments and ongoing operational activities, has been shared to support awareness and understanding.

Customer inquiries are addressed through existing service channels, and feedback is monitored to identify any recurring issues or areas requiring clarification. The notice is reproduced on the following page.

Customer engagement specific to proposals involving new rate classes, changes to existing rate classes, or modifications to class-specific charges is not applicable, as no such changes are proposed in this Application.

The proposed rate adjustments apply across all customer classes and are driven by the overall revenue requirement. As a result, no discrete customer group is uniquely impacted in a manner that would warrant targeted engagement.

RSL therefore relied on general customer outreach, including advance public notice, to inform all customers of the proposed changes and to provide an opportunity for comment.



Rideau St-Lawrence Distribution Inc. 2027 Rate Application

Dear Customers,

Rideau St-Lawrence Distribution Inc. (RSL) is planning on filing an application with the Ontario Energy Board to update its electricity distribution rates effective May 1, 2027. If the application is approved, the new rates will reflect investments in local infrastructure, customer service improvements, and the rising cost of delivering electricity in our communities.

The proposed revenue requirement is approximately 4.96 million dollars, an increase of 1.8 million dollars compared to the last Cost of Service proceeding in 2022. This increase is driven by inflationary pressure on operating costs, higher power supply expenses, and investment in distribution assets needed to maintain safe and reliable service across Prescott, Cardinal, Iroquois, Morrisburg, Williamsburg, and Westport.

Aligning Rates with Costs

Rates set in RSL's last Cost of Service proceeding are no longer sufficient to cover current operating and capital requirements. Since then, total eligible distribution expenses increased by approximately 5.8 million dollars, including controllable expenses increase of 1.2 and power supply costs. The increase ensures that rates continue to reflect the cost of delivering power, maintaining distribution assets, and complying with provincial regulatory requirements over the next rate period.

RSL's rate base is estimated at 15.51 million dollars, up roughly 7.6 million dollars from the last Board approved value of 7.88 million dollars. This growth reflects asset replacements and system upgrades, investment in local distribution stations and overhead line improvements, and increased average net fixed assets of over 7.1 million dollars since the prior application. Working capital allowance increased by about 435K dollars, driven by higher OM&A and power supply values.

Key Cost Drivers

Several factors contribute to changes in RSL's cost structure:

- OM&A increased by approximately \$1.24 million since the last Cost of Service
- Depreciation expense increased by roughly \$280K, reflecting new capital placed in service
- Power supply expense increased by over \$4.57 million

These cost increases are consistent with inflation, supply chain pressures, and requirements to continue supporting customer service operations, system maintenance, reliability activities, and safety programs.

System Investment and Reliability

Like many Ontario electricity distributors, RSL continues to manage aging infrastructure and respond to increasing expectations for reliability and community growth.

Since the last Cost of Service, RSL has:

- Expanded capital investment in overhead and underground distribution
- Replaced aging poles, transformers, and line components
- Continued essential system repairs and upgrades to improve reliability

These investments support customer growth and help maintain safe and efficient system performance.

Regulatory requirements and government policy

In addition to local operating pressures, RSL must also meet new requirements set by provincial ministries and regulatory bodies. These obligations include enhanced capacity planning, system mapping, cybersecurity standards, and expanded reporting. While these initiatives support long term energy goals for Ontario, they involve new administrative and technical responsibilities that affect operating costs and investment needs. Many of these requirements are determined outside of the utility's control, and RSL continues to comply efficiently and transparently.

Focus on Customers

RSL is committed to transparency, energy efficiency, and community engagement. Updated rates will continue to support customer service improvements, reliability programs, and long-term system planning for the benefit of customers throughout the service territory.

Conclusion

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

1.6.2 Ongoing Outreach to Customers

RSL's customer communication strategy and engagement processes have remained consistent since the 2022 Cost of Service application. The utility continues to rely on a mix of digital tools, in-person service, municipal coordination, community engagement, and traditional communication channels to ensure customers receive clear, timely, and relevant information. While the overall approach has not changed, RSL has built on the enhancements introduced in 2022.

Direct Engagements with Large Customers

RSL executives engage its directly with the ten largest customers to discuss consumption trends, billing impacts, outage performance, and future growth considerations. Where distributed generation has been explored, system capability constraints and planning considerations have been discussed transparently.

Payment Accessibility Improvements

Based on customer utilization patterns and feedback, RSL discontinued in-person cash payment services at its remote Morrisburg and Westport. Usage at the two satellite offices had declined significantly following the pandemic, with peak summer visits averaging approximately 20–30 customers per month. The Prescott head office continues to provide walk-in service through business hours. In 2024, RSL developed a 2D barcode on its bill to allow increased payment locations to all post offices across Canada. This enabled a payment location in all 6 service territories.

Digital Communication and Updates

In 2022, RSL completed a redesign of its website and customer portal in response to feedback regarding navigation, appearance, and access to consumption data. The portal provides customers with access to billing history, time-of-use data, and account details. The website remains RSL's primary digital communication platform, supporting outage notifications, safety messaging, conservation information, and regulatory updates.

RSL has also implemented digital customer service tools and an enhanced IVR system to improve response times and communication efficiency.

Outage and Operational Notifications

RSL continues to use online channels, including its website and social media, to share outage notifications, updates on restoration progress, conservation tips, and general utility information. These practices allow customers to stay informed during both planned and unplanned service interruptions. Staff remain available to respond directly to customer inquiries, providing real-time support during outages or operational issues.

Front Counter and In-Person Support

A defining feature of RSL's engagement model is the continuation of walk-in front desk service in Prescott. This service model has remained unchanged since 2022. Customers benefit from the ability to speak directly with knowledgeable staff and, when needed, RSL's management team. These daily interactions help staff identify emerging concerns, clarify billing matters, and support customers who may require additional assistance. For this reason, all staff work on site to be able to engage with the local customers.

Publications, Bill Inserts, and On-Bill Messages

RSL continues to use bill inserts, envelope messages, and on-bill notices to communicate updates regarding government programs, rate changes, conservation programs, safety messaging, and seasonal reminders. This channel is especially important for customers who prefer traditional communication and remains a consistent part of RSL's engagement approach.

Municipal, Industrial, and Community Engagement

RSL's engagement practices with its four municipal partners and large industrial customers remain unchanged and consistent. Regular coordination meetings support alignment of capital plans and help minimize disruption to residents. Discussions with large customers continue to focus on billing, consumption patterns, and future growth considerations. Customer feedback on vegetation management and outage prevention has also continued to inform RSL's Distribution System Plan.

RSL remains active in community events, local trade shows, parades, banner installations, local retail promotions, and employee driven charitable initiatives. These activities reinforce RSL's local presence and provide informal opportunities to communicate with customers.

Customer Satisfaction and Public Safety Awareness (Historical Context)

RSL's most recent customer satisfaction survey, conducted in 2025, resulted in an overall satisfaction score of 85 percent. These results, along with feedback on power quality, communication, and customer service experience, continue to influence RSL's customer-service approach. (see section 1.6.3)

Financial Information and Assistance Programs

RSL continues to present its financial statements at annual meetings and provides copies upon request.

The utility also maintains long-standing partnerships to support low-income customers. RSL continues to work with the United Way of Cornwall for LEAP administration and directs customers toward the Ontario Energy Support Program (OESP). Staff also provide one-on-one guidance when they identify customers who may qualify for assistance programs, a practice that has remained in place since 2022.

Table 12- Appendix 2-AC: Customer Engagement Activities and Outcomes

Customer Engagement Activity	Customer Needs and Preferences Identified	Actions Taken / Rationale for No Action
Website and Online Information	Desire for clear, accessible information on safety, programs, outages, billing, capacity, DER forms, and regulatory changes.	Website and customer-facing content updated regularly. 2022 redesign improved navigation, appearance, and access to information. Ongoing updates reflect current programs and rates.
Customer Portal (updated in 2022)	Customers wanted better access to time-of-use data, billing history, and account information.	Portal improvements implemented in 2022, including enhanced data visibility and integration with NorthStar. Future functionality will align with Green Button standards.
Front Desk Walk-In Service	Customers value personal support, immediate answers, and the ability to speak directly with knowledgeable staff and management. Customers like provide input directly to RSL,	Front counter operations maintained. Staff and management remain available for real-time support. Customer feedback continues to inform us of service improvements.
Telephone and Email Communication	Expectation for timely responses and accessible customer service. Customers like provide input directly to RSL,	Staff respond promptly to billing, payment, outage, and service questions. Real-time responses provided when operational issues arise.
Municipal Coordination Meetings	Municipalities seek alignment of capital work with RSL construction to minimize disruption. Municipalities help provide input from residents/ customers.	Ongoing monthly coordination with four municipalities. Customer inconvenience reduced through aligned scheduling and communication.
Meetings and Discussions with Large Customers	Interest in consumption patterns, cost impacts, outage performance, and future expansion needs. Some expressed interest in solar generation.	Staff provide individualized support, review usage trends, and incorporate customer-driven needs into planning. Generation constraints explained where applicable.
Bill Inserts, Envelope Messages, and On-Bill Notices	Need for clear communication about rate updates, government programs, equal billing options, safety information, and conservation opportunities.	Regular bill inserts and messages used to deliver timely program updates, seasonal reminders, and safety information.
Outage Notifications and social media	Customers expect timely notification of planned and unplanned outages.	Website and social media used for outage updates. Staff monitor and respond during events to support real-time communication.
Customer Satisfaction Survey (2025)	Customers prioritized reliable service, fair pricing, and clear communication.	Results (85 percent satisfaction) continue to inform customer-service practices. Areas needing improvement incorporated into internal discussions.
ESA Public Safety Awareness Survey	Need for continued education on electrical safety.	Safety information communicated through bill inserts, website updates, and community activities.
Community Events and Local Initiatives	Expectation for visible local presence and community contribution.	Continued participation in parades, banner installations, safety demonstrations, local retail promotions, and charitable initiatives.
Financial Information Requests	Customers want transparency about utility financials and performance.	Financial statements presented annually and available upon request.
Low-Income and Assistance Programs (LEAP, OESP)	Customers require accessible support and flexibility in navigating assistance programs.	Staff guide customers directly, maintain relationships with service agencies, and advise eligible customers to apply for available programs.

1.6.3 Customer Satisfaction Survey

Rideau St. Lawrence Distribution completed its most recent customer satisfaction survey in March 2025, engaging 300 customers (270 residential and 30 business) through professional live-operator telephone interviews conducted by Oraclepoll Research. The survey provides statistically reliable results, with a margin of error of $\pm 5.6\%$ for the total sample. The full results are presented at Appendix D

Overall Satisfaction and Key Findings

Customer satisfaction with RSL remains very high and consistent with previous survey waves:

- 93% of customers are satisfied with RSL's overall service.
- Satisfaction is also strong across reliability measures, including the frequency of outages (96% satisfied), the time required to restore power (94%), and power quality (95%).
- Billing performance is positive, with 88% satisfied with bill accuracy and 90% satisfied with billing options.
- 95% expressed satisfaction with customer service interactions, whether by phone, email, in person, or online.
- Communications, including website and general notices, received an 80% satisfaction rating, an improvement from 2023.

Customer Understanding of Electricity Bills

Customers were reminded that a portion of the average electricity bill reflects local distribution services, while the majority of the bill is attributable to electricity supply, transmission, and other regulatory charges.

- 37% of customers indicated familiarity with this cost breakdown (up from 24% in 2023).
- 60% felt that the percentage RSL retains is reasonable.

Digital Engagement

- 42% have visited RSL's Facebook page and 12% have visited its X (Twitter) page in the past six months.
- Among those who visited, 55% were satisfied with the information provided.
- 37% of customers use the MyAccount customer portal—primarily to view or pay bills and track consumption.
- 55% of customers now receive e-billing, and 60% of paper bill recipients indicate they are likely to switch.

Customer Priorities

Customers ranked the following business aspects as most important:

- Reducing outage duration (97% important)
- Keeping electricity bills manageable (96%)
- Reducing outage frequency (93%)

Customers also expressed interest in energy conservation information, outage updates, and program incentives.

Overall Results

The composite customer satisfaction index for 2025 is 85%, demonstrating continued confidence in RSL's service quality, reliability, and billing practices.

1.7. PERFORMANCE MEASUREMENT, BENCHMARKING

1.7.1 Benchmarking and Scorecard Analysis

RSL has been in Group 2 of the PEG efficiency assessment report and one of the most efficient utilities in the province since its inception. Despite having achieved the second highest efficiency grouping, the utility continues to seek ways of reducing costs, finding efficiencies through collaboration and cost-sharing ideas.

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

Table 13 – Summary of Benchmarking Results.

	2024	2025	2026	2027
	(History)	(History)	(Bridge)	(Test Year)
Cost Benchmarking Summary				
Actual Total Cost	4,661,275	4,986,242	5,213,720	5,254,007
Predicted Total Cost	5,382,709	5,663,224	6,056,488	6,220,805
Difference	(721,434)	(676,981)	(842,768)	(966,798)
Percentage Difference (Cost Performance)	-14.4%	-12.7%	-15.0%	-16.89%
Three-Year Average Performance	-14.4%	-13.6%	-14.0%	-14.87%
Stretch Factor Cohort				
Annual Result				
	2	2	2	2
Three Year Average				2

Table 14 – 2025 Scorecard

Performance Outcomes	Performance Categories	Measures	2020	2021	2022	2023	2024	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%	
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%	
		Telephone Calls Answered On Time	77.81%	76.20%	75.84%	76.29%	88.47%	⬆	65.00%	
	Customer Satisfaction	First Contact Resolution	99.55%	99.91%	99.98%	99.9	99.9			
		Billing Accuracy	99.64%	99.28%	98.90%	99.47%	98.45%	⬇	98.00%	
		Customer Satisfaction Survey Results	B	B	B	B	85%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	84.00%	83.30%	83.30%	84.30%	84.30%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	➡		C
		Serious Electrical Incident Index	0	0	0	0	0	➡		0
		Number of General Public Incidents Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.12	0.28	0.63	1.77	0.41	⬆		0.55
		Average Number of Times that Power to a Customer is Interrupted ²	0.08	0.10	0.14	0.44	0.11	⬆		0.29
	Asset Management	Distribution System Plan Implementation Progress	113%	116%	165%	116%	128%			
	Cost Control	Efficiency Assessment	2	2	2	2	2			
		Total Cost per Customer ³	\$572	\$594	\$671	\$720	\$767			
		Total Cost per Km of Line ³	\$31,636	\$31,275	\$35,494	\$38,600	\$40,533			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time							90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	0.76	0.63	0.47	0.79	0.79			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.44	0.61	0.43	0.81	0.89			
		Profitability: Regulatory Return on Equity	8.78%	8.78%	8.66%	8.66%	8.66%			
		Deemed (included in rates) Achieved	6.09%	2.79%	0.80%	4.88%	5.48%			

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

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

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

Legend:

5-year trend

⬆ up ⬇ down ➡ flat

Current year

● target met ● target not met

The 2024 Management Discussion on Scorecard Results is presented below. The link to the OEB website is:

<https://www.oeb.ca/documents/scorecard/2024/Scorecard%20-%20Rideau%20St.%20Lawrence%20Distribution%20Inc..pdf>

Customer Focus:

In 2024, RSL continued to perform exceptionally well on customer-facing metrics. Connection of new residential and small business services, scheduled appointments, billing accuracy, and call response times were all well above OEB targets, including 99.9% first-contact resolution and 98.5% billing accuracy. Customer satisfaction remained high at 85%. The results show a consistent trend of reliable customer service and strong communication, with no deterioration year-over-year despite economic and climate-driven pressures.

Safety:

RSL remained fully compliant with Ontario Regulation 22/04 and recorded zero serious electrical incidents, maintaining a perfect public safety record. Awareness of electrical safety in the community remained stable at 84.3%. Overall, the safety trend for 2024 is steady and positive, indicating strong internal controls, maintenance practices, and public education.

System Reliability:

Both outage duration (SAIDI) and outage frequency (SAIFI) improved in 2024, with 0.41 hours of interruption and 0.11 interruptions per customer, respectively. These figures are substantially better than the 5-year historical averages. The trend shows that reliability was stronger in 2024 largely due to fewer storm events and ongoing maintenance and tree-trimming programs. Forward-looking expectations suggest reliability will remain within historical ranges.

Asset Management:

RSL is exceeding its capital plan execution. The utility achieved 128% of its 2022 DSP capital plan by year-end 2024, demonstrating its ability to plan and complete system renewal projects. This reflects accelerated replacement of aging infrastructure, which supports long-term reliability and safety, but also contributes to higher total cost metrics.

Cost Control:

Cost pressures were evident in 2024. Total cost per customer increased to \$767 and total cost per kilometre increased to \$40,533, driven by inflation and significant capital spending. Despite this, RSL maintained an efficiency ranking of Group 2, meaning actual costs were 10% to 25% below model-predicted cost levels. The 2024 trend is: costs are increasing, but the utility remains efficient relative to its peers.

Connection of Renewable Generation:

No new renewable generation facilities were connected in 2024. RSL reported that no CIA applications were completed and noted connection constraints from Hydro One preventing additional renewable generation connections. The trend in this category is flat, but not performance-related — rather infrastructure-limited.

Financial Performances:

Financial results in 2024 show moderate improvements but continued pressure. The liquidity position remained stable (0.79 current ratio). The debt-to-equity ratio improved to 0.89, aligning more closely with OEB capital structure policy. However, achieved ROE was 5.48%, well below the deemed 8.66% target. The message for 2024: RSL is financially stable and conservative, but profit margins remain compressed due to cost-pressure and capital investments.

