

EXHIBIT 1 – APPLICATION OVERVIEW AND ADMINISTRATIVE DOCUMENTS

2027 Cost of Service

Ottawa River Power Corporation
EB-2026-0066

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1.1 APPLICATION SUMMARY

1.1.1 INTRODUCTION

Utility Description

Ottawa River Power Corporation (ORPC) was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999.

ORPC, 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 (Electricity Distribution License ED-2003-0033). The OEB exercises statutory authority through setting or approving all rates charged by the Corporation and establishing standards of service for the Corporation's customers.

ORPC receives power from the Hydro One Networks Inc. ("HONI") transmission system and delivers electricity to its customers within the Almonte, Beachburg, Killaloe and Pembroke service areas. ORPC is responsible for maintaining distribution and infrastructure assets deployed over 35 square kilometers within its service areas.

ORPC also receives a portion of its electricity supply from the Waltham Generating Station located in the province of Quebec which is owned by Brookfield Renewable Trading and Marketing LP and invoiced by Evolgen Trading and Marketing LP. This long-standing arrangement was most recently approved by the Board through Decision and Order EB-2021-0063.

ORPC is authorized to specifically distribute and sell electricity in the following areas:

1. The former Village of Beachburg as of December 31, 2000 except for 27 Davidson Road located on Lot 10, Concession 4 in the Township of Whitewater Region.

2. The former Village of Killaloe as of June 30, 2000.

3. The City of Pembroke as at January 1, 1984.

4. The former Town of Almonte as of December 31, 1997 except for 5703 Martin Street North located on Lot 17 Concession 10.

5. West Half Lot 14, Concession 10 Geographic Township of Ramsay, Now Town of Mississippi Mills.

6. Phase 1 of the Sadler Estates Development located on part of Lot 16, Concession 10, in the Geographic Township of Ramsay, now in the Town of Mississippi Mills.

7. Property of Orchard View on 219 Patterson Street, East Part of Lot 14, Concession 10, Almonte Ward, now in the town of Mississippi Mills.

8. 15126, 15168 and 15340 Highway 60 located on Lot 7, 8 and 9 on Concession 5 in the Township of Killaloe, Hagarty and Richards.

9. 25 Smith Street located on Lot 9, Concession 5 in the Township of Whitewater Region.

Utility History

ORPC has its roots in the former four utilities of Almonte Hydro, Beachburg Hydro, Killaloe Hydro and Pembroke Hydro.

Almonte Hydro history goes back to 1886 with a stock company formed to provide electric lighting in the village. The 20 streetlights came on in 1889. In 1890 Dr. A.A. Metcalfe and his brothers built the first generating station operated as the Almonte Electric Light Company which sold power. In 1901, the Metcalfe plant was purchased by the town which led to the formation of the Almonte Electric Light Commission in 1908. Generation increased over the years; but, in 1945 a connection was made to Ontario Hydro to assure an adequate supply. The existing power house, now owned by Mississippi River Power Generation, was upgraded in 1991 to 2500 kW.

Beachburg Hydro history dates back to 1935 when Beachburg was part of the Township of Westmeath. In 1959, Beachburg formed its own municipal government and Beachburg Hydro was controlled by a separate commission, made up of Council. On January 1, 2000, Beachburg Hydro amalgamated with Pembroke Hydro to become Ottawa River Power Corporation.

Electrical power came to Killaloe in 1947 as part of the rural electrification program of Ontario Hydro. The public utility was created in 1952 to take over the operation of the distribution of

electricity within the town. A Commission consisting of two elected commissioners and the mayor ran the utility. A major rebuild/upgrading of the system was completed in 1975.

Pembroke's electric history dates back to October 1884 when it was reported in the local paper that the first electric light was being turned on. Pembroke Electric Light Company came into existence in 1889 with a focus of providing light to Pembroke. Early generation was on the Muskrat River as part of the plants. Later generation came from a station built on the Black River. Pembroke Electric Light provided power from the Five Mile Crossing through to Camp Petawawa.

In 1967, Pembroke Hydro was formed when the municipality purchased the distribution assets from Pembroke Electric Light Company.

In 1997, the Government of Ontario engaged the MacDonald Committee to review the electrical system in Ontario. In various countries throughout the world, the industry was being revised, separating the components into competitive companies, where possible.

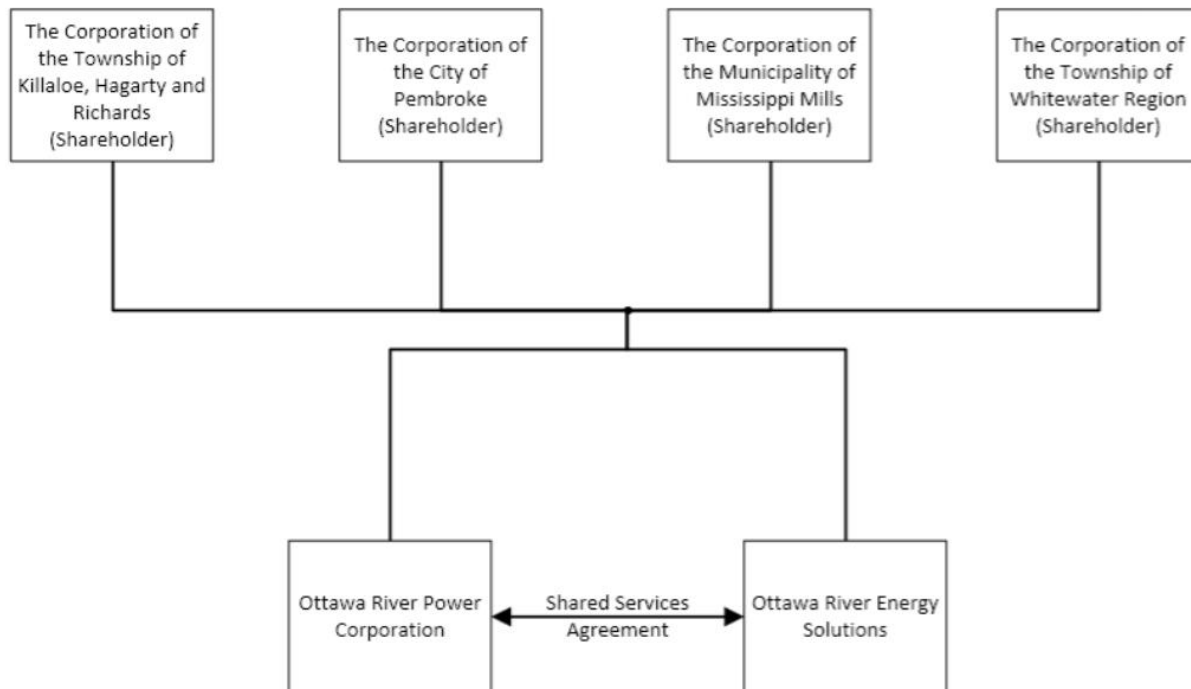
The MacDonald Committee requested input from utilities. Pembroke Hydro, in co-operation with all the other utilities in Renfrew County, completed a study which found that if amalgamation took place to create one utility of approximately 20,000 customers, excellent efficiency and superior service could be provided. In 2000, Pembroke Hydro and Beachburg Hydro amalgamated to form the Ottawa River Power Corporation. Killaloe Hydro and Mississippi Mills Hydro (formerly Almonte Hydro) joined ORPC on the opening of the market.

Corporate Structure

The shareholders of the Corporation are the City of Pembroke (78.4%), the Municipality of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

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Figure 1 - Corporate Structure

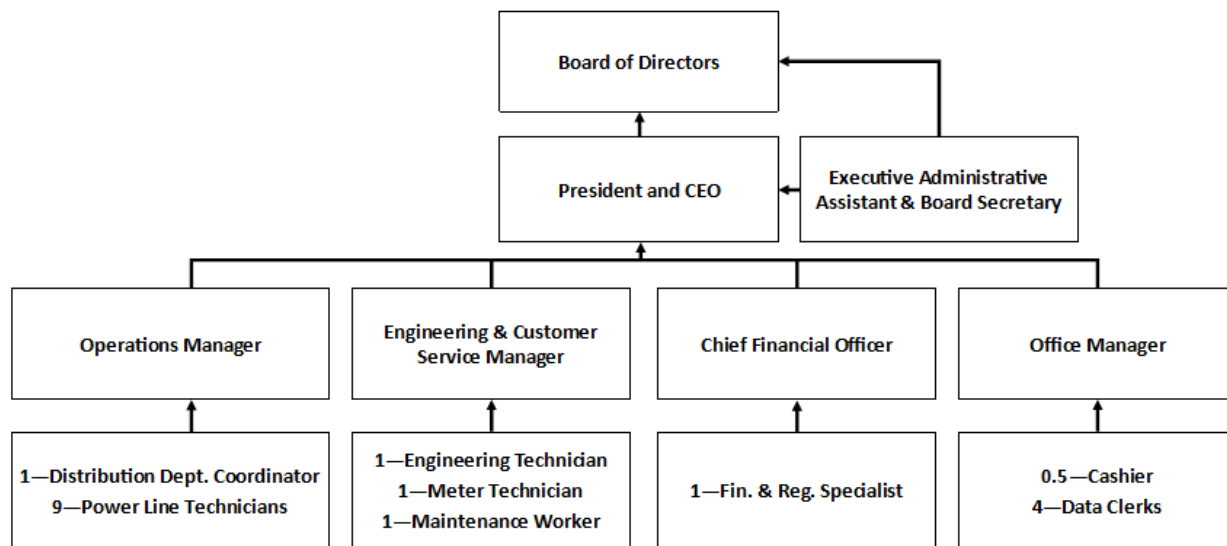


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3 **Staffing**

4 ORPC currently employs 24.5 full-time equivalent employees including its operations, service,
5 billing and administration departments. Its positions, departments and reporting hierarchies are
6 outlined in the figure below.

Figure 2 - Organizational Chart



The Application

Ottawa River Power Corporation ("ORPC") is pleased to present its Cost-of-Service application for rates effective May 1, 2027. This application consists of the following Exhibits and Excel models as evidence to support this application.

- ✓ Exhibit 1: Application Overview and Administrative Documents
- ✓ Exhibit 2: Rate Base and Capital
- ✓ Exhibit 3: Customer and Load Forecast
- ✓ Exhibit 4: Operating Expenses
- ✓ Exhibit 5: Cost of Capital and Capital Structure
- ✓ Exhibit 6: Revenue Requirement and Revenue Deficiency or Sufficiency
- ✓ Exhibit 7: Cost Allocation
- ✓ Exhibit 8: Rate Design
- ✓ Exhibit 9: Deferral and Variance Accounts
- ✓ 2027 Benchmarking Forecast Model
- ✓ 2027 Cost Allocation Model
- ✓ 2027 Test Year Income Tax PILs Workform
- ✓ 2027 Rev Req Workform
- ✓ 2027 RTSR Workform

- 1 ✓ 2027 Load Forecast Model
- 2 ✓ 2027 DVA Continuity Schedule
- 3 ✓ 2027 COS Checklist
- 4 ✓ 2027 Chapter 2 Appendices Filing Requirements
- 5 ✓ 2027 Commodity Accounts Analysis Workform
- 6 ✓ 2027 Tariff Schedule & Bill Impact Model
- 7 ✓ 2027 Power Purchase True-Up Model

8 All documents have been submitted to the Ontario Energy Board's (OEB) website.

9 The application along with all supporting evidence will be posted on the utility's website and
10 communicated to customers via X and Facebook once the application is accepted by the OEB.

11 1.1.2 SUMMARY OF APPLICATION

12 A summary of ORPC's 2027 Cost of Service application is provided below. The summary will be
13 posted as a stand-alone document on the utility's website for review by the public and will be
14 posted on ORPC's social media pages.

15 This Cost of Service Application filed with the Ontario Energy Board involves the setting and
16 approval of new electricity distribution rates based on the value of ORPC's assets and the costs
17 incurred in providing service to its customers. This involves work such as the construction,
18 operation and maintenance of poles, lines, and transformers, and customer billing and collecting
19 activities. All wages and materials related to the distribution of power form the basis for the costs
20 included in this application. There are several reasons why ORPC is seeking a rate increase effective
21 May 1, 2027. The main reason is that ORPC's current base rates were set in 2022. Since 2022, ORPC
22 has experienced staffing changes and increased capital needs including new utility vehicles and
23 Smart Grid technologies. The preparation of its Distribution System Plan ("DSP") for 2027 to 2031
24 has aided management in identifying and re-prioritizing the needs of the utility.