Performances Targets:

RSL has not historically established fixed quantitative performance targets due to the variability inherent in a small, rural distribution system and the impact of factors outside the distributor's control, including weather and upstream supply interruptions. In a system of RSL's size, individual events can materially affect annual results.

Notwithstanding this variability, RSL has identified a set of directional performance targets aligned with its capital and OM&A programs and the OEB's filing requirements. These include:

- reducing vegetation-related outages through enhanced vegetation management programs (Exhibit 4.5);
- improving overall system reliability over time, as reflected in SAIDI and SAIFI trends, through continued investment in asset renewal (Exhibit 2 and Appendix B); and
- maintaining or improving customer service outcomes through ongoing operational improvements.

These targets are supported by the investments proposed in this application, particularly in vegetation management and system renewal, which address key controllable drivers of reliability performance.

RSL will monitor performance outcomes and use the results to inform future capital and OM&A planning. Given the size of the system, RSL focuses on directional improvement rather than fixed numerical thresholds..

IRM Stretch Factor:

Table 15 –IRM Price Cap and Strech Factor

Year	IRM Adjustment (%)	Stretch Factor (Group)	Cohort
2023	3.70%	0.15%	Group 2
2024	4.80%	0.15%	Group 2
2025	3.60%	0.15%	Group 2
2026	3.55%	0.15%	Group 2
2027	N/A (CoS)	N/A	Forecast Group 2

The table above presents the IRM price cap adjustments applied since the last rebasing, including the associated stretch factors and assigned efficiency cohort. RSL has been assigned to Group 2 throughout the IRM period, resulting in a 0.15% stretch factor. RSL is forecast to be in Group 2 for the test year based on its benchmarking results. The model is filed with this application.

1.7.2 Activity & Performance-Based Benchmarking

Rideau St-Lawrence reviewed its 2024 APB unit cost results against a group of seven similar distributors serving fewer than 10 000 customers in rural Ontario. RSL's operating program unit costs were generally in the mid-range of the peer group. Billing and Lines O&M costs were near the peer average, while Metering, Vegetation, and Poles O&M costs were lower than a majority of similar distributors. Capital program unit costs for poles and line transformers were slightly higher than several peers, reflecting renewal needs and system reinforcements in 2024. No categories appeared to be outliers or suggest unreasonable costs. These results support that RSL's Test Year OM&A and CAPEX program levels are reasonable in comparison to similar distributors.

Table 16 – 2024 APB Benchmarking Results — O&M Unit Costs

Utility	Billing	Metering	Vegetation	Lines	Poles
Centre Wellington Hydro	437.5	192.1	84.2	159	58.3
Cooperative Hydro Embrun	312.3	5.8	9.7	36	5.9
Hearst Power	264.0	28.7	27.0	71	120.6
Hydro 2000	236.0	4.2	1.8	12	1.4
Hydro Hawkesbury	299.2	134.7	72.0	143	64.4
Renfrew Hydro	361.6	212.0	73.7	91	84.9
Rideau St-Lawrence	428.5	55.2	39.2	107	24.0
Wellington North Power	134.3	115.0	69.4	86	14.4

Table 17 – 2024 APB Benchmarking Results — CAPEX Unit Costs

Utility	Poles CAPEX	Transformers CAPEX	Meters CAPEX
Centre Wellington Hydro	176.3	300.4	167.5
Cooperative Hydro Embrun	22.4	35.9	31.9
Hearst Power	171.6	42.6	0.9
Hydro 2000	50.0	29.0	9.3
Hydro Hawkesbury	91.7	37.8	45.3
Renfrew Hydro	395.9	49.9	34.2
Rideau St-Lawrence	269.0	258.2	76.4
Wellington North Power	183.3	178.8	129.4

Table 18 – RSL APB Unit Cost Trend 2017-2024

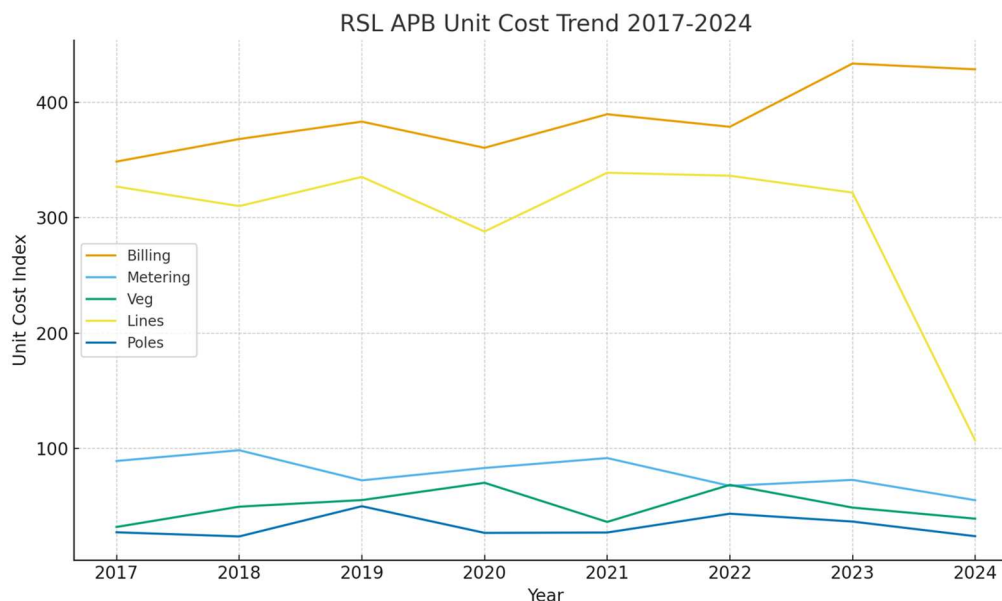


Table 19 – Rideau St-Lawrence APB O&M Unit Cost Trends (2017 to 2024)

Year	Billing O&M	Metering O&M	Vegetation O&M	Lines O&M	Poles O&M
2017	348.6	89.2	32.0	326.9	27.4
2018	368.1	98.5	49.6	310.0	23.8
2019	383.2	72.4	55.3	335.3	50.0
2020	360.5	83.1	70.3	288.0	26.9
2021	389.6	91.7	36.4	338.9	27.2
2022	378.7	67.6	68.5	336.3	43.5
2023	433.5	72.8	48.8	321.7	36.7
2024	428.5	55.2	39.2	107.0	24.0

Table 18 presents RSL's APB unit cost results for Billing, Metering, Vegetation, Lines, and Poles O&M for the period 2017 to 2024. Billing and Metering O&M unit costs have remained stable over this eight-year period, fluctuating within a reasonable range and generally trending toward the peer average over time. Vegetation and Lines O&M results vary by year, reflecting normal program cycles and weather variability in a rural distribution system. RSL notes that the vegetation management costs were not booked to the correct accounts therefore were not included in the OEB's APB metrics. Overall, the long-term trends do not indicate any structural increase in O&M requirements, supporting that RSL is managing operating program costs in a steady and consistent manner.

APB Use and Limitations Statement

RSL acknowledges the OEB's expectation that Activity and Program-based Benchmarking (APB) results be considered as part of the distributor's assessment of cost performance. RSL has reviewed the 2024 APB results and peer comparisons; however, APB metrics are not currently used as a primary internal management tool for decision-making.

Given the small size of the utility, rural service territory, and differences in system configuration, RSL considers that direct comparisons of unit costs across distributors may not fully reflect the underlying cost drivers unique to each utility. Variations in geography, customer density, asset mix, and reliance on contracted services can result in differences that are not indicative of inefficiency.

RSL's primary approach to cost management is based on internal budgeting, historical trend analysis, and alignment with system needs identified through the Distribution System Plan. APB results are considered alongside these tools to provide additional external context, but do not replace internal planning processes.

RSL recognizes the value of continued development of performance measurement tools and will seek to enhance its use of APB metrics over time. As data quality and comparability improve, RSL will assess opportunities to incorporate APB insights more formally into planning, including the potential development of internal performance indicators aligned with APB categories.

Facilitating Innovation

RSL has considered innovation and alternative approaches as part of its overall system planning and investment strategy.

As a small, rural distributor, RSL's primary focus is on maintaining a safe and reliable system through prudent asset renewal and evidence-based investments driven by demonstrated system needs.

RSL's approach to innovation is measured and practical, prioritizing proven technologies and incremental improvements that can be effectively implemented within its operating environment. This reflects the need to balance innovation with cost control, operational feasibility, and customer value.

In assessing system needs, RSL considers alternatives to traditional capital investments, including non-wires solutions (NWSs), where appropriate. Given RSL's system characteristics, including low customer density and limited localized constraints, opportunities for NWS deployment are currently limited. RSL will continue to assess such alternatives on a case-by-case basis where they are technically feasible and cost-effective.

RSL's planning framework considers the costs, expected benefits, and associated risks of investments and alternatives, including the risks of proceeding versus deferring. Priority is given to investments supported by clear reliability, safety, and asset condition drivers, rather than speculative or unproven solutions that may not deliver commensurate value to customers.

Further detail on RSL's planning approach, including investment identification, prioritization, and evaluation of alternatives, is provided in the Distribution System Plan (Exhibit 2).

RSL is not applying for margin of payment (MoP), incentive related to third-party DERs as NWSs and has not included a discrete innovative project proposal in this application.

While RSL is not proposing large-scale or novel capital innovation initiatives within this application, it has implemented operational innovations to enhance customer service. For example, RSL has introduced an option for customers to make cash payments through Canada Post locations, improving accessibility for customers who may have limited access to traditional banking services.

1.7.3 Reliability Benchmarking Methodology

RSL uses standard reliability metrics to measure service performance and compare results to Ontario distributors of similar size. The two core measures are SAIFI and SAIDI. RSL calculates these metrics following the OEB's Reporting and Record Keeping Requirements definitions. Planned and unplanned outages are categorized using consistent internal criteria and data is sourced from SCADA alarms, outage management records and operator restoration logs.

1.7.4 SAIFI and SAIDI Ten-Year Trend Summary

Table 20 – Year-by-year SAIFI and SAIDI table (2015–2023)

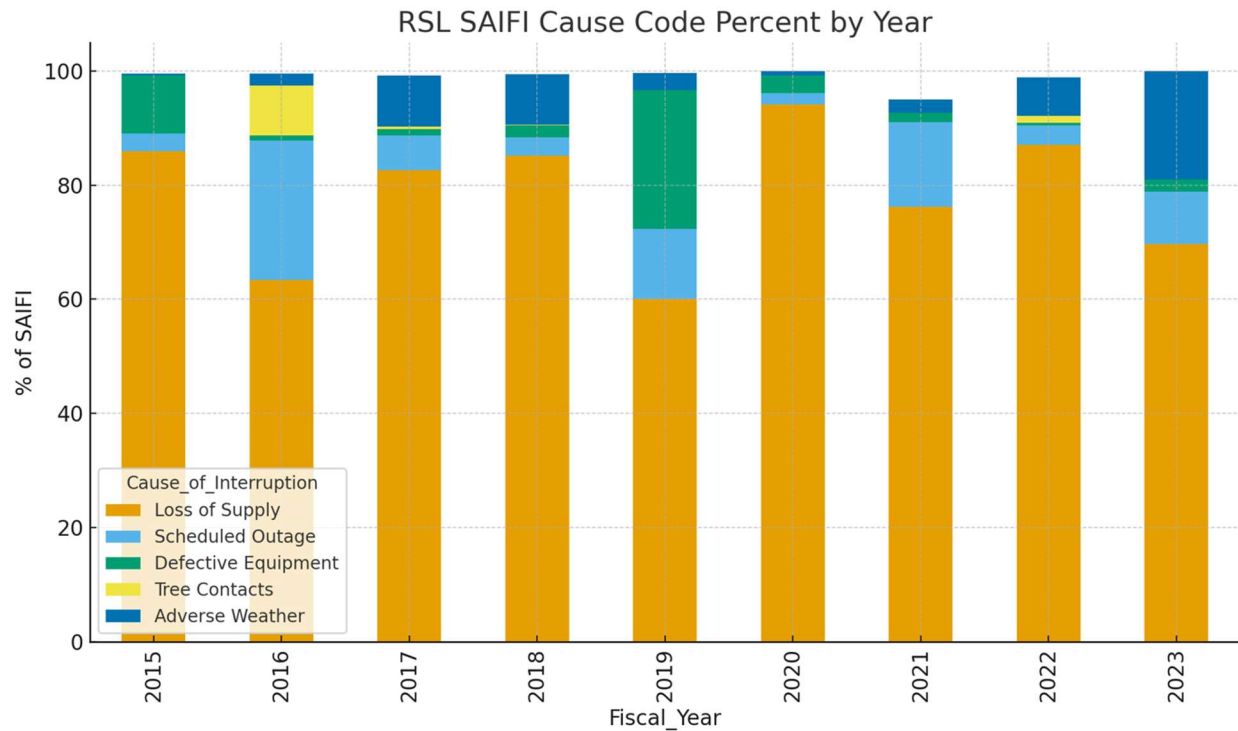
Year	SAIDI – Avg Hours Interrupted	SAIFI – Avg Times Interrupted
2016	1.01	0.38
2017	0.45	0.29
2018	0.45	0.26
2019	1.43	0.72
2020	0.12	0.08
2021	0.28	0.10
2022	0.63	0.14
2023	1.77	0.44
2024	0.41	0.11
2025	1.57	0.54

Over the 2015 to 2025 period, cause code analysis indicates that transmission supply interruptions remain the dominant driver of both outage frequency (SAIFI) and duration (SAIDI) for RSL customers. Stacked bar analysis demonstrates that supply-related events consistently account for the majority of annual reliability performance.

While other distribution system causes, including defective equipment, vegetation contacts, and adverse weather, contribute to outages, their overall impact is comparatively smaller. These remain the primary areas within RSL's direct control and are therefore the focus of ongoing system planning and investment to maintain and improve reliability performance.

This analysis supports the approach outlined in the Distribution System Plan, which prioritizes targeted investments in resiliency and outage mitigation. Key initiatives include upgrading protection from fuses to reclosers, implementing switching automation, undertaking station refurbishment, and advancing feeder sectionalizing projects. These measures represent the most cost-effective opportunities for RSL to reduce outage impacts within its control.

In addition, customer expectations for improved reliability are reflected in RSL's efforts to modernize system design standards, including transitioning legacy backyard construction to roadside configurations during system renewal projects, and enhancing vegetation management programs to reduce outage risk.



1.7.5 Relationship to Distribution System Plan Priorities

Reliability benchmarking informs RSL’s system planning by identifying assets and circuits requiring targeted investment. The results are used to prioritize capital programs, including vegetation management, pole replacement, sectionalizing, and automation.

Detailed reliability analysis, including historical trends, feeder-level considerations, and planned mitigation measures, is set out in the Distribution System Plan (Exhibit 2). The DSP demonstrates how benchmarking results have been incorporated into the utility’s capital plan.

RSL acknowledges the OEB’s expectations with respect to enhanced reliability diagnostics and will continue to develop more granular performance metrics over time, consistent with the scale and capabilities of the utility.

1.8. FINANCIAL INFORMATION

1.8.1 Regulatory Return on Equity Analysis

RSL has continued to operate below the OEB-approved Return on Equity during the current IRM period. As the table shows, achieved ROE has consistently fallen short of the deemed level by more than 300 basis points, with the variance widening significantly in 2023 and 2024.

The main drivers of the under earning are related scale and revenue constraint. As a small distributor with a limited customer base, RSL has a relatively fixed revenue requirement over a small denominator. As a result, even modest variances in OM&A, load, or capital timing can have a disproportionate impact on achieved returns.

During the last five years, RSL experienced inflationary pressures including increased compensation to attract and retain qualified labour, as well as higher capital-related costs. These costs were not fully recoverable under the IRM framework, which provide limited utility-specific adjustments between Cost of Service applications.

RSL continued to actively manage costs and prioritize necessary expenditures. However, given the need to maintain system reliability, and regulatory compliance, the utility did not defer prudent expenditures solely to achieve target returns. Variability in system access and customer driven capital projects also contributed to earnings volatility over the period.

While there has been modest recovery in 2025 and 2026, achieved returns remain materially below the approved benchmark. The persistent under-earning position indicates that existing rates have not been sufficient to recover the utility's prudent cost of providing service.

Table 21 – Return on Equity Summary (2022–2026)

Year	Deemed ROE	Achieved ROE	Variance (Achieved – Deemed)
2022	8.78%	6.09%	–2.69%
2023	8.78%	2.79%	–5.99%
2024	8.66%	0.80%	–7.86%
2025	8.66%	3.49%	–5.17%
Projected and subject to change			
2026	8.66%	5.48%	–3.18%

1.8.2 Liquidity and Capital Structure Indicators

RSL's debt-to-equity ratio has gradually increased, rising from the 0.4 range earlier in the IRM period to 0.81 in 2024 and a projected 0.89 in 2026. This shift brings the utility closer to the OEB's deemed capital structure but also indicates greater reliance on debt financing to support required system investments.

Table 22 – Debt to Equity Ratio (2022–2026)

Year	Current Ratio	Debt-to-Equity Ratio
2021	0.76	0.44
2022	0.63	0.61
2023	0.47	0.43
2024	0.79	0.81
2025	0.79	1.43

1.8.2 Historical Financial Results and Pro Formas

RSL's recent and forecast financial results show a utility that remains stable but increasingly constrained by rising operating and capital costs. Liquidity has held steady, and the debt-to-equity position has gradually aligned with the OEB's deemed capital structure. However, achieved ROE has remained below the approved level, with 2026 earnings reaching only forecasted to reach 5.48% against an 8.66% target.

The 2026 forecast underscores the need to rebase rates. Projected income declines materially that year as depreciation and financing costs increase faster than revenues under the current IRM framework. This widening gap between achieved and deemed ROE indicates that existing rates can no longer support the level of investment required to maintain safe and reliable service.

Overall, the financial outlook demonstrates prudent management and continued viability, but also clear pressure on earnings. Rebasing in 2027 is necessary to restore financial balance and ensure RSL can continue meeting customer and regulatory expectations.

Table 23 – Financial Results and Pro Formas Balance Sheet

REGULATORY BALANCE SHEET							
	BOARD APPR.	2022	2023	2024	2025	2026	2027
Utility Income	\$272,993.59	\$114,032.03	\$233,743.70	\$289,463.21	\$131,220.65	-\$65,938.84	\$566,484.52
Average Net Fixed Assets	\$6,836,838.00	\$6,974,294.01	\$7,771,852.24	\$8,499,713.04	\$8,980,027.23	\$11,354,235.83	\$14,072,648.98
Non-distribution assets (NBV)							
Utility Rate Base	\$7,880,877.37	\$8,167,177.40	\$8,952,353.21	\$9,819,943.52	\$10,398,561.75	\$12,828,562.35	\$15,545,678.25
Deemed Equity Portion of Rate Base	\$3,152,350.95	\$3,266,870.96	\$3,580,941.28	\$3,927,977.41	\$4,159,424.70	\$5,131,424.94	\$6,218,271.30
Income/(Equity Portion of Rate Base)	8.66%	3.49%	6.53%	7.37%	3.15%	-1.29%	9.11%
Indicated Rate of Return	5.58%	2.62%	4.44%	5.01%	3.33%	1.21%	5.93%
Approved Rate of Return	5.58%	5.58%	5.58%	5.58%	5.58%	5.58%	5.93%
Sufficiency / (Deficiency) in Return	0.00%	-2.95%	-1.14%	-0.57%	-2.25%	-4.37%	0.00%
Equity	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Short Term Debt	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Long Term Debt	56.00%	56.00%	56.00%	56.00%	56.00%	56.00%	56.00%
Equity Return	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%	9.11%
Short Debt Return	1.17%	1.17%	1.17%	1.17%	1.17%	1.17%	2.72%
Long Debt Return	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.88%
Tax Rate	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Net Revenue Shortfall	\$0.00	-\$241,236.69	-\$102,133.42	-\$56,067.47	-\$233,932.24	-\$560,173.85	\$0.00

Table 24 – Financial Results and Pro Formas Income Statement

REGULATORY INCOME STATEMENT							
	BOARD APPR.	2022	2023	2024	2025	2026	2027
WCA							
Cost of Power	11,405,913	13,221,340	12,927,669	14,623,591	15,591,558	16,059,305	15,887,077
WCA Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Operating Revenues							
Distribution Revenues	\$3,171,601.59	\$3,072,276.16	\$3,335,166.12	\$3,550,264.77	\$3,773,574.96	\$3,977,501.21	\$4,959,191.35
Other Revenue	\$187,881.36	\$282,052.75	\$332,818.11	\$353,232.65	\$357,842.81	\$344,039.32	\$400,306.05
Total Operating Revenues	\$3,359,482.95	\$3,354,328.91	\$3,667,984.23	\$3,903,497.42	\$4,131,417.77	\$4,321,540.53	\$5,359,497.40
OM&A Expenses	\$2,482,411.66	\$2,655,087.93	\$2,782,902.43	\$2,948,284.41	\$3,289,831.86	\$3,565,006.37	\$3,718,936.32
Depreciation & Amortization	\$405,339.00	\$440,448.40	\$466,643.60	\$493,405.28	\$446,771.32	\$550,971.24	\$685,011.58
Property and Taxes	\$32,200.00	\$28,684.45	\$29,441.98	\$31,197.31	\$32,403.24	\$33,375.34	\$34,376.60
Total Costs & Expenses	\$2,919,950.66	\$3,124,220.78	\$3,278,988.01	\$3,472,887.00	\$3,769,006.42	\$4,149,352.95	\$4,438,324.50
Deemed Interest Expenses	\$166,538.70	\$100,231.10	\$163,413.52	\$202,147.21	\$214,795.70	\$221,239.57	\$354,688.39
Total Expenses	\$3,086,489.36	\$3,224,451.88	\$3,442,401.53	\$3,675,034.21	\$3,983,802.12	\$4,370,592.52	\$4,793,012.88
Utility Income before Income Taxes / PILs	\$272,993.59	\$129,877.03	\$225,582.70	\$228,463.21	\$147,615.65	-\$49,051.99	\$566,484.52
PILs / Income Taxes	\$0.00	\$15,845.00	-\$8,161.00	-\$61,000.00	\$16,395.00	\$16,886.85	\$0.00
Adjustments for FS purposes (donations, dividends)							
Utility Income	\$272,993.59	\$114,032.03	\$233,743.70	\$289,463.21	\$131,220.65	-\$65,938.84	\$566,484.52
	11,405,913	13,221,340	12,927,669	14,623,591	15,591,558	16,059,305	15,887,077

1.8.3 Accounting Information

Changes in Tax Status:

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

Existing/Proposed Accounting Order:

RSL does not have nor is proposing any new accounting orders in this proceeding.

Accounting Standard used in Application:

RSL confirms it implemented the regulatory accounting changes for depreciation and overhead capitalization in 2015. The 2027 Cost of Service Application has been filed on an MIFRS accounting basis.

Compliance with the Uniform System of Accounts

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

Accounting Treatment of Non-Utility Related Business.

RSL conducts certain activities through affiliated companies; however, all non-utility business is fully segregated in accordance with the OEB's Affiliate Relationships Code (ARC). RSL maintains separate books of account for utility and non-utility operations, and no costs associated with affiliate activities are recorded in the utility's revenue requirement. All shared services, if any, follow documented cost-allocation methodologies based on causality and supported by written service agreements, ensuring that utility customers do not subsidize affiliate operations. Any transactions with affiliates are priced at market value or fully allocated cost, consistent with ARC requirements.

Through this structure, RSL ensures transparency, proper cost attribution, and full protection of ratepayers while maintaining compliance with the ARC's requirements for accounting separation, transfer pricing, and affiliate conduct.

Annual Report and MD&A.

RSL does not prepare a standalone annual report. The MD&A filed with the OEB is included at Appendix B. RSL is not aware of any separate parent company annual report or MD&A applicable to this application.

Reconciliation Between Financial Statements and Results Field.

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

Audited Financial Statements.

Audited Financial Statements for the fiscal years 2023, 2024, and 2025 are provided in the appendices to this Exhibit.

The financial statements are presented in comparative format (e.g., 2025 with 2024 comparatives, and 2024 with 2023 comparatives), such that all required historical periods are included.

Audited Financial Statements.

A detailed reconciliation between the audited financial statements, RRR filings, and the regulatory financial result in this application is provided in Appendix D.

Rating Agency Reports:

RSL confirms that it has not obtained any rating agency reports and has not issued, nor does it plan to issue, public debt or equity securities. Accordingly, no prospectuses or similar offering documents exist or are applicable to this application.

1.9. LDC CONSOLIDATION

RSL acknowledges the Ministry of Energy's November 2021 direction regarding the expectation that distributors with fewer than 30,000 customers demonstrate in their cost-of-service applications the extent to which consolidation or partnership opportunities have been explored.

RSL has considered consolidation and partnership opportunities through the following measures:

1. Reviewing sale and consolidation provisions within the Unanimous Shareholder Agreement during its amendment and renewal in 2023–2024.
2. Participating in and monitoring sector discussions regarding consolidation through the PULSE panel and other industry initiatives.
3. Reviewing recent industry merger and acquisition activity and discussing transaction experiences at the management and Board level.
4. Supporting continuing education for executives and directors regarding consolidation trends, transaction structures, and sector policy developments.

While RSL has remained informed regarding sector consolidation activity and continues to assess opportunities as part of its governance oversight, no specific consolidation transaction or formal partnership initiative is currently being pursued. At this time, no opportunity has been identified that demonstrates clear, measurable cost savings or service improvements for RSL customers when considering transaction costs, integration risks, and governance implications.

In addition to reviewing consolidation opportunities, RSL actively pursues shared-service and collaboration initiatives to capture scale efficiencies without altering corporate structure. RSL continues to monitor and participate in cost-sharing initiatives with its affiliates, neighbouring utilities and sector organizations, including the Electricity Distributors Association (EDA), Utility Standards Forum (USF), CHEC, and MEARIE. Group transformer purchasing rates through USF

1. Group transformer procurement through USF
2. Participation in sector wage and benefit benchmarking through CHEC and MEARIE.
3. Shared procurement of customer surveys through CHEC.
4. Joint evaluation of Green Button, customer portal, and ERP solutions through CHEC.
5. Collaborative tendering of cybersecurity assessments through USF and CHEC.
6. Informal sharing of transformer inventory with neighbouring utilities.
7. Shared GIS expertise through CHEC working groups.
8. Participation in EDA and CHEC regulatory working groups to support coordinated regulatory responses.
9. Shared expertise related to NorthStar CIS implementation through CHEC collaboration.

RLS notes that based on the OEB's cost benchmarking and stretch factor results, small and medium-sized distributors consistently perform at or above sector averages, with many positioned in Group 1 and Group 2. By contrast, the province's largest distributors typically fall into lower-performing groups, including Groups 3, 4, and 5. These results indicate that scale alone does not translate into better cost performance and that smaller utilities often operate more efficiently relative to the OEB's model. RSL's own performance follows this trend, with benchmarking results placing it in Group 1 distributors in 2026 and beyond. At this time, there is no evidence that

consolidation into a larger utility would produce measurable cost or service benefits for RSL customers. Continued local ownership, supplemented by targeted shared services and collaboration, remains the most reasonable and effective model.

Table 25 – 2024 Benchmarking Allocation

Efficiency Group (Stretch Factor)	Number Of Distributors	Typical Size Profile (Qualitative)	Notable LDCs	Observations
Gr 1 – 0.00%	17	Very Small and Small Distributors, With A Few Small-Medium	Cooperative Hydro Embrun, Hydro Hawkesbury, Halton Hills Hydro, Sioux Lookout, Walland Hydro, Lakefront Utilities, Milton Hydro, Wasaga, Orangeville, Ottawa River Power	Best Cost Efficiency Performance: Group Largely Composed Of Very Small and Small LDCs. No Large Urban Utilities.
Gr 2 – 0.15%	15	Small And Lower-Medium Distributors	Centre Wellington, Lakeland Power, Hydro 2000, Grandbridge, Kingston Hydro, Rideau St. Lawrence, Tillsonburg, Westario	Good Performance; Dominated By Small and Modest-Sized LDCs.
Gr 3 – 0.30%	17	Mix Of Medium and Large Distributors	Alectra, Enova, London Hydro, Oshawa Puc, Erth, Festival, North Bay, Renfrew	Includes Several Of The Larger LDCs; Overall Efficiency Weaker Than Groups 1–2.
Gr 4 – 0.45%	3	Very Large Provincial/Urban Distributors	Hydro One Networks, Hydro Ottawa, Canadian Niagara Power	Highest-Cost Large LDCs; All Are Big, Complex Systems.
Gr 5 – 0.60%	2	Largest Urban Distributors	Toronto Hydro, (Algoma Power)	Lowest Efficiency Group in the Framework.

As RSL has not undergone consolidation, the additional filing requirements related to MAADs transactions, including reporting on realized savings, transaction costs, and rate plan outcomes, are not applicable to this application

APPENDICES

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Appendix B	BoD Certification
Appendix C	FS RRR Reconciliation
Appendix D	Customer Satisfaction Study Results

APPENDICES A

Financial Statement

APPENDICES B

Board of Directors Certification

APPENDICES C

Category	Financial Statement Line Item	Amount (\$)	USoA Account Range / Description	Amount (\$)
Assets	Current Assets	4,501,434	1005–1190 Current Asset Accounts	4,501,434
	Inventory	576,774	1330 Materials & Supplies	576,774
	Non-Current Assets	58,367	1495 Deferred Taxes	58,367
	Regulatory Assets	999,552	1508–1595 Deferral & Variance Accounts	999,552
	Capital Assets (Gross)	16,964,653	1611–2055 Fixed Assets & CWIP	16,964,653
	Less: Accumulated Amortization	(4,790,979)	2105–2120 Accumulated Amortization	(4,790,979)
Net assets		18,309,800		18,309,800
Liabilities	Current Liabilities	6,679,491	2205–2290 Current Liabilities	6,679,491
	Non-Current Liabilities	227,734	2306–2335 Long-Term Liabilities	227,734
	Other Liabilities & Deferred Credits	6,883,584	2405–2525 Regulatory & Debt Accounts	6,883,584
Equity	Shareholders' Equity	4,518,991	3005–3090 Equity Accounts	4,518,991
Total liabilities & equity		18,309,800		18,309,800
Revenue (4000 series)	Revenue	19,722,976	4006 Residential Energy Sales	5,199,078
			4010 Commercial Energy Sales	2,095,929
			4015 Industrial Energy Sales	3,842,011
			4025 Street Lighting Energy Sales	65,164
			4030 Sentinel Lighting Energy Sales	9,299
			4055 Energy Sales for Resale	1,114,123
			4062–4076 Billed Revenues (WMS, One-Time, NW, CN, LV, SME)	3,265,373
			4080 Distribution Services Revenue	3,742,079
			4082 Retail Services Revenues	8,651
			4084 / 4086 Service Revenues	246
			4210–4235 Other Operating Revenues	326,122
			4360 Loss on Disposition	4,770
			4405 Investment Income	36,491
Total revenue		19,722,976		19,722,976
Expenses (5000–6000 series)	Operating Expenses	19,591,756	4705 Power Purchased	10,021,194
			4707 Global Adjustment	2,304,411
			4708–4751 Other Power Supply Expenses	3,266,953
			5005–5095 Distribution Operations	544,362
			5110–5175 Distribution Maintenance	683,529
			5310–5340 Billing & Collecting	551,937

			5410–5425 Community Relations	6,068
			5605–5680 Administrative & General	1,499,645
			5705 Amortization Expense	446,771
			6005–6035 Interest Expense	214,796
			6105–6115 Taxes	48,798
			6205–6215 Other Expenses	4,290
Total expenses		19,591,756		19,591,756
Net income	Net Income	131,220		131,220

APPENDICES D

2025 Customer Satisfaction Results

APPENDICES

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APPENDICES A

Financial Statement

Rideau St. Lawrence Distribution Inc.
Financial Statements
December 31, 2024

Rideau St. Lawrence Distribution Inc.

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For the year ended December 31, 2024

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Management's Responsibility

To the Directors of Rideau St. Lawrence Distribution Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS® Accounting Standards [and ensuring that all information in the annual report is consistent with the statements]. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management[, internal auditors,] and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

July 24, 2025



Chief Executive Officer

Chief Financial Officer

To the Shareholder of Rideau St. Lawrence Distribution Inc.:

Opinion

We have audited the financial statements of Rideau St. Lawrence Distribution Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2024, and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 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 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 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 these 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.
- 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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

Cornwall, Ontario

July 24, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Rideau St. Lawrence Distribution Inc.
Statement of Financial Position

As at December 31, 2024

	2024	2023
Assets		
Current		
Cash	765,270	596,110
Trade and other receivables (Note 6)	1,489,895	1,747,252
Unbilled energy revenue	1,541,258	1,377,747
Inventories (Note 7)	427,117	411,578
Prepaid expenses	38,455	225,440
	4,261,995	4,358,127
Non-current		
Deferred tax assets (Note 18)	74,762	13,762
Property, plant and equipment (Note 8)	10,673,825	10,007,265
Intangible assets (Note 9)	82,143	129,201
	10,830,730	10,150,228
Total assets	15,092,725	14,508,355
Regulatory deferral account debit balances (Note 10)	1,256,192	1,049,497
Total assets and regulatory deferral account debit balances	16,348,917	15,557,852

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Rideau St. Lawrence Distribution Inc.
Statement of Financial Position

As at December 31, 2024

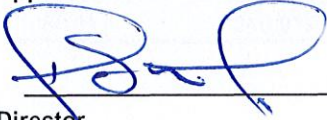
	2024	2023
Liabilities		
Current		
Trade and other payables (Note 12)	2,683,091	3,100,268
Current portion of customer deposits	157,703	134,142
Employee future benefits (Note 13)	107,800	107,800
Advances from related parties (Note 14)	5,254,342	4,602,253
Promissory notes (Note 15)	1,163,352	1,163,352
	9,366,288	9,107,815
Liabilities		
Non-current		
Customer deposits	116,731	129,624
Contributions in aid of construction (Note 16)	1,883,097	1,745,545
	1,999,828	1,875,169
	11,366,116	10,982,984

Contingencies (Note 23)

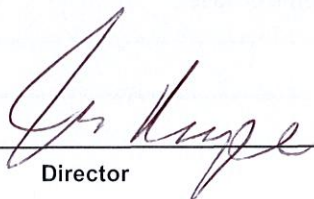
Equity

Retained earnings	2,036,645	1,880,667
Share capital (Note 17)	2,511,123	2,511,123
Accumulated other comprehensive loss	(72,724)	(72,724)
Total Equity	4,475,044	4,319,066
Total liabilities and equity	15,841,160	15,302,050
Regulatory deferral account credit balances (Note 10)	507,757	255,802
Total liabilities, equity and regulatory deferral account credit balances	16,348,917	15,557,852