25 Like most utilities in Ontario, ORPC faces the need to renew aging electrical infrastructure. ORPC
26 is working on balancing its need for new assets and the funds needed to pay for assets keeping
27 in mind customers' rate impacts and their need for value. ORPC is planning to invest in vehicles

1 and smart grid technologies to improve reliability and to continue to deliver power safely. ORPC
2 has incurred other costs such as wages and materials in order to be able to make use of new
3 systems. Much like other utilities, ORPC also faces external cost pressures, such as inflation and
4 competitive employment markets.

5 Capital priorities in the 2027 to 2031 planning period include the replacement of aging passenger
6 and large utility vehicles, the renewal of the 44kV system which is the middle link between the
7 provincial transmission grid and ORPC's distribution network used by customers, and investment
8 in smart grid technologies to quickly identify, isolate, and repair system outages.

9 ORPC is focusing its efforts going forward on enhancing performance levels in all aspects of its
10 operation and planning activities to comply with its regulatory obligations and responsibilities to
11 the OEB and the Electrical Safety Authority (ESA).

12 At the core of ORPC's mandate is the responsibility to deliver a trusted source of safe, efficient,
13 and reliable power to its customers. A critical element in that equation is the smart grid
14 technologies and ongoing distribution equipment replacement programs to help ensure the
15 long-term integrity and sustainability of the distribution system.

16 An updated DSP forms the basis for the utility's capital and maintenance programs. The DSP
17 reflects the latest performance priorities of the distribution system and serves as a basis for the
18 longer term projects recommended from the condition (age risk ratings) assessments.

19 Under a 5-year capital investment plan, the company has embarked on a prudent course to
20 maintain and renew the utility's equipment assets.

21 By focusing on customer engagement and communications, ORPC is helping customers make
22 better choices and create healthy, sustainable results for the communities it serves.

23 Results from a Customer Satisfaction Survey, undertaken by ORPC in the winter of 2025,
24 demonstrate that the company is maintaining positive relationships with its customers. It has
25 helped to identify customer attitudes about the utility's priorities, communications, electricity
26 prices and ORPC's standing and reputation in the community. The results will assist ORPC in fine

tuning its programs, services and communications using direct and reliable customer feedback.
Overall, ORPC's customer satisfaction was 84%.

A. Revenue Requirement

Table 1 shows ORPC's revenue requirement from the last Cost of Service in 2022 up to the proposed 2027 revenue requirement.

Table 1 - 2027 Proposed Revenue Requirement

<i>Particular</i>	Last Board Approved	2022	2023	2024	2025	2026	2027
<i>OM&A Expenses</i>	\$3,623,394	\$3,838,861	\$4,153,296	\$4,134,104	\$4,713,045	\$4,595,722	\$5,215,106
<i>Depreciation Expense</i>	\$950,237	\$958,372	\$1,016,304	\$992,213	\$932,579	\$928,809	\$977,565
<i>Regulated Return On Capital</i>	\$451,529	\$512,818	\$584,670	\$617,606	\$664,177	\$713,338	\$819,130
<i>Deemed Interest Expense</i>	\$260,855	\$296,262	\$337,772	\$356,799	\$383,704	\$412,105	\$578,262
<i>Grossed up PILs</i>	\$16,204	\$194,734	\$(69,875)	\$16,355	\$36,548	\$-	\$-
<i>Service Revenue Requirement</i>	\$5,302,220	\$5,801,047	\$6,022,167	\$6,117,077	\$6,730,053	\$6,649,974	\$7,590,063
<i>Less: Revenue Offsets</i>	\$339,757	\$769,336	\$700,894	\$726,038	\$720,586	\$484,046	\$464,587
<i>Base Revenue Requirement</i>	\$4,962,463	\$5,031,711	\$5,321,273	\$5,391,039	\$6,009,467	\$6,165,928	\$7,125,476

The proposed Base Revenue Requirement for the 2027 Test Year of \$7,125,476 reflects an increase of \$2,163,013 or 44% relative to the 2022 Board Approved amounts with a steady increase each year. Increases are higher in 2025 when ORPC performed its line transformer PCB replacement program, incurring combined capital and operating costs of \$807,631 for program completion. The 2027 year also sees an increase driven by adjustments to wages to reflect competitive market rates, the funding of new and increased rent rates, a new staffing position, a new large utility vehicle and the renewal of the 44kV system at one of its substations. Table 2 shows the main drivers of revenue requirement changes from its last OEB-approved revenue requirement in 2022:

Table 2 – 2022 to 2027 Revenue Requirement Drivers

<i>Particular</i>	Base Revenue Requirement
<i>Inflation of wages and expenses</i>	\$1,045,878
<i>New Rent</i>	\$149,756
<i>Wage Adjustments to Market Rates</i>	\$148,981
<i>New Accounting System</i>	\$44,846
<i>New IT System Maintenance and Planning</i>	\$66,000
<i>New Employee Benefits</i>	\$39,849
<i>Other immaterial increases</i>	\$96,402
OM&A Expenses	\$1,591,712
<i>Regulated Return on Capital</i>	\$367,601
<i>Deemed Interest Expense</i>	\$317,407
<i>Revenue Offsets</i>	\$(124,830)
<i>Other</i>	\$11,123
Base Revenue Requirement Variance	\$2,163,013

Year-over-year variances in OM&A are explained throughout Exhibit 4 and Revenue Offsets details are outlined in Exhibit 6.

B. Load Forecast Summary

The load forecast for Test Year 2027 is based on a methodology that predicts class specific consumption using multivariate regression analyses that relate historical monthly rate class kWh usage to monthly historical heating degree days, and cooling degree days, and other economic, calendar, and COVID variables.

ORPC used 6-year historic rate class consumption for the period 2020 to 2025 to run regression analyses to produce a load forecast for 2026 Bridge Year and 2027 Test Year.

Weather normalized values are determined by using the regression equation with 10-year average monthly degree days (2016-2025). The 10-year average is consistent with recent years' weather and has been used in other electricity distribution rate applications accepted by the Board. An eDSM adjustment is included in the load forecast to account for savings from the IESO's eDSM Framework. A separate forecast for additional loads from electric vehicles and heat pumps are added to the forecast that is based on historic energy consumption and trends.

Table 3 compares ORPC's 2027 Test Year Load Forecast to the 2022 Board-Approved Load Forecast:

Table 3 - Load Forecast 2022BA vs 2027 Forecast

	Year	2022 BA	2027 Forecast	Variance	
Residential	Cust/Conn	10,191	10,600	409	4.0%
	kWh	79,466,998	92,832,140	13,365,142	16.8%
General Service < 50 kW	Cust/Conn	1,264	1,267	3	0.2%
	kWh	30,190,015	30,243,420	53,405	0.2%
General Service > 50 to 4999 kW	Cust/Conn	151	133	-18	-11.9%
	kWh	71,904,756	64,938,559	-6,966,197	-9.7%
	kW	219,896	196,085	-23,811	-10.8%
Street Lighting	Cust/Conn	2,949	2,948	-1	0.0%
	kWh	1,105,631	1,016,551	-89,080	-8.1%
	kW	3,103	2,837	-266	-8.6%
Sentinel	Cust/Conn	166	176	10	6.0%
	kWh	195,500	149,812	-45,688	-23.4%
	kW	492	415	-77	-15.7%
USL	Cust/Conn	19	19	0	0.0%
	kWh	609,268	598,467	-10,801	-1.8%
Total	Cust/Conn	14,741	15,143	402	2.7%
	kWh	183,472,167	189,778,950	6,306,783	3.4%
	kW	223,491	199,337	-24,154	-10.8%

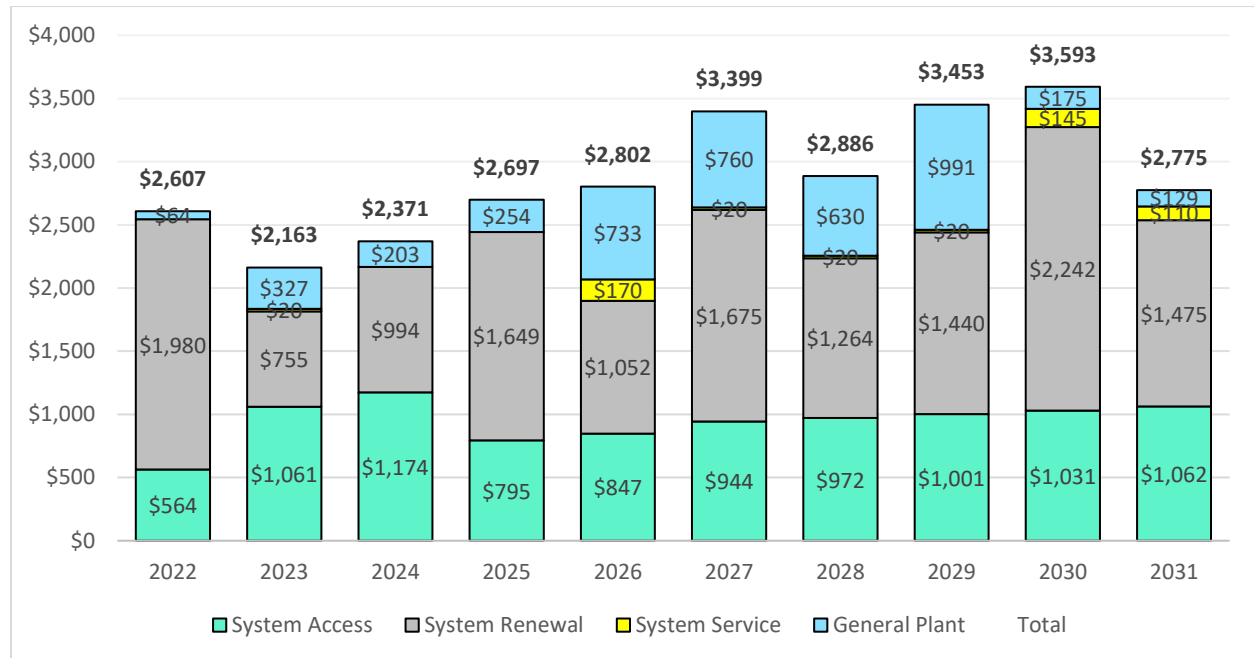
ORPC forecasts an increase of 208 customers and 1,859,089 kWh in the Residential class from 2025 to 2027. The General Service<50 kW and General Service>50 kW customers counts are forecast to decline slightly, continuing historic trends. The details of the customer and load forecast is presented in (Exhibit 3) of the application.

C. Rate Base and Distribution System Plan (DSP)

- 1 Figure 3 below illustrates ORPC's total capital expenditure for the forward looking 5 years of 2027-
- 2 2031:
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Figure 3 - Gross CapEx from 2022 to 2031 (\$K)



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Figure 3 demonstrates that ORPC, in preparing its 5-year capital investment program for 2027 to 2031, is leveling spending so that it is paced and prioritized over the period, subject to large vehicle purchases in 2027 and 2029 and a 44kV system renewal project in 2030 which, for a company the size of ORPC, cause unavoidable spikes in annual spending. ORPC's approach to managing its distribution assets is described in detail in the 2027 Distribution System Plan in Exhibit 2.