Approved on behalf of the Board



Director



Director

Rideau St. Lawrence Distribution Inc.
Statement of Income and Other Comprehensive Income
For the year ended December 31, 2024

	2024	2023
Revenue		
Electricity sales	14,312,508	13,092,364
Distribution	3,550,265	3,335,166
Other charges	190,587	217,011
Total revenue	18,053,360	16,644,541
Cost of Power	14,228,932	12,944,016
Gross profit	3,824,428	3,700,525
Expenses		
Billing and collecting <i>(Schedule 1)</i>	577,176	583,401
Operating and maintenance <i>(Schedule 2)</i>	995,724	819,964
General and administrative <i>(Schedule 3)</i>	1,419,851	1,402,721
Depreciation and amortization	511,892	475,887
Loss (gain) on disposal of property, plant and equipment	1,575	(27,667)
	3,506,218	3,254,306
Income from operating activities	318,210	446,219
Other income (expense)		
Finance income	117,461	118,087
Finance costs	(180,433)	(163,414)
	(62,972)	(45,327)
Income before recovery of payments in lieu of taxes	255,238	400,892
Recovery of payments in lieu of taxes <i>(Note 18)</i>	(61,000)	(8,161)
Income before regulatory deferral accounts	316,238	409,053
Net movement in regulatory deferral accounts <i>(Note 10)</i>	(45,260)	(184,553)
Income for the year	270,978	224,500
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified subsequently to income or loss		
Remeasurements of defined benefit plan	-	(49,416)
Total comprehensive income for the year	270,978	175,084

The accompanying notes are an integral part of these financial statements

Rideau St. Lawrence Distribution Inc.
Statement of Changes in Equity
For the year ended December 31, 2024

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive loss</i>	<i>Total equity</i>
Balance January 1, 2023	2,511,123	1,771,167	(23,308)	4,258,982
Income for the year	-	224,500	-	224,500
Other comprehensive loss for the year	-	-	(49,416)	(49,416)
Dividends	-	(115,000)	-	(115,000)
Balance December 31, 2023	2,511,123	1,880,667	(72,724)	4,319,066
Income for the year	-	270,978	-	270,978
Dividends	-	(115,000)	-	(115,000)
Balance December 31, 2024	2,511,123	2,036,645	(72,724)	4,475,044

The accompanying notes are an integral part of these financial statements

Rideau St. Lawrence Distribution Inc.
Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Cash provided by the following activities		
Operating activities		
Income for the year	270,978	224,500
Depreciation and amortization	511,892	475,885
Amortization of contributions in aid of construction	(43,069)	(39,291)
Loss (gain) on disposal of property, plant and equipment	1,575	(27,667)
Deferred taxes	(61,000)	(8,161)
	680,376	625,266
Changes in working capital accounts		
Trade and other receivables	257,357	(508,696)
Unbilled revenue	(163,511)	15,522
Inventories	(15,539)	92,792
Prepaid expenses	186,985	79,858
Trade and other payables	(417,174)	881,561
Advances with related parties	276,992	(937,451)
Current portion of customer deposits	23,560	5,856
	829,046	254,708
Financing activities		
Amounts advanced from related parties	550,000	2,365,806
Repayments to related parties	(174,904)	(31,115)
Repayments of long-term debt	-	(166,037)
Receipts of contributions in aid of construction	180,621	163,342
Decrease in customer deposits	(12,893)	-
Increase in customer deposits	-	10,688
Dividends paid	(115,000)	(115,000)
	427,824	2,227,684
Investing activities		
Purchases of property, plant and equipment	(1,126,210)	(1,539,832)
Proceeds from disposal of property, plant and equipment	240	28,500
Purchase of intangibles	(7,000)	(66,150)
Net change in regulatory deferral accounts	45,260	184,553
	(1,087,710)	(1,392,929)
(Decrease) increase in cash resources	169,160	1,089,463
Cash resources (deficiency), beginning of year	596,110	(493,353)
Cash resources, end of year	765,270	596,110
Supplementary cash flow information		
Interest received	164,220	155,829
Interest paid	202,147	201,155

The accompanying notes are an integral part of these financial statements

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

1. Reporting entity

Rideau St. Lawrence Distribution Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on October 17, 2000. The Company is domiciled in Canada and is a regulated electricity local distribution corporation ("LDC") operating in eastern Ontario. The address of the Company's registered office is 985 Industrial Road, Prescott, ON, K0E 1T0.

2. Statement of compliance

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

3. Capital management

The Company's objectives when managing capital are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the Ontario Energy Board ("OEB") on its regulated electricity distribution business, and to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Company adjusts the amount of dividends paid to shareholders or borrows funds.

The Company sets its equity, long-term debt and promissory notes as capital which was unchanged from the prior year.

4. Basis of preparation

Basis of measurement

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

The financial statements were authorized for issuance by the Board of Directors on July 24, 2025.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management's estimated utility of the assets.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

4. Basis of preparation *(Continued from previous page)*

Payments in lieu of taxes payable

The Company is required to make payments in lieu of taxes calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred taxes

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires Management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Employee future benefits

The cost of post employment insurance benefits is determined using internal valuations. The valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post employment insurance benefits are highly sensitive to changes in these assumptions (Note 12).

Estimates are subject to measurement uncertainty and the effect from changes in future years could be material.

Explanation of activities subject to rate regulation

Rideau St. Lawrence Distribution Inc., as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB every five years with annual adjustments for the period May 1 to April 30 of each year.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario's electricity industry may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required:

- to recover the forecasted operating costs, including depreciation and payments in lieu of taxes, of providing the regulated service, and;
- to provide a fair and reasonable return on utility investment, or rate base.

As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

5. Summary of material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Regulatory deferral accounts

Regulatory deferral account debit and credit balances represent future revenues associated with certain costs incurred in the current year or in prior year(s) that are expected to be recovered from consumers in future years through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current year or prior years(s) that are expected to be returned to consumers in future years through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts:

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in income or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in income or loss. Financial assets measured at amortized cost are comprised of cash, trade and other receivables and unbilled energy revenue.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade and other receivables and unbilled revenue. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

5. Summary of material accounting policies *(Continued from previous page)*

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are expensed when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value less transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in income or loss.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in income or loss. Financial liabilities measured at amortized cost are comprised of trade and other payables, customer deposits, advances from related parties, promissory notes and long term-debt. Distributions to holders of instruments classified as equity are recognized directly in equity.

Derecognition of financial liabilities

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

Revenue recognition

The following describes the Company's principal activities from which it generates revenue.

(a) Sale and distribution of energy

The Company generates revenue from the sale and distribution of energy to customers based on regulator-approved tariff rates. Contracts have a single performance obligation, being the delivery of energy. No component of the transaction price is allocated to unsatisfied performance obligations. Revenue is generally measured in kilowatt hours. The billing of energy sales is based on customer meter readings, which occur systematically throughout each month.

Revenue includes an estimate for unbilled energy consumed since the last meter reading that has not been billed at the end of the reporting period. Sales estimates generally reflect an analysis of historical consumption in relation to key inputs, such as current energy prices, population growth, economic activity, weather conditions and system losses. Unbilled revenue accruals are adjusted in the periods when actual consumption becomes known.

The Company has elected not to assess or account for any significant financing components associated with revenue billed in accordance with equal payment plans as the period between the transfer of energy to customers and the customers' payment will be less than one year.

The Company is allowed to adjust future rates in response to past activities or completed events if certain criteria are met. This is recognized on an accrual basis with a corresponding regulatory asset or liability until the revenue is settled. Upon settlement, the change in the regulatory asset or liability is not recognized as revenue from contracts with customers but rather as settlement of the regulatory asset or liability and shown separately on the statement of income and other comprehensive income.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

5. **Summary of material accounting policies** *(Continued from previous page)*

Revenue recognition *(Continued from the previous page)*

(b) Finance Income

Finance income is interest on cash balances with banks and on trade and other receivables accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

(c) Other charges

Other charges include:

- Income from lease of certain equipment and is recognized on a straight line basis over the term of the contract.
- Miscellaneous income: recognized on a monthly basis as performance obligations are met.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank indebtedness is included in cash and cash equivalent as it is due on demand and the balance often fluctuates from being positive to overdrawn.

Inventories

Inventories represent parts used in various jobs. Cost of inventories is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset and to bring it to the location and condition necessary to be capable of operating in the manner intended by the Company. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the following method and rates from the date of acquisition:

	Method	Rate
Buildings	straight-line	50 years
Distribution equipment	straight-line	25-60 years
Vehicles	straight-line	4-8 years
Other equipment	straight-line	4-10 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date. Construction in progress is not amortized until it is ready for its intended use at which time it is reallocated to one of the above categories based on its nature.

The Company conducts annual internal assessments of the value of property, plant and equipment balances to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where the carrying amount exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the statement of income and other comprehensive income.

5. Summary of material accounting policies *(Continued from previous page)*

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

When cash contributions are received to aid in the construction or purchase of an asset it is recognized as contributions in aid of construction.

Intangible assets

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

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

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

Employee future benefits

The Company's post employment benefit programs consist of defined benefit plans.

The cost of providing benefits under a defined benefit plan is actuarially determined using the Projected Unit Credit Method (PUCM) at each reporting date. The calculation is reviewed every third year or when there are significant changes to the workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The PUCM, also known as the benefit/years of service method, recognizes each period of service as an additional unit of benefit entitlement and measures each unit separately to determine the final obligation. The discount rate used to determine defined benefit obligations is based on market yields at the end of the reporting period of high quality corporate bonds or market yields on government bonds.

The defined benefit liability recognized on the statement of financial position represents the actual deficit in the Company's defined benefit plan.

Defined benefit costs consists of the following:

- Service costs comprising current service costs, past-service costs, including unvested amounts, resulting from plan amendments or curtailments, and gains or losses on settlement. Service costs are recognized immediately in income or loss.
- Net interest expense, which is recognized in income or loss in finance costs, is calculated by applying the discount rate to the net defined liability.
- Remeasurements comprising actuarial gains or losses and the actual return on plan assets excluding amounts included in net interest, are recognized immediately in other comprehensive loss.

The plan is exposed to a number of risks, including:

- Interest rate risk: decreases/increases in the discount rate used will increase or decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.
- Insurance cost risk: increases in cost of providing life insurance benefits.

The Company is also part of a multi-employer plan, Ontario Municipal Employees Retirement System ("OMERS"), for which there is insufficient information to apply defined benefit plan accounting. Accordingly the Company is not able to identify its share of the plan assets and liabilities, and therefore, the Company uses defined contribution accounting for these plans. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

5. Summary of material accounting policies *(Continued from previous page)*

Customer deposits

Customers may be required to post security to obtain electricity or other services, which are refundable to customers demonstrating 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.

Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest is paid on customer deposits at a rate of 1% per annum.

Leases

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term and low value leases of equipment. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of \$5,000 or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term.

Income taxes

Tax status

The Company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As a MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Act (Ontario). Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Taxation on the income or loss for the year comprises of current and deferred tax.

Taxation is recognized in income or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted at the year end, and includes any adjustments to tax payable in respect of previous years.

Deferred Taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting income. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Comprehensive income/loss

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with International Financial Reporting Standards, require recognition, but are excluded from income (loss).

5. Summary of material accounting policies *(Continued from previous page)*

Contingent liabilities and contingent assets

All contingent liabilities are continually reviewed to determine whether an outflow of economic benefits has become probable. Where a contingent liability becomes probable that an outflow of future economic benefits will be required, a provision is recognized in the period in which the change in probability occurs. If at the end of the reporting period it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2024 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations for annual periods beginning on or after January 1, 2026 as follows:

Annual Improvements to IFRS Accounting Standards

In July 2024, the International Accounting Standards Board (IASB) issued narrow-scope amendments to several IFRS Accounting Standards to improve the clarity and internal consistency of standards. These amendments were incorporated into Part I of the CPA Canada Handbook – Accounting in December 2024.

In IFRS 9 Financial Instruments, the amendments clarify that when a lessee determines that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognize any difference between the carrying amount and the consideration paid in profit and loss. However, the amendments do not address how to distinguish between a lease modification, accounted for in accordance with IFRS 16 Leases, and the derecognition of a lease liability under IFRS 9. Also, amendments to IFRS 9 require that a trade receivable which does not contain a significant financing component should be measured at initial recognition at an amount determined by applying IFRS 15 Revenue from Contracts with Customers, which might differ from the transaction price.

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

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting in October 2024. The amendments are as follows:

- Provide clarification that a financial liability is derecognized on the 'settlement date', i.e., the date on which the liability is extinguished as the obligation specified in the contract is discharged or cancelled or expired;
- Provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option shall apply it to all settlements made through the same electronic payment system;
- Clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, including environmental, social and corporate governance (ESG) linked features;
- Clarify that, for a financial asset to have 'non-recourse' features, the entity's ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets. The amendments also include factors that an entity should consider when assessing the cash flows underlying a financial asset with non-recourse features;
- Clarify the characteristics of the contractually linked instruments that distinguish them from other transactions; and
- Add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features.

Earlier application is permitted. The amendments are to be applied retrospectively. In applying the amendments, an entity is not required to restate comparative periods.

There are no new or amended accounting standard impacting the Company as of January 1, 2025.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

5. **Summary of material accounting policies** *(Continued from previous page)*

Standards issued but not yet effective *(Continued from previous page)*

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18, issued in April 2024, replaces IAS 1, *Presentation of Financial Statements* and establishes the overall requirements for presentation and disclosures in the financial statements, including a new defined structure for the Statement of Profit or Loss and specific disclosure requirements related to management-defined performance measures. IFRS18 also enhances guidance on how to group information within the financial statements.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, including for interim financial statements. The Company has not yet determined the impact of these amendments on its financial statements.

6. **Trade and other receivables**

	2024	2023
Trade receivables	1,502,271	1,434,228
Other receivables	72,624	398,024
	<u>1,574,895</u>	<u>1,832,252</u>
Allowance for doubtful accounts	85,000	85,000
	<u>1,489,895</u>	<u>1,747,252</u>

7. **Inventories**

The amount of inventories consumed by the Company and recognized as an expense during they year was \$15,924 (2023 - \$13,038). The Company capitalized \$149,131 (2023 - \$294,717) from inventories during the year.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

8. Property, plant and equipment

	<i>Land and buildings</i>	<i>Distribution equipment</i>	<i>Vehicles</i>	<i>Other equipment</i>	<i>Construction in progress</i>	<i>Total</i>
Cost						
Balance, January 1, 2023	205,428	10,338,606	917,614	391,011	215,622	12,068,281
Additions	19,950	1,574,287	127,236	16,678	(198,319)	1,539,832
Disposals	-	(607)	(89,069)	-	-	(89,676)
Balance, December 31, 2023	225,378	11,912,286	955,781	407,689	17,303	13,518,437
Additions	-	876,873	-	19,576	229,761	1,126,210
Disposals	-	(1,746)	-	-	-	(1,746)
Balance, December 31, 2024	225,378	12,787,413	955,781	427,265	247,064	14,642,901
Depreciation						
Balance, January 1, 2023	28,745	2,082,325	752,393	299,643	-	3,163,106
Depreciation	3,759	331,048	73,643	28,459	-	436,909
Disposals	-	226	(89,069)	-	-	(88,843)
Balance, December 31, 2023	32,504	2,413,599	736,967	328,102	-	3,511,172
Depreciation	4,158	340,855	86,193	26,628	-	457,834
Disposals	-	70	-	-	-	70
Balance, December 31, 2024	36,662	2,754,524	823,160	354,730	-	3,969,076
Net book value						
At December 31, 2023	192,874	9,498,687	218,814	79,587	17,303	10,007,265
At December 31, 2024	188,716	10,032,889	132,621	72,535	247,064	10,673,825

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

9. Intangible assets

	<i>Computer software</i>
Cost	
Balance, January 1, 2023	412,744
Additions	66,150
Balance, December 31, 2023	478,894
Additions	7,000
Balance, December 31, 2024	485,894
Amortization	
Balance, January 1, 2023	310,715
Amortization	38,978
Balance, December 31, 2023	349,693
Amortization	54,058
Balance, December 31, 2024	403,751
Carrying amounts	
At December 31, 2023	129,201
At December 31, 2024	82,143

10. Regulatory deferral account balances

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

Every five years, each electricity distributor must go through an extensive review of their distribution costs which is called a cost of service. On an annual basis, between each cost of service, each distributor goes through a less extensive review. There are three rate-setting methods under this category: fourth generation incentive rate-setting (Price Cap IR), Custom incentive rate-setting (Custom IR) and Annual incentive rate-setting index (Annual IR Index). On an annual basis, each distributor must go through another process to recover regulatory deferral account balances (debits and credits). This process is called the Incentive rate-setting mechanism (IRM). Every five years, this process is addressed through the cost of service.