Table 4 - Rate Base

<i>Particulars</i>	MIFRS Last Board Approved	MIFRS 2022	MIFRS 2023	MIFRS 2024	MIFRS 2025	MIFRS 2026	MIFRS 2027
<i>Net Capital Assets in Service:</i>							
<i>Average Gross Assets</i>	18,926,106	24,177,719	25,181,126	26,528,623	28,463,446	30,834,233	33,454,548
<i>Average Accumulated Depreciation</i>	-7,675,477	-10,392,790	-10,250,182	-10,654,330	-11,324,481	-12,273,504	-13,226,691
<i>Average Balance</i>	11,250,629	13,784,928	14,930,944	15,874,293	17,138,965	18,560,729	20,227,857
<i>\$ Change (Test Year vs Last Rebasing Year – Approved)</i>							8,977,228
<i>% Change (Test Year vs Last Rebasing Year - Approved)</i>							79.8%
<i>Working Capital Allowance</i>	1,784,286	2,000,469	1,947,511	1,954,973	2,034,739	2,032,179	2,251,021
<i>Total Rate Base</i>	13,034,914	15,785,397	16,878,455	17,829,266	19,173,704	20,592,908	22,478,878
<i>\$ Change (Test Year vs Last Rebasing Year - Approved)</i>							9,443,964
<i>% Change (Test Year vs Last Rebasing Year - Approved)</i>							72.5%

The table above shows the change in Rate Base from the last Cost of Service in 2022 to the proposed 2027 Cost of Service. The proposed Rate Base for the 2027 Test Year of \$22,478,878 reflects an increase of \$9,443,964 from the 2022 Board Approved.

The utility is not proposing to recover costs from any rate class for renewable energy connections/expansions, smart grid, or regional planning initiatives.

ORPC follows the best practices of the electricity distribution industry. This includes adhering to the OEB's Distribution System Code that sets out good utility practice and performance standards for the industry as well as minimum inspection requirements for distribution equipment. Also, ORPC adheres to the standards set by the Electrical Safety Authority's 22/04 code to ensure there are safe connections to the distribution system. Consistent with best practices, over the years ORPC has replaced or upgraded equipment when necessary. The net result has been ORPC

maintaining a reliable distribution system and making prudent investments, which has been achieved with historically moderate increase in rate-payers monthly electricity bills.

Summarized below are the main capital investments projects completed by ORPC since 2022 and projected for 2027:

Major capital cost drivers: 2022

- System Access: 42-Unit Apartment Building at \$145,880
- System Renewal: Pembroke MS#6 Transformer Replacement at \$1,082,420

Major capital cost drivers: 2023

- System Access: Highway 148 Upgrades at \$230,279
- System Access: Boundary Road West Subdivision at \$254,185
- System Renewal: Pembroke MS#1 Transformer Replacement at \$280,069
- System Renewal: Pembroke MS#6 Transformer Replacement at \$73,845
- General Plant: Transportation Equipment Engine Replacement at \$65,438
- General Plant: ArcGIS Computer Hardware and Software at \$82,574

1 Major capital cost drivers: 2024

- 2 • System Access: Highway 148 Upgrades at \$386,161
- 3 • System Access: Golfview Subdivision at \$173,214
- 4 • System Renewal: Courthouse Transformer Replacement at \$84,557
- 5 • System Renewal: Pembroke MS#4 SCADA Replacement at \$175,342
- 6 • General Plant: Propane Generator in Pembroke at \$53,518
- 7 • General Plant: Tandem Axle Pole Trailer at \$52,110

8 Major capital cost drivers: 2025

- 9 • System Access: Steel Street 8-unit Building in Pembroke at \$53,985
- 10 • System Renewal: PCB Line Transformer Replacements at \$331,238
- 11 • System Renewal: Almonte MS#2 Transformer Replacement at \$276,400
- 12 • System Renewal: Pembroke MS#8 SCADA Replacement at \$106,329
- 13 • System Renewal: Pembroke MS#1 Bus Cable Replacement at \$73,348
- 14 • System Renewal: Pembroke Mall Underground Primary Replacement at \$54,543
- 15 • System Renewal: Evelyn Street Pole Replacement Project in Pembroke at \$50,492
- 16 • General Plant: 2023 Ford E-Transit Cargo Van at \$52,214
- 17 • General Plant: 2025 Ford F150 XLT at \$67,121

18 Major capital cost drivers: 2026

- 19 • System Renewal: Smart Renewables and Electrification Pathways at \$271,015
- 20 • System Renewal: Pembroke MS SCADA Replacement at \$120,000
- 21 • System Service: Pembroke MS#4 Land Purchase at \$150,000
- 22 • General Plant: Large Utility Vehicle at \$588,309

23 Major capital cost drivers: 2027

- 24 • System Renewal: Pembroke MS#4 44kV Renewal at \$600,000
- 25 • System Renewal: Smart Renewables and Electrification Pathways at \$256,520
- 26 • System Renewal: Pembroke MS SCADA Replacement at \$130,000
- 27 • General Plant: Large utility vehicle at \$575,422

- General Plant: Small vehicle at \$75,000

The 2027 Test Year Working Capital Allowance has increased by \$466,735 when compared to the 2022 Board Approved. The reason for the increase from the 2022 Board Approved to the Test Year 2027 is primarily due to the increase in Power Supply Expenses. ORPC has forecasted an increase in the 2027 Power Supply Expenses of \$4,631,433 or 23% over its 2022 Cost of Service approved amount. This is primarily due to increased supply costs combined with a forecasted 3% growth in customer count and consumption from 2022 actuals and 6% over its 2022 Load Forecast which are used to calculate the Cost of Power.

The table below summarizes the change in the Working Capital allowance from the 2022 Board-approved amount to the forecasted amount for the 2027 Test Year:

Table 5 - Working Capital Allowance

	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Last Board Approved	2022	2023	2024	2025	2026	2027
Expenses for Working Capital							
<u>Eligible Distribution Expenses:</u>							
3500-Distribution Expenses - Operation	\$872,757	\$773,946	\$943,452	\$812,188	\$1,224,942	\$940,920	\$1,084,238
3550-Distribution Expenses - Maintenance	\$576,747	\$680,047	\$577,974	\$587,754	\$712,695	\$696,942	\$755,925
3650-Billing and Collecting	\$934,527	\$868,547	\$817,614	\$1,045,682	\$1,119,399	\$1,154,809	\$1,232,010
3700-Community Relations	\$42,318	\$36,357	\$28,354	\$29,510	\$23,586	\$26,163	\$38,080
3800-Administrative and General Expenses	\$1,197,045	\$1,479,963	\$1,785,901	\$1,661,970	\$1,632,423	\$1,776,887	\$2,104,854
Total Eligible Distribution Expenses	\$3,623,394	\$3,838,861	\$4,153,296	\$4,134,104	\$4,713,045	\$4,595,722	\$5,215,106
3350-Power Supply Expenses	\$20,167,080	\$22,834,063	\$21,813,522	\$21,932,198	\$22,416,811	\$22,500,000	\$24,798,513
Total Expenses for Working Capital	\$23,790,475	\$26,672,924	\$25,966,818	\$26,066,302	\$27,129,856	\$27,095,722	\$30,013,619
Working Capital factor	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Working Capital	\$1,784,286	\$2,000,469	\$1,947,511	\$1,954,973	\$2,034,739	\$2,032,179	\$2,251,021

D. Operations, Maintenance and Administration Expense

ORPC's 2027 Test Year Operations, Maintenance and Administrative (OM&A) operating costs are projected to be \$5,215,106, which represents an increase of \$1,591,712 from its 2022 Cost of Service or 44%. Table 6 below illustrates the 2022 Board Approved, historical actuals and projections for 2026 Bridge Year and 2027 Test Year for the OM&A major functions:

1 **Table 6 – Appendix 2-JA Total Recoverable OM&A**

	Board Approved	2022	2023	2024	2025	2026	2027
<i>Operations</i>	\$872,757	\$773,946	\$943,452	\$812,188	\$1,224,942	\$940,920	\$1,084,238
<i>Maintenance</i>	\$576,747	\$680,047	\$577,974	\$584,754	\$712,695	\$696,942	\$755,925
Subtotal	\$1,449,504	\$1,453,994	\$1,521,426	\$1,396,942	\$1,937,637	\$1,637,863	\$1,840,163
<i>%Change (year over year)</i>		11.9%	4.6%	-8.2%	38.7%	-15.50%	12.40%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>							27.0%
<i>Billing and Collecting</i>	\$934,527	\$868,547	\$817,614	\$1,045,682	\$1,119,399	\$1,154,809	\$1,232,010
<i>Community Relations</i>	\$42,318	\$36,357	\$28,354	\$29,510	\$23,586	\$26,163	\$38,080
<i>Administrative and General</i>	\$1,197,045	\$1,479,963	\$1,785,901	\$1,661,970	\$1,632,423	\$1,776,887	\$2,104,854
Subtotal	\$2,173,890	\$2,384,867	\$2,631,869	\$2,737,162	\$2,775,408	\$2,957,859	\$3,374,943
<i>%Change (year over year)</i>		9.20%	10.40%	4.00%	1.40%	6.60%	14.10%
<i>%Change (Test Year vs Last Rebasing Year - Actual)</i>							55.2%
Total	\$3,623,394	\$3,838,861	\$4,153,296	\$4,134,104	\$4,713,045	\$4,595,722	\$5,215,106
<i>%Change (year over year)</i>		10.20%	8.20%	-0.50%	14.00%	-2.50%	13.50%

2

3 ORPC's OM&A costs have increased since 2022. Details on the year-over-year changes are

4 presented in Exhibit 4 and summarized below:

- 5 • New Rent at \$149,756
- 6 • Inflations of wages and expenses at \$1,045,878
- 7 • Wage Adjustments to Market Rates at \$148,981
- 8 • New Accounting System at \$44,846
- 9 • New IT System Maintenance and Planning Reports at \$66,000
- 10 • New Employee Benefits at \$39,849

11

E. Cost of Capital

ORPC seeks to recover a weighted average cost of capital of 6.22% through rates in the 2027 Test Year. ORPC has followed the guidance provided in the March 27, 2025, Decision and Order regarding cost of capital parameters and deemed capital structure to be used to set rates (EB-2024-0063).

In calculating the applicable cost of capital, ORPC has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, in conjunction with the Cost of Capital parameters in the OEB's letter of October 31, 2025, for the allowed return on equity ("ROE"). ORPC is not seeking any changes in its Capital Structure from its 2022 Board Approved Structure. ORPC notes that consistent with the Board's most recent Cost of Capital Parameters, it has used the deemed long-term debt rate of 4.73% for the portion of its debt held by affiliates and ORPC also has long term debt held by third parties, for a combined average long-term debt rate of 4.40%. The short-term debt rate is 2.72%. Overall, the weighted average cost of debt is 4.29% and the return on equity is 9.11%.

Table 7 - Overview of Capital Structure

Particulars	Cost Rate		Return	
	(%)	(\$)	(%)	(\$)
Debt				
<i>Long-term Debt</i>	56.00%	\$12,588,172	4.40%	\$553,805
<i>Short-term Debt</i>	4.00%	\$899,155	2.72%	\$24,457
Total Debt	60.00%	\$13,487,327	4.29%	\$578,262
Equity				
<i>Common Equity</i>	40.00%	\$8,991,551	9.11%	\$819,130
<i>Preferred Shares</i>	0.00%	\$-	-%	\$-
Total Equity	40.00%	\$8,991,551	9.11%	\$819,130
	100.00%	\$22,478,878	6.22%	\$1,397,392

The weighted average cost of capital is 6.22%. ORPC commits to updating its Cost of Capital Parameters to the rates effective January 1, 2027, as applicable to ORPC, once issued by the OEB.

F. Cost Allocation and Rate Design

The main objectives of a Cost Allocation study are to provide information on any apparent cross-subsidization among a distributor's rate classifications and to support future rate applications. This information is updated to reflect new parameters and inputs and then used to adjust any cross-subsidization in the proposed rates.

ORPC is submitting cost allocation information filing consistent with the utility's understanding of the Directions, the Guidelines and Instructions of the model as issued by the Board in November of 2006 and all subsequent updates.

ORPC has prepared a Cost Allocation Study for 2027 based on an allocation of the 2027 Test Year costs (i.e. the 2027 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh) by class, customer counts and other inputs. ORPC has updated demand profiles for all rate classes using a three-year average of hourly loads. The Applicant has used the 2027 Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2027 data into this model. The results of the Cost Allocation Model and proposed revenue-to-cost ratios after adjustments is provided below.