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

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

10. Regulatory deferral account balances (Continued from previous page)

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

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

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

The Company's regulatory deferral account balances comprised of the following:

	2023	Approved by OEB	Carrying charges	Current variances	Remitted (recovered)	2024
Regulatory deferral account debit balances						
RSVA	752,664	(517,136)	23,997	563,131	-	822,656
DVA 2018-2024	200,032	476,175	11,683	-	(433,472)	254,418
Lost collection revenue	50,424	-	2,423	-	-	52,847
	1,003,120	(40,961)	38,103	563,131	(433,472)	1,129,921
Miscellaneous deferred debits	46,377	-	1,834	78,060	-	126,271
	1,049,497	(40,961)	39,937	641,191	(433,472)	1,256,192
Regulatory deferral account credit balances						
RSVA	131,371	(154,751)	136	261,727	-	238,483
DVA 2018-2024	51,325	113,790	4,615	-	(40,940)	128,790
Pole attachment	25,426	-	1,226	-	-	26,652
	208,122	(40,961)	5,977	261,727	(40,940)	393,925
Miscellaneous deferred credits	47,680	-	8,915	57,237	-	113,832
	255,802	(40,961)	14,892	318,964	(40,940)	507,757
Net regulatory deferred account debit balances	793,695	-	25,045	322,227	(392,532)	748,435

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

10. Regulatory deferral account balances (Continued from previous page)

(a) Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using the prescribed interest rate as set by the OEB. During the year the Company recorded a net debit balance of \$25,045 (2023 - debit balance of \$37,741) to the above regulatory accounts for carrying charges and the related net credit balance is included in finance income. The prescribed interest rate history is as follows:

2024 OEB quarterly prescribed interest rates: 5.49%, 5.49%, 5.20% and 4.40%

2023 OEB quarterly prescribed interest rates: 4.73%, 4.98%, 4.98% and 5.49%

(b) Retail Settlement Variance Accounts ("RSVA")

Retail settlement variance accounts are comprised of the variances between amounts charged by the company to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the company. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the company has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principals prescribed by the OEB. The balance for settlement variances continues to be calculated and includes carrying charges in accordance with the OEB's direction.

(c) Deferral and Variance Accounts ("DVA")

The DVA is comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders.

The DVA is subject to carrying charges following the OEB prescribed methodology and rates.

(d) Lost collection revenue

This variance account is used to record the difference in revenues lost due to regulation changes from the previous OEB rate application approval process in charging disconnection notice fees to customers.

(e) Pole attachment

This variance account is used to record the difference in revenues between the regulated approved cost and what is charged and collected relating to joint pole use with other utility, telephone and cable providers.

(f) Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")

This variance account captures the difference between results of actual, verified impacts of authorized conservation and demand management ("CDM") activities undertaken and the level of CDM program activities included in the distributor's load forecast and therefore embedded into rates. It is presented with miscellaneous deferred debits and credit balances.

Impact in the Absence of Regulatory Accounting

The accounting impact in the absence of regulatory deferral accounts is as follows:

	2024	2023
Statement of income and other comprehensive income:		
Decrease (increase) in sale of energy	311,084	(164,695)
Decrease (increase) in other charges revenue	-	(67,688)
Decrease (increase) in finance income	46,759	37,741
Increase (decrease) in the cost of purchased power	(394,659)	16,347
Increase (decrease) in operating expenses	13,270	(6,258)
Increase (decrease) in finance cost	(21,714)	-
	(45,260)	(184,553)
Statement of financial position:		
Decrease in retained earnings, opening balance	793,695	978,248
Decrease in retained earnings, closing balance	748,435	793,695

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

11. Credit facility

The Company and the associated companies have available an authorized line of credit with limit of \$1,500,000.

The line of credit bears interest at prime (2023 - prime plus 0.25%) per annum and is secured by guarantee of advances supported by each of the following related parties: Rideau St. Lawrence Holdings Inc., Rideau St. Lawrence Utilities Inc. and Rideau St. Lawrence Services Inc.

As at December 31, 2024 the balance on this credit facility was \$nil (2023 - \$nil).

The Company entered into an irrevocable standing letter of credit with a financial institution. The letter of credit is a prudential support obligation required by all small distribution companies in Ontario with the IESO and is available for IESO to draw on against any outstanding invoices. The prudential support obligation is calculated at \$681,809, which IESO has not exercised as at December 31, 2024.

12. Trade and other payables

Included in trade and other payables are government remittances of \$23,393 (2023 - \$26,213).

13. Employee future benefits

OMERS

The employer portion of amounts paid during the year was \$162,916 (2023 - \$160,865). The contributions were made for current service and these have been recognized in expense for the year.

Defined benefit plan

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

	2024	2023
Balance January 1	107,800	58,387
Benefits paid during the year	(6,542)	(6,106)
Remeasurements	6,542	55,519
Balance December 31	107,800	107,800

The main actuarial assumptions underlying the valuation are as follows:

- Discount rate 4.65% (2023 - 4.65%); a change of +/- 1% would impact the obligation by approximately \$11,600 and \$14,000 respectively.
- All active employees are assumed to retire at age 62 or immediately if currently over age 65.

14. Advances from related parties

Advances from related parties are all due on demand, unsecured and are as follows:

	2024	2023
Advances from Rideau St. Lawrence Utilities Inc., 0%	1,992,456	1,850,640
Advances from Rideau St. Lawrence Services Inc., 0%	78,734	73,891
Advances from Rideau St. Lawrence Holdings Inc., 0%	343,031	343,031
Advances from Rideau St. Lawrence Holdings Inc., 4.93%	2,298,327	2,334,691
Advances from Rideau St. Lawrence Holdings Inc., 5.12%	541,794	-
	5,254,342	4,602,253

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

15. Promissory notes

The promissory notes are due to the shareholders of Rideau St. Lawrence Holdings Inc. and bear interest at a rate determined by the Board of Directors not to exceed 7.25% per annum, and are unsecured. Interest shall be payable at the discretion of the Board of Directors. The interest rate as at December 31, 2024 was 3.72% (2023 - 3.72%).

	2024	2023
The Corporation of the Township of Edwardsburgh/Cardinal	225,000	225,000
The Corporation of the Municipality of South Dundas	938,352	938,352
	<u>1,163,352</u>	<u>1,163,352</u>

Interest expense of \$43,277 (2023 - \$43,277) is included in finance costs.

16. Contributions in aid of construction

	2024	2023
Balance January 1	1,745,545	1,621,494
Funds received during the year	180,621	163,342
Funds recognized as other charges revenue	(43,069)	(39,291)
	<u>1,883,097</u>	<u>1,745,545</u>

All contributions in aid of construction are cash contributions. There has not been any contributions of property, plant and equipment.

17. Share capital

The Company has an unlimited number of common shares authorized for issuance.

Issued and fully paid:

	2024	2023
2,511,123 Common shares	2,511,123	2,511,123

18. Recovery of payments in lieu of taxes

Income taxes are considered Payment in Lieu of corporate income taxes (PILs) for the Company and consist of the following:

	2024	2023
Current tax	-	-
Deferred tax (recovery)	(61,000)	(8,161)
	<u>(61,000)</u>	<u>(8,161)</u>

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

18. Income taxes (Continued from previous page)

Deferred tax recovery recognized in income

The deferred tax recovery recognized in income for the current year is a result of the following changes in the following balances:

	2024	2023
Deferred tax asset		
Property, plant and equipment, net of contributions in aid of construction	61,610	610
Employee future benefits	13,152	13,152
	74,762	13,762

Reconciliation between income taxes (PILs) and pre-PILs net income

	2024	2023
Accounting income before PILs	255,237	400,892
Net movement on regulatory deferral accounts	(45,260)	(184,553)
Other comprehensive income (loss)	-	(49,416)
Accounting profit before income tax	209,977	166,923
Income tax expense calculated at 12.20% (2023 - 12.20%)	25,617	20,364
Excess capital cost allowance of depreciation expense utilized	(25,810)	(16,989)
Excess capital cost allowance of depreciation expense deferred	(61,000)	(2,132)
Non-deductible change in employee future benefits	-	(6,029)
Non deductible loss (gain) on sale of capital asset	193	(3,375)
Recovery of payments in lieu of taxes	(61,000)	(8,161)

The applicable tax rate is the aggregate of the federal income tax rate of 9% (2023 - 9%) and the provincial tax rate of 3.2% (2023 - 3.2%).

19. Liability insurance

The Company belongs to the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2024, the Company has not been made aware of any assessments for losses. Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage is \$24,000,000 for liability insurance, \$14,000,000 for property insurance, and \$15,000,000 for vehicle insurance.

20. Related party transactions

Key management compensation of the Company

Key management of the Company has been defined as members of its board of directors and executive management team members.

	2024	2023
Directors' fees	55,820	52,014
Management compensation	581,596	597,037
	637,416	649,051

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

20. Related party transactions (Continued from previous page)

Transactions with the ultimate controlling parties of the Company

The common shares of Rideau St. Lawrence Distribution Inc. are wholly owned by Rideau St. Lawrence Holdings Inc. The common shares of Rideau St. Lawrence Holdings Inc. are owned by the following corporations:

The Corporation of the Municipality of South Dundas - 33.63%

The Corporation of the Township of Edwardsburgh/Cardinal - 11.92%

The Corporation of the Village of Westport - 9.92%

The Corporation of the Town of Prescott - 34.53%

Canadian Niagara Power Company Limited - 10.00%

Consequently, as the ultimate parent constitutes a local government, the Company is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

	2024	2023
Electricity sales		
The Corporation of the Municipality of South Dundas	671,648	672,037
The Corporation of the Township of Edwardsburgh/Cardinal	390,159	446,353
The Corporation of the Village of Westport	205,228	173,838
The Corporation of the Town of Prescott	445,432	354,078
	1,712,467	1,646,306

Transactions with entities with significant influence over the Company

	2024	2023
Property taxes and other expenses (recoveries)		
The Corporation of the Municipality of South Dundas	39,333	47,754
The Corporation of the Township of Edwardsburgh/Cardinal	9,067	9,050
The Corporation of the Village of Westport	(4,966)	(4,966)
The Corporation of the Town of Prescott	25,972	26,690
	69,406	78,528

Transactions with entities with significant influence over the Company

	2024	2023
Trade and other receivables		
The Corporation of the Municipality of South Dundas	58,351	53,474
The Corporation of the Township of Edwardsburgh/Cardinal	37,271	38,957
The Corporation of the Village of Westport	19,886	17,190
The Corporation of the Town of Prescott	39,937	(851)
	155,445	108,770

Other charges include an amount from a company under common control of \$40,067 (2023 - \$42,389).

21. Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Company considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the year.

22. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash, trade and other receivables and unbilled revenue.

Risk management process

The Company manages its credit risk on cash by placing it with a high credit quality financial institution. Eligible deposits per financial institution are insured to a maximum basis insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation.

The Company manages its credit risk on trade and other receivables and unbilled revenue by collecting deposits, purchasing commercial account credit insurance, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers who have shown good payment history for the previous 24 month period. Exposure to credit risk is limited due to the Company's large and diverse customer base. The Company has approximately 6,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Company does not have any material accounts receivable balances greater than 90 days outstanding.

Credit-impaired financial assets are identified through regular reviews of past due balances and credit assessments of its customers. The Company considers past due information of its balances and information about the customer available through regular commercial dealings.

Measurement of expected credit losses

When measuring lifetime expected credit losses, the Company considers its past credit experience and estimates the timing, probability and magnitude of any cash shortfalls to determine the present value of expected credit losses at the reporting date. Forward-looking information is incorporated into the determination of expected credit losses by considering regional economic forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Financial assets are expensed to operations when the customer has filed for bankruptcy and the trustee has indicated that no additional funds will be paid or when the customer is no longer dealing with the Company.

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

22. Financial instruments *(Continued from previous page)*

The trade receivables by age, and the related expected credit losses, are as follows:

	2024	2023
Under 30 days	1,445,192	1,626,773
30 to 60 days	57,884	62,286
61 to 90 days	24,571	40,370
Over 90 days	47,248	102,823
Total gross carrying amount	1,574,895	1,832,252
Less: Allowance for expected credit losses	85,000	85,000
Net carrying amount	1,489,895	1,747,252

Amounts over 30 days are considered over due but are not impaired unless provided for in allowance for expected losses.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate risk with respect to cash, credit facility and promissory notes. A one percent change in interest rates would not have a material impact on the Company's net income.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt with related parties are disclosed in Note 14.

The Company manages the liquidity risk resulting from its trade and other payables, customer deposits, advances from related parties, promissory notes and long-term debt by ensuring collection of its trade and other receivables on a timely manner and through its access to the credit facility.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

	<i>Less than 1 year</i>	<i>1-2 years</i>	<i>More than 2 years</i>	<i>Total</i>
Trade and other payables	2,683,092	-	-	2,683,092
Customer deposits	157,703	116,731	-	274,434
Advances from related parties	5,254,341	-	-	5,254,341
Promissory notes	1,163,352	-	-	1,163,352
Total	9,258,488	116,731	-	9,375,219

Rideau St. Lawrence Distribution Inc.
Notes to the Financial Statements
For the year ended December 31, 2024

23. Contingent liabilities

The Company along with Rideau St. Lawrence Utilities Inc., Rideau St. Lawrence Services Inc., and Rideau St. Lawrence Holdings Inc. obtained two term bank loans totalling \$3,250,000 in 2023 and 2024.

The first loan is \$2,700,000, balance of \$2,622,989 as of December 31, 2024, interest rate of 4.93%, repayable in blended monthly payments of \$14,359 due January 2027.

The second loan is \$550,550, balance of \$541,794 as of December 31, 2024, interest rate of 5.12%, repayable in blended monthly payments of \$3,254 due March 2027.

Both loans are secured by the same general security agreement related to all of the companies on a consolidated basis.

24. Corresponding figures

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

Rideau St. Lawrence Distribution Inc.
Schedule 1 - Schedule of Billing and Collecting
For the year ended December 31, 2024

	2024	2023
Billing and collecting		
Outside services	201,314	160,877
Salaries and benefits	177,211	210,727
Bad debts	57,731	57,402
Vehicle burden allocation	3,189	9,748
Supplies and other	137,731	144,647
	577,176	583,401

Schedule 2 - Schedule of Operating and Maintenance
For the year ended December 31, 2024

	2024	2023
Operating and maintenance		
Salaries and benefits	631,608	506,892
Outside services	117,959	109,750
Materials, supplies, small tools	173,400	139,438
Vehicle burden allocation	52,716	59,353
Training	20,041	4,531
	995,724	819,964

Schedule 3 - Schedule of General and Administrative
For the year ended December 31, 2024

	2024	2023
General and administrative		
Salaries and benefits	692,700	756,062
Other administration costs	386,431	365,904
Outside services	111,950	102,876
Regulatory	73,004	33,724
Maintenance	65,082	62,084
Insurance	59,487	52,629
Property taxes	31,197	29,442
	1,419,851	1,402,721

Financial Statements of

**RIDEAU ST. LAWRENCE
DISTRIBUTION INC.**

For the year ended December 31, 2025

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

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For the year ended December 31, 2025

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Management's Responsibility

To the Shareholder of Rideau St. Lawrence Distribution Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (and ensuring that all information in the annual report is consistent with the statements). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

KPMG LLP is appointed by the shareholder to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Chief Executive Officer

Chief Financial Officer

April 21, 2026



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Tel 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Rideau St. Lawrence Distribution Inc.

Opinion

We have audited the financial statements of Rideau St. Lawrence Distribution Inc. (the Company), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of income and other comprehensive Income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(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, 2025, and its financial performance and its cash flows for the year then ended in accordance with 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 auditor’s 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.



Other Matter – Comparative Information

The comparative information as at and for the year ended December 31, 2024 is audited by another auditor who expressed an unmodified opinion on those financial statements on July 24, 2025.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards 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 Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

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

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 21, 2026

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ —	\$ 765,270
Trade and other receivables (note 5)	3,164,411	1,489,895
Unbilled energy revenue	1,756,527	1,541,258
Inventories (note 6)	576,774	427,117
Prepaid expenses	294,897	38,455
	5,792,609	4,261,995
Non-current assets:		
Deferred tax assets (note 15)	58,368	74,762
Property, plant and equipment (note 7)	12,927,682	10,673,825
Intangible assets (note 8)	49,455	82,143
	13,035,505	10,830,730
Total assets	18,828,114	15,092,725
Regulatory assets (note 9)	877,947	1,256,192
Total assets and regulatory assets	\$ 19,706,061	\$ 16,348,917

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

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2025, with comparative information for 2024

	2025	2024
Liabilities		
Current liabilities:		
Bank indebtedness (note 10)	\$ 361,246	\$ —
Trade and other payables	4,680,521	2,683,091
Current portion of customer deposits	125,916	157,703
Employee future benefits	107,800	107,800
Advances from related parties (note 11)	5,695,734	5,254,342
Promissory notes (note 12)	1,163,352	1,163,352
	12,134,569	9,366,288
Non-current liabilities:		
Customer deposits	119,930	116,731
Contributions in aid of construction (note 13)	2,250,708	1,883,097
	2,370,638	1,999,828
Total liabilities	14,505,207	11,366,116
Equity		
Retained earnings	2,034,378	2,036,645
Share capital (note 14)	2,511,123	2,511,123
Accumulated other comprehensive loss	(72,724)	(72,724)
Total equity	4,472,777	4,475,044
Total liabilities and equity	18,977,984	15,841,160
Regulatory liabilities (note 9)	728,077	507,757
Total liabilities, equity and regulatory liabilities	\$ 19,706,061	\$ 16,348,917

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

Approved on behalf of the Board:

Director

Director

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Statement of Income and Other Comprehensive Income

For the year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Electricity sales	\$ 15,995,750	\$ 14,312,508
Distribution	3,773,575	3,550,265
Other charges	252,993	190,587
Total revenue	20,022,318	18,053,360
Cost of power	15,300,648	14,228,932
Gross profit	4,721,670	3,824,428
Expenses:		
Billing and collections (note 21)	514,723	577,176
Operating and maintenance (note 21)	1,227,891	995,724
General and administrative (note 21)	1,663,743	1,419,851
Depreciation	465,258	511,892
Loss on disposal of property, plant and equipment	4,771	1,575
	3,876,386	3,506,218
Income from operating activities	845,284	318,210
Other income (expenses):		
Finance income	81,346	117,461
Finance costs	(198,938)	(180,433)
	(117,592)	(62,972)
Income before regulatory items and payments in lieu of income taxes	727,692	255,238
Income tax expense (recovery) (note 15)	16,394	(61,000)
Income before regulatory items	711,298	316,238
Net movement on regulatory accounts, net of tax (note 15)	(598,565)	(45,260)
Total income and comprehensive income for the year	\$ 112,733	\$ 270,978