Table 8 – Cost Allocation Model

	Status Quo Revenues	Allocated Revenue Requirement	CA Model Revenue-to-Cost Ratios	Proposed Revenue-to-Cost Ratios
<i>Residential</i>	\$4,955,840	\$5,058,022	97.98%	97.98%
<i>GS < 50 kW</i>	\$1,177,028	\$860,688	136.75%	120.00%
<i>GS > 50 kW</i>	\$1,218,499	\$1,450,659	84.00%	93.89%
<i>Street Light</i>	\$202,124	\$173,886	116.24%	116.24%
<i>Sentinel</i>	\$20,314	\$30,943	65.65%	67.90%
<i>USL</i>	\$16,257	\$15,864	102.48%	102.48%
Total	\$7,590,063	\$7,590,063	100.00%	100.00%

Two of the customer rate classes' revenue-to-cost ratios fell outside the Board's floor and ceiling range. The utility proposes to adjust the revenue-to-cost ratio of the General Service < 50 kW class down to the 120% upper of the OEB policy range. The Sentinel Lighting rate class would have total bill impacts that exceed 10% if their revenue to cost ratio is increased to the 80% lower bound so ORPC is proposing to phase-in revenue to cost increases as a bill mitigation measure.

To maintain revenue neutrality, the revenue to cost ratio of the General Service > 50 kW rate class is increased to 93.89%.

ORPC is not proposing any new customer classes or customer class definition changes.

The existing fixed charges of the General Service < 50 kW, General Service > 50 kW, and Unmetered Scattered Load rate classes exceed the maximum as calculated in the Cost Allocation Model. ORPC proposes to maintain the fixed charges for these rate classes and recover the revenue increase required to achieve the proposed revenue-to-cost ratio from the variable charge.

The resulting proposed distribution charges are provided below.

Table 9 – Proposed Distribution Charges

	Current Charges		Proposed Charges		Distribution Rate Impact	
	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge	Fixed Charge	Variable Charge
<i>Residential</i>	\$29.81	\$-	\$36.52	\$-	22.51%	
<i>GS < 50</i>	\$27.68	\$0.0163	\$27.68	\$0.0183	0.00%	12.27%
<i>GS > 50</i>	\$104.16	\$3.9863	\$104.16	\$5.7878	0.00%	45.19%
<i>Street Light</i>	\$2.98	\$16.3147	\$3.65	\$20.0048	22.48%	22.62%
<i>Sentinel</i>	\$4.37	\$13.4466	\$5.56	\$17.1107	27.23%	27.25%
<i>USL</i>	\$28.65	\$0.0096	\$28.65	\$0.0142	0.00%	47.92%

G. Deferral and Variance Accounts

ORPC proposes to dispose of a credit of \$1,100,997 related to Group 1 Accounts and a debit of \$34,950 for Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 balances are as of December 31, 2025, and are consistent with the utility's audited financial statements.

ORPC last disposed on a final basis its Group 1 Accounts up to December 31, 2023, and Group 2 Accounts to December 31, 2021.

ORPC also proposes to adjust its Power Purchase True-Up rates to account for activity in 2025 and forecasted usage and pricing.

Group 1 and Group 2 DVA balances are proposed to be disposed of over one year. ORPC has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report. Additionally, ORPC confirms that it has not

made any adjustments to DVA balances that were previously approved by the Board on a final basis in previous Cost of Service and IRM proceedings and is not requesting any new accounts or sub-accounts.

A breakdown of energy sales and cost of power expense balances, as reported in ORPC's Audited Financial Statements, is provided Exhibit 9.3.1

ORPC confirms that it prorates the IESO Global Adjustment Charge into the RPP and Non-RPP portions.

Table 10 - Account and Balances Sought for Disposition/Recovery

	Amounts from Sheet 2		Allocator
<i>LV Variance Account</i>	1550	(344,710)	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(8,428)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(505,813)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	155,551	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	64,396	kWh
<i>RSVA – Power (excluding Global Adjustment)</i>	1588	25,909	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2021)</i>	1595	1,900	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2022)</i>	1595	(14,174)	%
<i>Total Group 1 accounts above (excluding 1589)</i>		(625,369)	
<i>LEAP EFA Funding Deferral Account</i>	1508	50,075	kWh
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)</i>	1592	(15,125)	kWh
<i>Total of Group 1 Accounts (1550, 1551, 1584, 1586, and 1595)</i>		(145,465)	
<i>Total of Account 1580 and 1588 (not allocated to WMPs)</i>		(479,904)	
<i>Account 1589 (allocated to Non-WMPs)</i>		(475,628)	
<i>Group 2 Accounts (including 1508, 1592)</i>		34,950	

Table 11 – Disposition/Recovery by Customer Class

	Group 1 / Group 2 DVA Disposition	GA Disposition	Total DVA Disposition
<i>Residential</i>	(296,491)	(5,907)	(302,398)
<i>General Service < 50kW</i>	(87,737)	(42,950)	(130,687)
<i>General Service > 50kW*</i>	(200,165)	(416,177)	(616,342)
<i>Sentinel Lighting</i>	(514)	(154)	(668)
<i>Street Lighting</i>	(3,665)	(7,481)	(11,145)
<i>Unmetered Scattered Load</i>	(1,847)	(2,959)	(4,806)
Total	(590,419)	(475,628)	(1,066,047)
<i>*Including Class A customer amounts</i>			

H. Bill Impacts

ORPC has applied to the Ontario Energy Board to increase its electricity distribution rates effective May 1, 2027. The 2027 distribution rates proposed by ORPC will result in total bill impacts as follows:

- Residential customers using 750 kWh per month - \$5.43 (Time-of-Use - TOU) or 4.1%.
- General Service<50 kW using 2,000 kWh per month - \$2.62 (TOU) or 0.8%.
- General Service 50-4999 kW – (\$36.95) or (0.5%).
- Street Lighting – \$289.17 or 8.1%
- Sentinel Lighting - \$1.63 or 10.0%
- Unmetered Scattered Load – \$9.78 or 2.4%

The total bill increase for the Sentinel Lighting class, without rate mitigation, would exceed the 10% threshold. ORPC is proposing a rate mitigation strategy to limit the Sentinel Lighting total bill impact to 10% by phasing-in revenue to cost ratios for the class.