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

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Statement of Changes in Equity

For the year ended December 31, 2025, with comparative information for 2024

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance, January 1, 2024	\$ 2,511,123	\$ 1,880,667	\$ (72,724)	\$ 4,319,066
Income for the year	–	270,978	–	270,978
Dividends	–	(115,000)	–	(115,000)
Balance, December 31, 2024	2,511,123	2,036,645	(72,724)	4,475,044
Income for the year	–	112,733	–	112,733
Dividends	–	(115,000)	–	(115,000)
Balance, December 31, 2025	\$ 2,511,123	\$ 2,034,378	\$ (72,724)	\$ 4,472,777

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

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Total income and comprehensive income for the year	\$ 112,733	\$ 270,978
Depreciation	465,258	511,892
Amortization of contributions in aid of construction	(50,886)	(43,069)
Loss on disposal of property, plant and equipment	4,771	1,575
Income tax expense (recovery)	16,394	(61,000)
	548,270	680,376
Changes in working capital accounts:		
Trade and other receivables	(1,674,516)	257,357
Unbilled energy revenue	(215,269)	(163,511)
Inventories	(149,657)	(15,539)
Prepaid expenses	(256,442)	186,985
Trade and other payables	1,997,430	(417,174)
Advances from related parties	(259,260)	276,992
Current portion of customer deposits	(31,787)	23,560
Change in regulatory deferral accounts	598,565	45,260
Net cash from operating activities	557,334	874,306
Financing activities:		
Amounts advanced from related parties	750,000	550,000
Repayments of advances from related parties	(49,348)	(174,904)
Receipts of contributions in aid of construction	418,497	180,621
Non-current portion of customer deposits	3,199	(12,893)
Dividends paid	(115,000)	(115,000)
Net cash from financing activities	1,007,348	427,824
Investing activities:		
Purchases of property, plant and equipment	(2,691,198)	(1,126,210)
Proceeds from disposal of property, plant and equipment	—	240
Purchase of intangible assets	—	(7,000)
Net cash used in investing activities	(2,691,198)	(1,132,970)
Increase (decrease) in cash	(1,126,516)	169,160
Cash, beginning of year	765,270	596,110
Cash (bank indebtedness), end of year	\$ (361,246)	\$ 765,270
Supplementary cash flow information:		
Interest received	\$ 81,346	\$ 164,220
Interest paid	198,938	202,147

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

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

1. Reporting entity:

Rideau St. Lawrence Distribution Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on October 17, 2000. The Company is domiciled in Canada and is a regulated electricity local distribution corporation ("LDC") operating in eastern Ontario. The address of the Company's registered office is 985 Industrial Road, Prescott, Ontario, K0E 1T0.

2. Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. They were authorized for issue by the Company's board of directors on April 21, 2026.

3. Basis of preparation:

(a) Basis of measurement:

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

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Use of judgments and estimates:

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively in comprehensive income in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

3. Basis of preparation (continued):

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

(i) Useful lives of depreciable assets:

The useful lives of depreciable assets have been determined based on management's estimated utility of the assets.

(ii) Payments in lieu of taxes payable:

The Company is required to make payments in lieu of taxes calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the year in which such determination is made.

(d) Explanation of activities subject to rate regulation:

Rideau St. Lawrence Distribution Inc., as an electricity distributor, is both licensed and regulated by the OEB which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB every five years with annual adjustments for the year May 1 to April 30 of each year.

Regulatory risk:

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

3. Basis of preparation (continued):

(d) Explanation of activities subject to rate regulation (continued):

Recovery risk:

Regulatory developments in Ontario's electricity industry may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost-of-service regulatory mechanism under which the OEB establishes the revenues required:

- to recover the forecasted operating costs, including depreciation and payments in lieu of taxes, of providing the regulated service, and;
- to provide a fair and reasonable return on utility investment, or rate base.

As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

4. Summary of material accounting policies:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Regulatory deferral accounts

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current year or in prior year(s) that are expected to be recovered from consumers in future years through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current year or prior years(s) that are expected to be returned to consumers in future years through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

Explanation of recognized amounts:

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the year that the assessment is made.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(b) Financial instruments:

(i) Financial assets:

Recognition and initial measurement:

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in income or loss when incurred.

Classification and subsequent measurement:

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in income or loss. Financial assets measured at amortized cost are comprised of cash, trade and other receivables and unbilled energy revenue.

Reclassifications:

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment:

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade and other receivables and unbilled energy revenue. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(b) Financial instruments (continued):

(i) Financial assets (continued):

Impairment (continued):

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Credit-impaired financial assets are identified through regular reviews of past due balances and credit assessments of its customers. The Company considers past due information of its balances and information about the customer available through regular commercial dealings.

Measurement of expected credit losses:

When measuring lifetime expected credit losses, the Company considers its past credit experience and estimates the timing, probability and magnitude of any cash shortfalls to determine the present value of expected credit losses at the reporting date. Forward-looking information is incorporated into the determination of expected credit losses by considering regional economic forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Financial assets are expensed to operations when the customer has filed for bankruptcy and the trustee has indicated that no additional funds will be paid or when the customer is no longer dealing with the Company.

Derecognition of financial assets:

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(b) Financial instruments (continued):

(ii) Financial liabilities:

Recognition and initial measurement:

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value less transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in income or loss.

Classification and subsequent measurement:

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in income or loss. Financial liabilities measured at amortized cost are comprised of bank indebtedness, trade and other payables, customer deposits, advances from related parties and promissory notes. Distributions to holders of instruments classified as equity are recognized directly in equity.

Derecognition of financial liabilities:

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

(c) Revenue recognition:

The following describes the Company's principal activities from which it generates revenue.

(i) Sale and distribution of energy:

The Company generates revenue from the sale and distribution of energy to customers based on regulator-approved tariff rates. Contracts have a single performance obligation, being the delivery of energy. No component of the transaction price is allocated to unsatisfied performance obligations.

The Company is licensed by the OEB to distribute electricity. 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. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(c) Revenue recognition (continued):

(i) Sale and distribution of energy (continued):

Revenues from the sale and distribution of electricity is recognized over time as electricity is delivered to the customer, as measured by meter readings.

Revenue includes an estimate for unbilled energy consumed since the last meter reading that has not been billed at the end of the reporting year. Sales estimates generally reflect an analysis of historical consumption in relation to key inputs, such as current energy prices, population growth, economic activity, weather conditions and system losses. Unbilled revenue accruals are adjusted in the years when actual consumption becomes known.

The Company has elected not to assess or account for any significant financing components associated with revenue billed in accordance with equal payment plans as the year between the transfer of energy to customers and the customers' payment will be less than one year.

The Company is allowed to adjust future rates in response to past activities or completed events if certain criteria are met. This is recognized on an accrual basis with a corresponding regulatory asset or liability until the revenue is settled. Upon settlement, the change in the regulatory asset or liability is not recognized as revenue from contracts with customers but rather as settlement of the regulatory asset or liability and shown separately on the statement of income and other comprehensive income.

(ii) Other charges:

Other charges include:

- Income from lease of certain equipment and is recognized on a straight-line basis over the term of the contract.
- Miscellaneous income: recognized on a monthly basis as performance obligations are met.

(d) Cash:

Cash comprises cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank indebtedness is included in cash as it is due on demand and the balance often fluctuates from being positive to overdrawn. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash. As at December 31, 2025 and 2024 the Company had no restricted cash.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(e) Inventories:

Inventories represent parts used in various jobs. Cost of inventories is comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and replacement cost.

(f) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset and to bring it to the location and condition necessary to be capable of operating in the manner intended by the Company. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the following method and rates from the date of acquisition:

Asset	Method	Rate
Buildings	Straight-line	50 years
Distribution equipment	Straight-line	25 - 60 years
Vehicles	Straight-line	4 - 8 years
Other equipment	Straight-line	4 - 10 years

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

The Company conducts annual internal assessments of the value of property, plant and equipment balances to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where the carrying amount exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets to which the asset belongs, for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the statement of income and other comprehensive income.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

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

Gains or losses on disposal of property, plant and equipment are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset. The estimated useful lives and depreciation methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

(g) Intangibles:

Intangible assets include computer software. Intangible assets with finite lives are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Intangible assets with finite lives are depreciated on a straight-line basis over the estimated service lives of the related assets while those with indefinite lives are not depreciated. Intangible assets are derecognized on disposal or when no further future economic benefits are expected from their use.

Gains or losses on disposal of intangible assets are recognized in income and are calculated as the difference between net proceeds from disposal and the carrying amount of the asset. The estimated useful lives and depreciation methods are reviewed at each year-end with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Contributions in aid of construction:

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

(i) Finance income and finance costs:

Finance income is comprised of interest income on funds invested. Interest income is recognized as it accrues in the statement of income and comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

(j) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable to customers demonstrating 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.

Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest is paid on customer deposits at a rate of 1% per annum.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(k) Leases:

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term and low value leases of equipment. Short-term leases are leases with a term of twelve months or less. Low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Payments in lieu of taxes payable:

The Company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As a MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Act (Ontario). Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFEC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

Current and deferred tax:

Taxation is recognized in income or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted at the year end, and includes any adjustments to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting income. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective year of realization, provided they are enacted or substantively enacted by the end of the reporting year.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

4. Summary of material accounting policies (continued):

(m) Contingent liabilities and contingent assets:

All contingent liabilities are continually reviewed to determine whether an outflow of economic benefits has become probable. Where a contingent liability becomes probable that an outflow of future economic benefits will be required, a provision is recognized in the year in which the change in probability occurs. If at the end of the reporting year it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is reversed.

(n) New standard not yet adopted:

(i) IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued a new standard, IFRS 18 *Presentation and Disclosure of Financial Statements* ("IFRS 18"), which replaces IAS 1. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with early adoption permitted. IFRS 18 is expected to improve the quality of financial reporting by requiring defined subtotals in the statement of income or loss, requiring disclosure about management-defined performance measures, and adding new principles for aggregation and disaggregation of information.

The Company has not yet determined the impact of this standard on its disclosures.

(ii) IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"), which will be effective for reporting periods beginning on or after January 1, 2026. The amendments address narrow-scope issues identified during the post-implementation review of the classification and measurement requirements of IFRS 9. The amendments focus on two key areas: the classification of financial assets with contingent features, and the derecognition of financial liabilities settled through electronic payment systems. Furthermore, the amendments introduce new and enhanced disclosure requirements to improve transparency regarding the application of the amended IFRS requirements.

The Company does not expect these amendments to have a material impact on the financial statements.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

5. Trade and other receivables:

	2025	2024
Trade receivables	\$ 1,644,708	\$ 1,502,271
Other receivables	1,604,703	72,624
	3,249,411	1,574,895
Allowance for doubtful accounts	(85,000)	(85,000)
	\$ 3,164,411	\$ 1,489,895

6. Inventories:

The amount of inventories consumed by the Company and recognized in operating and maintenance expense during the year was \$225,456 (2024 - \$15,924). The Company capitalized \$232,070 (2024 - \$149,131) from inventories during the year.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

7. Property, plant and equipment:

	Land and buildings	Distribution equipment	Vehicles	Other equipment	Construction in progress	Total
Cost:						
Balance, January 1, 2024	\$ 225,378	\$ 11,912,286	\$ 955,781	\$ 407,689	\$ 17,303	\$ 13,518,437
Additions	—	876,873	—	19,576	229,761	1,126,210
Disposals	—	(1,746)	—	—	—	(1,746)
Balance, December 31, 2024	225,378	12,787,413	955,781	427,265	247,064	14,642,901
Additions	—	1,492,766	32,153	21,156	1,145,123	2,691,198
Disposals	—	(5,660)	—	—	—	(5,660)
Balance, December 31, 2025	\$ 225,378	\$ 14,274,519	\$ 987,934	\$ 448,421	\$ 1,392,187	\$ 17,328,439
Depreciation:						
Balance, January 1, 2024	\$ 32,504	\$ 2,413,599	\$ 736,967	\$ 328,102	\$ —	\$ 3,511,172
Depreciation	4,158	340,855	86,193	26,628	—	457,834
Other adjustments	—	70	—	—	—	70
Balance, December 31, 2024	36,662	2,754,524	823,160	354,730	—	3,969,076
Depreciation	4,158	340,065	63,988	24,359	—	432,570
Disposals	—	(889)	—	—	—	(889)
Balance, December 31, 2025	\$ 40,820	\$ 3,093,700	\$ 887,148	\$ 379,089	\$ —	\$ 4,400,757
Net book value:						
Balance, December 31, 2024	\$ 188,716	\$ 10,032,889	\$ 132,621	\$ 72,535	\$ 247,064	\$ 10,673,825
Balance, December 31, 2025	\$ 184,558	\$ 11,180,819	\$ 100,786	\$ 69,332	\$ 1,392,187	\$ 12,927,682

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

8. Intangible assets:

Cost:

Balance, January 1, 2024	\$	478,894
Additions		7,000

Balance, December 31, 2024		485,894
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Additions		—
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Balance, December 31, 2025	\$	485,894
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Depreciation:

Balance, January 1, 2024	\$	349,693
Depreciation		54,058

Balance, December 31, 2024		403,751
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Depreciation		32,688
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Balance, December 31, 2025	\$	436,439
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Carrying amounts:

At December 31, 2024	\$	82,143
At December 31, 2025	\$	49,455

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

9. Regulatory deferral account balances:

The Company's regulatory deferral account balances comprised of the following:

	2024	Balance arising in the year	Recovery/ reversal	2025
Regulatory deferral assets:				
RSVA	\$ 822,656	\$ (42,089)	\$ (481,806)	\$ 298,761
DVA 2021-2025	254,418	(11,404)	—	243,014
Lost collection revenue	52,847	1,485	—	54,332
Other variances	126,271	155,569	—	281,840
Regulatory assets	1,256,192	103,561	(481,806)	877,947
Regulatory deferral liabilities:				
RSVA	238,483	295,168	(204,095)	329,556
DVA 2021-2025	128,790	75,712	(17,281)	187,221
Pole attachment	26,652	752	—	27,404
Other variances	113,832	70,064	—	183,896
Regulatory liabilities	507,757	441,696	(221,376)	728,077
Net regulatory deferred assets (liabilities)	\$ 748,435	\$ (338,135)	\$ (260,430)	\$ 149,870

	2023	Balance arising in the year	Recovery/ reversal	2024
Regulatory deferral assets:				
RSVA	\$ 752,664	\$ 563,131	\$ —	\$ 822,656
DVA 2018-2024	200,032	—	(433,472)	254,418
Lost collection revenue	50,424	—	—	52,847
Other variances	46,377	78,060	—	126,271
Regulatory assets	1,049,497	641,191	(433,472)	1,256,192
Regulatory deferral liabilities:				
RSVA	131,371	261,727	—	238,483
DVA 2018-2024	51,325	—	(40,940)	128,790
Pole attachment	25,426	—	—	26,652
Other variances	47,680	57,237	—	113,832
Regulatory liabilities	255,802	318,964	(40,940)	507,757
Net regulatory deferred assets (liabilities)	\$ 793,695	\$ 322,227	\$ (392,532)	\$ 748,435

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

9. Regulatory deferral account balances (continued):

(a) Carrying charges:

Carrying charges are calculated monthly on the opening balance of the applicable variance account using the prescribed interest rate as set by the OEB. During the year the Company recorded a net debit balance of \$12,416 (2024 - \$25,045) to the above regulatory accounts for carrying charges and the related net credit balance is included in finance income. The prescribed interest rate history is as follows:

2025 OEB quarterly prescribed interest rates: 3.64%, 3.16%, 2.91%, and 2.91%

2024 OEB quarterly prescribed interest rates: 5.49%, 5.49%, 5.20%, and 4.40%.

(b) Retail Settlement Variance Accounts ("RSVA"):

Retail settlement variance accounts are comprised of the variances between amounts charged by the Company to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Company has deferred the variances between the costs incurred and the related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. The balance for settlement variances continues to be calculated and attracts carrying charges in accordance with the OEB's direction

(c) Deferral and Variance Accounts ("DVA"):

The DVA is comprised of the cumulative balances of regulatory assets and regulatory liabilities approved for disposition by the OEB, reduced by amounts settled with customers through billing of approved disposition rate riders.

The DVA is subject to carrying charges following the OEB prescribed methodology and rates.

(d) Lost collection revenue:

This variance account is used to record the difference in revenues lost due to regulation changes from the previous OEB rate application approval process in charging disconnection notice fees to customers.

(e) Pole attachment:

This variance account is used to record the difference in revenues between the regulated approved cost and what is charged and collected relating to joint pole use with other utility, telephone and cable providers.

(f) Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA"):

This variance account captures the difference between results of actual, verified impacts of authorized conservation and demand management ("CDM") activities undertaken and the level of CDM program activities included in the distributor's load forecast and therefore embedded into rates.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

10. Credit facility:

Rideau St. Lawrence Holdings Inc. and the associated companies have available an authorized line of credit with limit of \$1,500,000.

The line of credit bears interest at prime rate plus 0.25% (2024- prime rate plus 0.25% per annum and is secured by Guarantee of Advances supported by each of the following related parties: Rideau St. Lawrence Holdings Inc., Rideau St. Lawrence Utilities Inc. and Rideau St. Lawrence Services Inc.

As at December 31, 2025 the balance on this credit facility was \$361,246 (2024 - \$Nil).

Rideau St. Lawrence Holdings Inc. entered into an irrevocable standing letter of credit with a financial institution. The letter of credit is a prudential support obligation required by all small distribution companies in Ontario with the IESO and is available for IESO to draw on against any outstanding invoices. The prudential support obligation is calculated at \$ 681,809, which IESO has not exercised as at December 31, 2025.

11. Advances from related parties:

	2025	2024
Rideau St. Lawrence Utilities Inc., 0%	\$ 1,738,417	\$ 1,992,456
Rideau St. Lawrence Services Inc., 0%	73,514	78,734
Rideau St. Lawrence Holdings Inc., 0%	343,031	343,031
Rideau St. Lawrence Holdings Inc., 4.93%	2,260,407	2,298,327
Rideau St. Lawrence Holdings Inc., 5.12%	530,365	541,794
Rideau St. Lawrence Holdings Inc., 3.69%	750,000	—
	<u>\$ 5,695,734</u>	<u>\$ 5,254,342</u>

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

12. Promissory notes:

The promissory notes are due to the shareholders of Rideau St. Lawrence Holdings Inc. and bear interest at a rate determined by the Board of Directors not to exceed 7.25% per annum, and are unsecured. Interest shall be payable at the discretion of the Board of Directors. The interest rate as at December 31, 2025 was 3.72% (2024 - 3.72%).

	2025	2024
The Corporation of the Township of Edwardsburgh/ Cardinal	\$ 225,000	\$ 225,000
The Corporation of the Municipality of South Dundas	938,352	938,352
	<u>\$ 1,163,352</u>	<u>\$ 1,163,352</u>

Interest expense of \$43,277 (2024 - \$43,277) is included in finance costs.

13. Contribution in aid of construction:

	2025	2024
Balance, January 1	\$ 1,883,097	\$ 1,745,546
Funds received during the year	418,497	180,621
Funds recognized as other charges revenue	(50,886)	(43,070)
Balance, December 31	<u>\$ 2,250,708</u>	<u>\$ 1,883,097</u>

All contributions in aid of construction are cash contributions. There has not been any contributions of property, plant and equipment.

14. Share capital:

The Company has an unlimited number of common shares authorized for issuance.

Issued and fully paid:

	2025	2024
2,511,123 common shares	\$ 2,511,123	\$ 2,511,123

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

14. Share capital (continued):

On July 24, 2025, the Board of Directors declared a \$115,000 dividend on the common shares of the Company outstanding on December 31, 2024. The dividend was paid to the shareholder on September 4, 2025.

15. Payments in lieu of taxes:

Income taxes are considered Payment in Lieu of corporate income taxes ("PILs") for the Company and consist of the following:

	2025	2024
Deferred tax expense (recovery)	\$ 16,394	\$ (61,000)
	\$ 16,394	\$ (61,000)

Deferred tax expense recognized in income:

The deferred tax expense recognized in income for the current year is a result of the following changes:

	2025	2024
Deferred tax asset:		
Property, plant and equipment	\$ 45,216	\$ 61,610
Future employee benefits	13,152	13,152
	\$ 58,368	\$ 74,762

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

15. Payments in lieu of taxes (continued):

Reconciliation between PILs and pre-PILs net income:

	2025	2024
Accounting income before PILs	\$ 727,692	\$ 255,237
Net movement on regulatory deferral accounts	(598,565)	(45,260)
Accounting profit before income tax	\$ 129,127	\$ 209,977
Income tax expense calculated at 12.20% (2024 - 12.20%)	\$ 15,753	\$ 25,617
Prior period adjustment	—	(86,810)
Non deductible loss on sale of property, plant and equipment	—	193
Other	641	—
Provision (recovery) of payments in lieu of taxes	\$ 16,394	\$ (61,000)

The applicable tax rate is the aggregate of the federal income tax rate of 9% (2024 - 9%) and the provincial tax rate of 3.2% (2024 - 3.2%).

16. Liability insurance:

The Company belongs to the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self-insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2025, the Company has not been made aware of any assessments for losses. Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. The maximum coverage is \$30,000,000 for liability insurance, \$13,878,656 for property insurance, and \$21,000,000 for vehicle insurance.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

17. Related party transactions:

(a) Key management compensation of the Company:

Key management of the Company has been defined as members of its board of directors and executive management team members.

	2025	2024
Directors' fees	\$ 52,326	\$ 55,820
Executive Management compensation	401,930	581,596
	\$ 454,256	\$ 637,416

(b) Transactions with the ultimate controlling parties of the Company:

The common shares of Rideau St. Lawrence Distribution Inc. are wholly owned by Rideau St. Lawrence Holdings Inc. The common shares of Rideau St. Lawrence Holdings Inc. are owned by the following corporations:

The Corporation of the Municipality of South Dundas - 33.63%

The Corporation of the Township of Edwardsburgh/Cardinal - 11.92%

The Corporation of the Village of Westport - 9.92%

The Corporation of the Town of Prescott - 34.53%

Canadian Niagara Power Company Limited - 10.00%

Consequently, as the ultimate parent constitutes a local government, the Company is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

Electricity sales:

	2025	2024
The Corporation of the Municipality of South Dundas	\$ 731,779	\$ 671,648
The Corporation of the Township of Edwardsburgh/ Cardinal	416,063	390,159
The Corporation of the Village of Westport	179,873	205,229
The Corporation of the Town of Prescott	557,043	445,432
	\$ 1,884,758	\$ 1,712,468

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

17. Related party transactions (continued):

(c) Transactions with entities with joint control over the Company:

Property taxes and other expenses:

	2025	2024
The Corporation of the Municipality of South Dundas	\$ 39,325	\$ 39,333
The Corporation of the Township of Edwardsburgh/ Cardinal	710	9,067
The Corporation of the Village of Westport	—	(4,966)
The Corporation of the Town of Prescott	27,455	25,972
	\$ 67,490	\$ 69,406

(d) Transactions with entities with significant influence over the Company:

Trade and other receivables:

	2025	2024
The Corporation of the Municipality of South Dundas	\$ 51,936	\$ 58,351
The Corporation of the Township of Edwardsburgh/ Cardinal	37,530	37,271
The Corporation of the Village of Westport	19,546	19,886
The Corporation of the Town of Prescott	3,753	39,937
	\$ 112,765	\$ 155,445

Other charges include an amount from a company under common control of \$42,541 (2024 \$40,067).

18. Fair value measurements:

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

18. Fair value measurements (continued):

- Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is assessed to be significant to that fair value measurement. This assessment requires the use of judgment in considering factors specific to an asset or a liability and may affect the placement of the fair value measurement within the hierarchy.

The Company considers a fair value measurement to have transferred between the levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2, as well as no transfers into or out of Level 3 during the year.

19. Financial instruments:

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash, trade and other receivables and unbilled energy revenue.

Risk management process:

The Company manages its credit risk on cash by placing it with a high credit quality financial institution. Eligible deposits per financial institution are insured to a maximum basis insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation.

The Company manages its credit risk on trade and other receivables and unbilled energy revenue by collecting deposits, purchasing commercial account credit insurance, following collection policies, monitoring accounts receivable aging, and utilizing collection agencies. The Ontario Energy Board has prescribed certain rules for the payment of deposits by customers who have shown good payment history for the previous 24-month year. Exposure to credit risk is limited due to the Company's large and diverse customer base. The Company has approximately 6,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Company does not have any material accounts receivable balances greater than 90 days outstanding.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

19. Financial instruments (continued):

(a) Credit risk (continued):

The trade and other receivables by age, and the related expected credit losses, are as follows:

	2025	2024
Less than 30 days	\$ 2,083,296	\$ 1,445,192
31 to 60 days	453,782	57,884
61 to 90 days	585,556	24,571
Over 90 days	126,777	47,248
Total gross carrying amount	3,249,411	1,574,895
Less: allowance for expected credit losses	(85,000)	(85,000)
Net carrying amount	\$ 3,164,411	\$ 1,489,895

Amounts over 30 days are considered overdue but are not impaired unless provided for in allowance for expected losses.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate risk with respect to cash, credit facility and promissory notes. A one percent change in interest rates would not have a material impact on the Company's net income.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

19. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from its bank indebtedness, trade and other payables, customer deposits, advances from related parties, promissory notes and long-term debt by ensuring collection of its trade and other receivables on a timely manner and through its access to the credit facility.

There were no changes in the risk exposures or objectives, policies and processes from the previous year.

	Less than 1 year	1 - 2 years	More than 2 years	Total
Bank indebtedness	\$ 361,246	\$ –	\$ –	\$ 361,246
Trade and other payables	4,680,521	–	–	4,680,521
Customer deposits	125,916	119,930	–	245,846
Advances from related parties	5,695,734	–	–	5,695,734
Promissory notes	1,163,352	–	–	1,163,352
	\$ 12,026,769	\$ 119,930	\$ –	\$ 12,146,699

20. Capital management:

The Company's objectives when managing capital are to ensure ongoing access to funding to maintain and improve the electricity distribution system, prudent management of its capital structure with regard for recoveries of financing charges permitted by the Ontario Energy Board ("OEB") on its regulated electricity distribution business, and to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholder and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Company adjusts the amount of dividends paid to shareholder or borrows funds.

The Company sets its equity, long-term debt and promissory notes as capital which was unchanged from the prior year.

RIDEAU ST. LAWRENCE DISTRIBUTION INC.

Notes to Financial Statements (continued)

For the year ended December 31, 2025

21. Expenses by nature:

(a) Billing and collections:

	2025	2024
Bad debts	\$ 46,839	\$ 57,731
Outside services	128,857	201,314
Salaries and benefits	154,382	177,211
Supplies and other	183,107	137,731
Vehicle burden allocation	1,538	3,189
	\$ 514,723	\$ 577,176

(b) Operating and maintenance:

	2025	2024
Materials, supplies and small tools	\$ 198,345	\$ 173,400
Outside services	338,132	117,959
Salaries and benefits	601,898	631,608
Training	17,425	20,041
Vehicle burden allocation	72,091	52,716
	\$ 1,227,891	\$ 995,724

(c) General and administrative:

	2025	2024
Insurance	\$ 72,539	\$ 59,487
Maintenance	56,244	65,082
Other administration costs	326,196	386,431
Outside services	256,245	111,950
Property taxes	32,403	31,197
Regulatory	64,518	73,004
Salaries and benefits	855,598	692,700
	\$ 1,663,743	\$ 1,419,851

APPENDICES B

Board of Directors Certification



Rideau St. Lawrence Distribution Inc.
985 Industrial Rd, P.O. Box 699,
Prescott, Ontario
K0E 1T0

April 21, 2026

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: 2027 Cost of Service Application – Board Approval

To Whom It May Concern,

This letter is provided in support of Rideau St. Lawrence Distribution Inc.'s Cost of Service application for rates effective January 1, 2027, to be filed with the Ontario Energy Board.

The Board of Directors confirms that it has been kept informed on the development of the application on a regular basis. A detailed presentation on the status and key components of the application was provided by the RSL's regulatory consultant at a Board meeting held on April 21, 2026

At a duly constituted meeting of the Board held on April 21, 2026, the Board of Directors reviewed the proposed application and passed a motion authorizing management to submit the application to the Ontario Energy Board.

The Board further confirms that it has reviewed and approved the operating and capital budgets for 2026 and 2027 that underpin the application, including the capital expenditures and investment plan set out in the Distribution System Plan.

The Board's approval extends to the overall application, including the proposed revenue requirement, rate design, and supporting evidence, as presented by management.



Should you require any further information, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Bryce', written in a cursive style.

Scott Bryce
Chair of the Board of Directors
Rideau St. Lawrence Distribution Inc.

APPENDICES C

Category	Financial Statement Line Item	Amount (\$)	USoA Account Range / Description	Amount (\$)
Assets	Current Assets	4,501,434	1005–1190 Current Asset Accounts	4,501,434
	Inventory	576,774	1330 Materials & Supplies	576,774
	Non-Current Assets	58,367	1495 Deferred Taxes	58,367
	Regulatory Assets	999,552	1508–1595 Deferral & Variance Accounts	999,552
	Capital Assets (Gross)	16,964,653	1611–2055 Fixed Assets & CWIP	16,964,653
	Less: Accumulated Amortization	(4,790,979)	2105–2120 Accumulated Amortization	(4,790,979)
Net assets		18,309,800		18,309,800
Liabilities	Current Liabilities	6,679,491	2205–2290 Current Liabilities	6,679,491
	Non-Current Liabilities	227,734	2306–2335 Long-Term Liabilities	227,734
	Other Liabilities & Deferred Credits	6,883,584	2405–2525 Regulatory & Debt Accounts	6,883,584
Equity	Shareholders' Equity	4,518,991	3005–3090 Equity Accounts	4,518,991
Total liabilities & equity		18,309,800		18,309,800
Revenue (4000 series)	Revenue	19,722,976	4006 Residential Energy Sales	5,199,078
			4010 Commercial Energy Sales	2,095,929
			4015 Industrial Energy Sales	3,842,011
			4025 Street Lighting Energy Sales	65,164
			4030 Sentinel Lighting Energy Sales	9,299
			4055 Energy Sales for Resale	1,114,123
			4062–4076 Billed Revenues (WMS, One-Time, NW, CN, LV, SME)	3,265,373
			4080 Distribution Services Revenue	3,742,079
			4082 Retail Services Revenues	8,651
			4084 / 4086 Service Revenues	246
			4210–4235 Other Operating Revenues	326,122
			4360 Loss on Disposition	4,770
			4405 Investment Income	36,491
Total revenue		19,722,976		19,722,976
Expenses (5000–6000 series)	Operating Expenses	19,591,756	4705 Power Purchased	10,021,194
			4707 Global Adjustment	2,304,411
			4708–4751 Other Power Supply Expenses	3,266,953
			5005–5095 Distribution Operations	544,362
			5110–5175 Distribution Maintenance	683,529
			5310–5340 Billing & Collecting	551,937

			5410–5425 Community Relations	6,068
			5605–5680 Administrative & General	1,499,645
			5705 Amortization Expense	446,771
			6005–6035 Interest Expense	214,796
			6105–6115 Taxes	48,798
			6205–6215 Other Expenses	4,290
Total expenses		19,591,756		19,591,756
Net income	Net Income	131,220		131,220

APPENDICES D

2025 Customer Satisfaction Results



Customer Satisfaction Survey Report 2025



March 2025

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Methodology & Logistics	Error!
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Bookmark not defined.	
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Overview

This report presents the findings from a March 2025 customer satisfaction survey of N=300 Rideau St. Lawrence Distribution customers conducted by Oraclepoll Research Limited for LDC.

Within this report, there are the combined findings from the total (N=300) sample as well as breakouts for the residential and business components. Results are compared to the previous survey waves.

Study Sample

Rideau St. Lawrence Distribution provided Oraclepoll with a database of their residential and business customers that was used as a sample frame. The database included contact information. A total of n=270 residential customers and N=30 business customers were randomly selected from the database and surveyed by telephone using person to person live telephone interviewing. Respondents were screened to ensure that they were 18 years of age or older and were one of the persons either at the business or residence that was responsible for making decisions related to their electricity usage including bill payments.

Survey Method

All surveys were conducted by telephone using live operators at the Oraclepoll call centre facility. The survey was conducted using computer-assisted techniques of telephone interviewing (CATI) and random number selection. A total of 20% of all interviews were monitored and the management of Oraclepoll Research Limited supervised 100%.

Logistics

Surveys were completed by telephone from March 9th and March 17th, 2025. Initial calls to residents were made between the hours of 6:00 pm and 9:00 pm. Subsequent callbacks of no-answers and busy numbers were made on a (staggered) daily rotating basis up to 5 times (from 10:00 a.m. to 9:00 p.m.) until contact was made. Calls to business clients were made during business hours from 8:30 am to 6 pm with at least one call after 6 pm. In addition, telephone interview appointments were attempted with those respondents unable to complete the survey at the time of contact.

Confidence

The margin of error for the total N=300 sample is $\pm 5.6\%$, 19/20 times. The error rate for the n=270 residential breakout is $\pm 5.9\%$ and $\pm 17.8\%$ for the n=30 business.

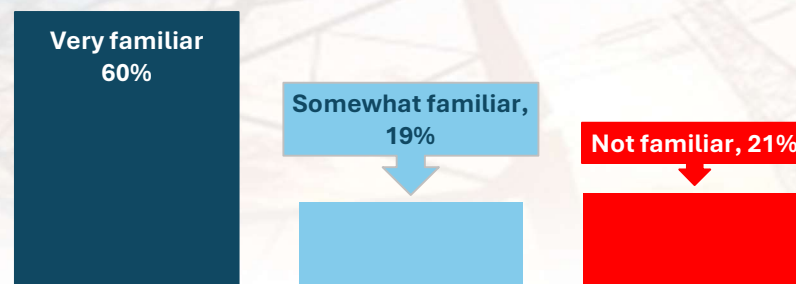
Familiarity

2

were first read the following descriptive preamble outlining the local electricity distribution system in the area. They were then asked about their familiarity with Rideau St. Lawrence Distribution.

"Today we want to talk about Rideau St. Lawrence Distribution and the local electricity system in your community. This is the system that takes the electricity from provincial transmission towers and brings it to your home through a network of wires, poles and other equipment that is owned and operated by Rideau St. Lawrence Distribution."

Q1. "How familiar are you with Rideau St. Lawrence Distribution, which operates the electricity distribution system in your community? Would you say you are very familiar, somewhat familiar or not familiar?"

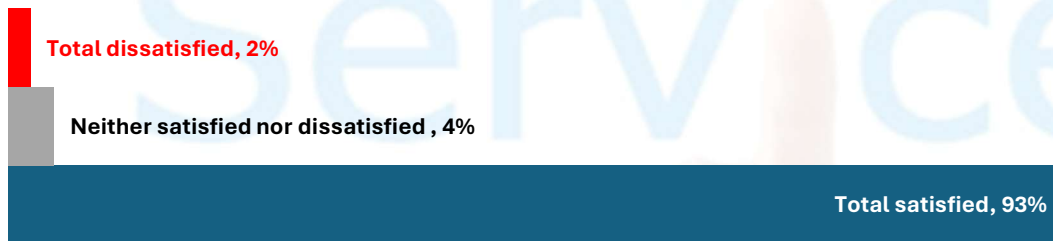


Seventy-nine percent have some degree of familiarity with Rideau St. Lawrence Distribution (75% in 2023), with 60% being very familiar and 19% somewhat familiar.

3 tion – Services

Customers were asked to rate their overall satisfaction with Rideau St. Lawrence Distribution using a five-point rating scale from one very satisfied to five very dissatisfied. The results below illustrate the combined satisfied (1-very satisfied & 2-satisfied) and total dissatisfied (4-dissatisfied & 5-very dissatisfied) scores and compares them over time.

Q2. "Thinking specifically about the services provided to you and your community by Rideau St. Lawrence Distribution, overall, how satisfied are you with the services that you receive from Rideau St. Lawrence Distribution? "



In total, 93% said they were very satisfied or satisfied (96% in 2023) with the service provided by Rideau St. Lawrence Distribution, compared to only 2% very dissatisfied or dissatisfied, while 4% had a neutral opinion. More business customers were satisfied (97%) compared to residential clients (93%).

Reliability of Power Supply

4

Using a 5-point scale, respondents were asked to rate their level of satisfaction with three areas related to the reliability of their power supply. The table below combines the total satisfied responses (1-very & 2-somewhat) as well as the total dissatisfied scores (4-somewhat & 5-very) and compares them over the four survey periods.

"Please rate each of the following areas using a scale from one very satisfied to five very dissatisfied."

		<i>Total satisfied</i>	<i>Neutral</i>	<i>Total dissatisfied</i>
<i>Q3. "The reliability of your electricity service - as judged by the number of power outages you experience"</i>	TOTAL	96%	3%	2%

- Ninety-six percent (96% in 2023) are satisfied with the reliability of their electricity service, including 95% of residents and 100% of businesses.

		<i>Total satisfied</i>	<i>Neutral</i>	<i>Total dissatisfied</i>
<i>Q4. "The amount of time it takes to restore power when power outages occur"</i>	TOTAL	94%	3%	3%

- Satisfaction with restoring power after outages is 94 % (88% in 2023) with 93% of residents and 100% of businesses being satisfied.

		<i>Total satisfied</i>	<i>Neutral</i>	<i>Total dissatisfied</i>
<i>Q5. "The quality of the power delivered to you as judged by the absence of voltage fluctuations that can result in the flickering or dimming of lights"</i>	TOTAL	95%	3%	2%

- Ninety-five percent (93% in 2023) were satisfied with the quality of power, including 5% of residential customers and 88% of businesses.

Next, customers rated their satisfaction using a 5-point scale with two aspects of the billing provided by Rideau St. Lawrence Distribution. The table below displays the total satisfied responses (1-very & 2-somewhat) as well as the dissatisfied scores (4-somewhat & 5-very).

“The next two questions are about the bills that you receive from Rideau St. Lawrence Distribution. Please respond to each using the same scale of one very satisfied to five very dissatisfied.”

		<i>Total satisfied</i>	<i>Neutral</i>	<i>Total dissatisfied</i>
Q6. “The bills being accurate”	TOTAL	88%	4%	8%
Q7. “Being provided convenient options to both receive and pay bills”	TOTAL	90%	7%	3%

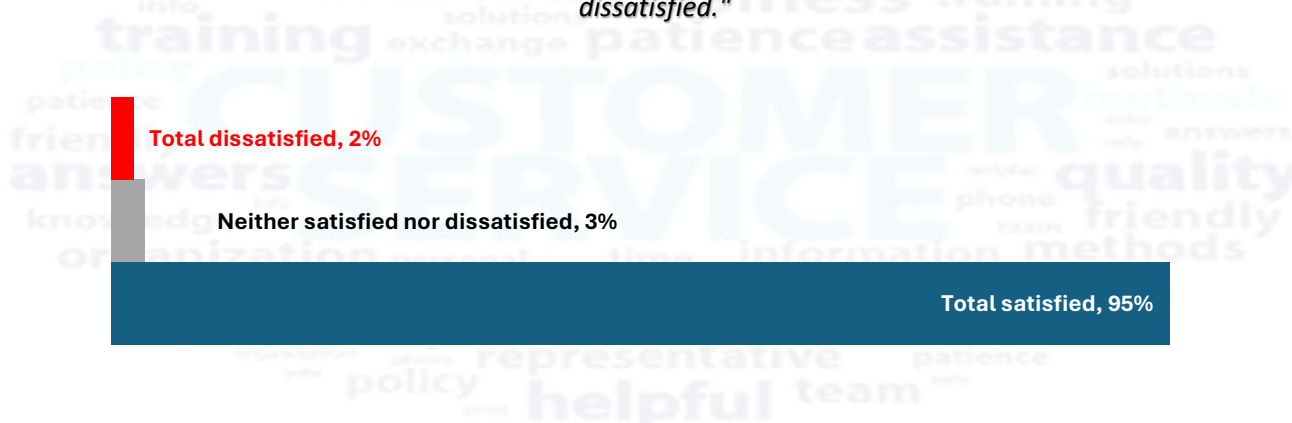
Both billing areas scored well with 88% (81% in 2023) expressing satisfaction with the accuracy of bills (88% - residential & 93% - business) and 90% (86% in 2023) being satisfied with having convenient options for receiving and paying bills (91% - residential & 90% - business).

6 er Service & Communication

Respondents rated the customer service that they receive from Rideau St. Lawrence Distribution. A five-point rating scale was used, and the table below combines the total satisfied responses (1-very & 2-somewhat) as well as the dissatisfied scores (4-somewhat & 5-very).

"Now I would like to ask you about the customer service you have received when dealing with employees of Rideau St. Lawrence Distribution [whether on the telephone, via email, in person or through online conversations including social media]."

Q8. "Overall, how satisfied are you with the customer service provided by Rideau St. Lawrence Distribution? Please respond using a scale from one very satisfied to five very dissatisfied."

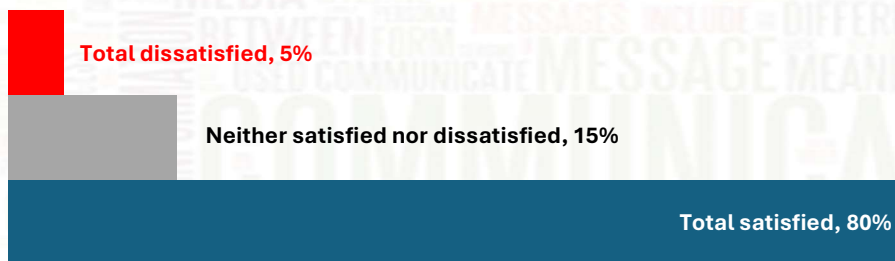


Ninety-five percent (93% in 2023) of Rideau St. Lawrence Distribution customers are satisfied with the customer service provided, with satisfaction levels being slightly higher among residential (95%) in comparison to business (94%) customers.

Customers next rated the communications they receive from Rideau St. Lawrence Distribution. A 7-point scale was used, and the table below combines the total satisfied responses (1-very & 2-somewhat) as well as the dissatisfied scores (4-somewhat & 5-very).

"I would now like you to think about the communications that you may receive from Rideau St. Lawrence Distribution without talking directly to an employee. This may include information found on their website, bill inserts, advertising, notices, emails, or social media sites."

Q9. "Overall, how satisfied are you with the communications that you receive from Rideau St. Lawrence Distribution related specifically to your electrical service? Please respond using a scale from one very satisfied to five very dissatisfied."



The overall communications rating is 80% (72% in 2023), with 80% of residents and 80% of businesses being satisfied.

Percentage of Bill Retained by Rideau St. Lawrence Distribution

An introductory preamble was first read to respondents outlining how the average customer's bill is distributed and what percentage is kept by the local utility. Residential and business customers were each read the percentage that applied to their respective cohort. They were then asked about how familiar they were with this arrangement.

"While Rideau St. Lawrence Distribution is responsible for collecting payment for the entire electricity bill, they retain only about [44% of the average residential customer's bill / 44% of the average small business customer's bill]. The rest of the bill goes to power generation companies, transmission companies, the provincial government, and regulatory agencies."

Q10. "Before this survey, how familiar were you with the percentage of your electricity bill that went to Rideau St.

Lawrence Distribution?"

	%
1-Very familiar	10%
2-Somewhat familiar	27%
3-Not familiar	63%

Thirty-seven percent of customers (24% in 2023) said they were very familiar (12%) or somewhat familiar (21%). More businesses or 43% were familiar or very familiar, compared to 36% of residential clients.

Next, they were asked if they felt that the percentage of their bill paid to Rideau St. Lawrence Distribution is reasonable. A four-point rating scale was used.

Q11. "Do you feel that the [44% of your organization's] [44% of your] total electricity bill that you pay to Rideau St. Lawrence Distribution for the services they provide is very reasonable, somewhat reasonable, somewhat unreasonable, or very unreasonable?"

	%
1-Very reasonable	27%
2-Somewhat reasonable	33%
3-Somewhat unreasonable	23%
4-Very unreasonable	12%
Unsure	5%

The total reasonable (very & somewhat) responses in this survey period is 60% (50% in 2023). Two-thirds of businesses answered reasonable as did 59% of residential customers.

Customers were asked in an open question to name what they would like Rideau St. Lawrence Distribution to do in order to improve the services it offers.

Q12. *“Is there anything in particular you would like Rideau St. Lawrence Distribution to do to improve its services to you?”*

Don't know / none	30%
Lower rates / prices	18%
Fewer outages / quicker response to outages	14%
Incentives / programs for reducing electricity	11%
Better communication	9%
Maintain rates / no increases / freeze	7%
Clearer explanation of energy usage	3%
Bury overhead lines	3%
Offer alternative energy sources (wind, Solar, etc.)	2%
Too many extra / hidden fees	1%
Get rid of time of use / have single use billing	1%
Better tree maintenance	1%
More accurate bills	1%
Stop sending power to the US	<1%

Social Media & Website

Customers were asked if they have followed Rideau St. Lawrence Distribution on social media. If they have visited either or both Facebook and Twitter they were then asked a follow-up question.



Q13. "Have you visited the Rideau St. Lawrence Distribution Facebook page in the last 6 months?"

42%
Yes

41% - residential
53% - business



Q14. "Have you visited the Rideau St. Lawrence Distribution X (Twitter) page in the last 6 months?"

12%
Yes

11% - residential
23% - business

Forty-two percent claimed they have visited the Facebook page and 12% the X page over the past half year.

Visitors were then asked to rate their satisfaction with the communications provided on these pages. A five-point rating scale was used, and the adjacent graph combines the total satisfied responses (1-very & 2-somewhat) as well as the dissatisfied scores (4-somewhat & 5-very).

Fifty-five percent are satisfied with Facebook and X communications. Fifty-five percent of residents and 53% of business customers were satisfied.

The N=134 that visited either or both of the Facebook or X page were asked Q15.

Q15. "How satisfied are you with the communications provided on the Facebook or X pages? Please use a scale from one very satisfied to five very dissatisfied."

Total satisfied,
55%



Neutral, 34%



Total
dissatisfied
11%



In the final question of this social media section, all N=300 respondents were asked about the information they would like to see on Facebook and X.

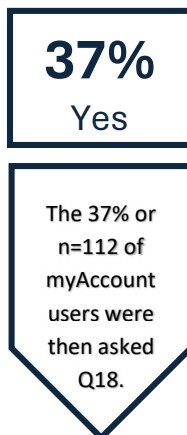
Q16. "Is there additional information you would like to see provided on the X page?"

Energy conservation / how to save tips	19%
Outage info (scheduled, durations, response times etc.)	17%
Info on energy incentives / programs	14%
Don't know	12%
More updates / up to date info	12%
Pricing plan options	5%
News	4%
Electric vehicles / charging stations	4%
Rates & fees	4%
Account information	2%
Environmental/safety	2%
Usage information	2%
Alternative energy news	2%
Corporate information / contacts	1%

Electronic Billing & myAccount

The next set of two questions asked customers about their usage of the Rideau St. Lawrence Distribution customer connect online tool and their reason for using it.

Q17. "Are you currently signed up for Rideau St. Lawrence Distribution's customer connect online tool MyAccount?"



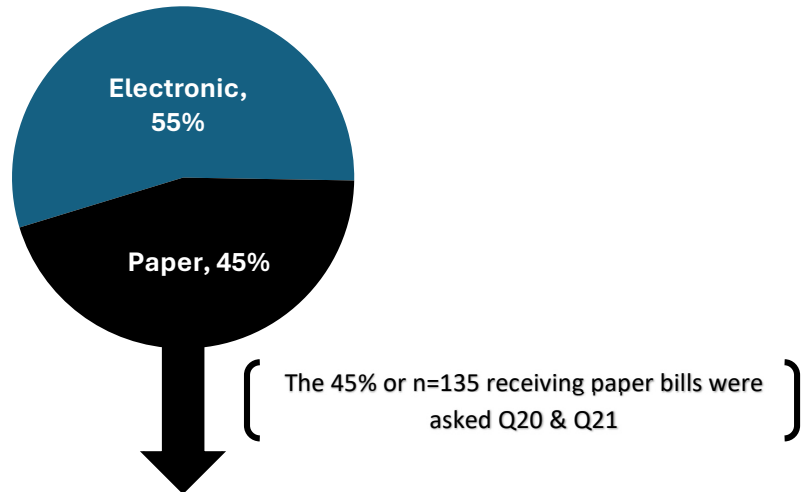
Q18. "What do you mainly use it for?"

Access bill online / payment	60%
View energy use /consumption	31%
Review history	7%
Add account	2%

Thirty-seven percent of survey respondents said they have signed up (37% - residential & 40% business). When they were asked about what they use it for, most named was accessing/paying their bill online.

The next set of questions asked about electronic billing. Those not using e-billing were presented with two follow-up questions.

Q19. "Are you currently receiving a paper or electronic bill?"



Q20. How likely are you to switch to an electronic bill in the future?
Would you say you are very likely, likely, or not likely?

Very likely	33%
Likely	27%
Not likely	38%
Don't know	2%

Among respondents, 55% receive an e-bill and 45% a paper copy. Paper recipients (47% residential & 30% business) were asked a follow-up question about switching to electronic billing, with 60% claiming that they are very likely (33%) or likely (27%) to switch to e-billing in the future.

In the final question of this section, the n=135 paper bill recipients were asked in an open-ended or unaided question (below) to recall what would most encourage them to switch to electronic billing.

Q21. "What can Rideau St. Lawrence Distribution do to help encourage you to switch to an electronic bill?"

Save money	33%	Nothing	5%
I don't know	15%	Less paper / good for environment	4%
Plan to switch, just haven't done it yet	10%	No choice / everything going online	3%
Remind / inform us / offer the option	9%	Easy access / convenience	2%
Make signing up easy / easier	9%	No extra charges for switching	1%
Offer incentive / discount	8%	If i could receive bill quicker / on time	1%

Rating Importance of Business Aspects

In the final set of questions, customers were asked to rate the importance of six aspects of Rideau St Lawrence Distribution's business. A five-point rating scale was used from 1-not at all important to five very important. The total important (important & extremely important) score is displayed.

"Using a scale from 1-very important to 5-not at all important, please rate each of the following aspects of Rideau St. Lawrence Distribution's business and its importance to you."

BUSINESS ASPECTS	Unsure	Not at all important	Not important	Neutral	Important	Extremely important	TOTAL IMPORTANT
<i>Q22. Having fewer power outages</i>	-	1%	1%	6%	19%	74%	93%
<i>Q23. Reducing the duration of power outages when they happen</i>	-	-	1%	2%	13%	84%	97%
<i>Q24. Keeping electricity bills manageable</i>	-	-	1%	4%	10%	86%	96%
<i>Q25. Investing in innovative services such as renewable energy, battery storage, smart home features</i>	1%	3%	4%	11%	28%	52%	80%
<i>Q26. Educating public as it relates to electrical safety</i>	<1%	4%	5%	16%	22%	52%	74%
<i>Q27. Opportunities for you to learn about Rideau St Lawrence Hydro Distribution's plans to maintain the poles and wires that service you</i>	-	<1%	2%	16%	35%	47%	82%

Reducing the duration of outages and keeping electricity bills manageable were accorded the highest level of total importance, followed by having fewer outages.

Customer Scorecard Rating

The following is the calculation for the overall customer satisfaction index.

OVERALL CUSTOMER SATISFACTION INDEX SCORE

2025

85%

DETAILED CALCULATION

Overall Satisfaction Q2 (93)

+ Reliability Q3 (96 + Restoring Power Q4 (94) + Quality of Power Q5 (95) ÷3

+ Accurate Bills Q6 (88) + Convenient Bill Options Q7 (90) ÷2

+ Customer Service Q8 (95)

+ Communications Q9 (80)

+ Percentage of Bill to WNH Q11 (60)

TOTAL (512) ÷6 = (85%)