A summary of the bill impact for all classes is presented in the table below:

Table 12 – Bill Impacts by Rate Class

Customer Classification and Billing Type	Energy kWh	Demand kW	Monthly Distribution Charge (Sub-Total A)			
			2026	2027	Change	
					\$	%
Residential (RPP)	750		\$30.59	\$36.65	\$6.06	19.81%
GS < 50 kW (RPP)	2,000		\$61.88	\$64.68	\$2.80	4.52%
GS 50 > 50 kW (non-RPP)	40,743	123	\$606.97	\$823.71	\$216.73	35.71%
Sentinel Lighting (RPP)	71	0.2	\$7.17	\$8.94	\$1.77	24.68%
Street Lighting (Non-RPP)	10,918	30	\$1,660.82	\$1,998.63	\$337.81	20.34%
Unmetered Scattered Load (RPP)	2,625		\$55.16	\$66.45	\$11.29	20.46%
Customer Classification and Billing Type	Energy kWh	Demand kW	Total Bill			
			2026	2027	Change	
					\$	%
Residential (RPP)	750		\$133.76	\$139.19	\$5.43	4.06%
GS < 50 kW (RPP)	2,000		\$333.81	\$336.42	\$2.62	0.78%
GS 50 > 50 kW (non-RPP)	40,743	123	\$7,333.36	\$7,296.41	(\$36.95)	-0.50%
Sentinel Lighting (RPP)	71	0.2	\$16.37	\$17.94	\$1.63	9.99%
Street Lighting (Non-RPP)	10,918	30	\$3,566.64	\$3,855.90	\$289.17	8.11%
Unmetered Scattered Load (RPP)	2,625		\$414.47	\$424.23	\$9.78	2.36%

A full list of the bill impacts applicable to all customer classes is found in Exhibit 8 of this application. All of ORPC's customers will be affected by this application.

I. Budgeting and Economic Assumptions

ORPC develops forecast information for the three major components of the budgeting process:

- 1) Revenue Forecasts;
- 2) Operating, Maintenance and Administration ("OM&A"); and
- 3) Capital Costs.

Revenue Forecast

The revenue forecasts are based on throughput volume and existing rates for the 2026 Bridge Year and ORPC's proposed rates for the 2027 Test Year. The forecasted volumes have been weather normalized and consider such factors as new customer additions and load for all classes of customers. Details are presented in Exhibit 3.

OM&A Costs

OM&A costs presented in Exhibit 4 show ORPC's maintenance and customer-focused activity required to meet public needs and employee objectives. These costs are essential in order to comply with the Distribution System Code, environmental requirements and government directives as well as to maintain distribution service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to ORPCs distribution system and meeting the requirements of the OEB's Standard Supply Code and Retail Settlement Code.

The proposed OM&A cost expenditures for the 2027 Test Year are the result of planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are implemented.

Capital Costs

In managing its' distribution system assets, ORPC's core objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. ORPC is committed to providing our customers with an economical, safe, reliable supply of electricity and enabling our community to be energy efficient.

ORPC's guiding principles regarding capital expenditure are two-fold:

- 1) To replace assets before they fail; and
- 2) To assess and if needed, replace assets at the end of their useful life

These objectives have been met through the application of thorough and sound planning, prudent and justified budgeting while implementing the documented capital, and operating plans.

Conclusion

With this filing, ORPC now looks to the future with the intent to provide essential electricity services to benefit our community and our customers.

1.1.3 BUSINESS PLAN

ORPC's 2027–2031 Business Plan establishes the strategic direction that underpins this Cost of Service application and demonstrates how the utility intends to continue providing safe, reliable and cost-effective electricity distribution service to approximately 12,000 customers in Pembroke, Almonte, Beachburg and Killaloe. The Business Plan, included as Appendix 1F, was developed to align ORPC's operational, capital and financial planning with the needs of its customers, the condition of its distribution system, and evolving regulatory requirements.

The Business Plan identifies four strategic priorities for the 2027–2031 period:

- Renew the assets customers depend on by replacing aging distribution infrastructure and addressing assets that have exceeded their typical useful lives to improve long-term system reliability.
- Restore and extend operational visibility through modernization of obsolete substation SCADA equipment, deployment of smart fault indicators, and continued advancement toward an Outage Management System to improve outage response and customer communications.
- Strengthen customer service and communication by enhancing outage communications, expanding customer information tools, and maintaining high standards of customer service while responding to feedback received through ongoing customer engagement.
- Deliver value for money for customers by maintaining ORPC's long-standing commitment to efficient operations, prudent financial management, and sustainable investment while minimizing customer bill impacts.

The Business Plan recognizes that approximately 40% of ORPC's distribution assets have exceeded their typical useful lives, with several substations approaching or exceeding expected service life. As a result, the capital program is primarily focused on system renewal while also investing in system modernization, cybersecurity, fleet replacement, and technologies that improve operational efficiency and reliability. The plan also acknowledges increasing regulatory expectations related to cybersecurity, climate resilience and distribution system planning, which have been incorporated into ORPC's operational and investment strategies.

Customer feedback played an important role in developing the Business Plan. Customers identified reliability as their highest priority and expressed strong support for continued investment in asset renewal while recognizing the importance of maintaining reasonable and predictable electricity bills. Accordingly, ORPC has developed a balanced plan that prioritizes prudent infrastructure investment, continued operational efficiency, and affordability while maintaining its position as one of Ontario's most efficient electricity distributors.

The expenditures proposed in this application are consistent with the strategic direction established in ORPC's 2027–2031 Business Plan and are intended to ensure the continued safe, reliable and efficient delivery of electricity service while maintaining the financial sustainability necessary to meet future customer and regulatory expectations.

1.2 ADMINISTRATIVE

1.2.1 APPLICANT

Applicants Name: Ottawa River Power Corporation

1.2.2 CONTACT INFORMATION

Application contact information is as follows:

Applicants Name: Ottawa River Power Corporation

Applicants Address: 283 Pembroke Street West, P.O. Box 1087
Pembroke ON K8A 6Y6

ORPC's Main Contact Info. Justin Allen
President and CEO
jallen@orpowercorp.com
Tel: 613.732.3687 x230

Jeffrey Roy
Chief Financial Officer
jroy@orpowercorp.com
Tel: 613.732.3687 x227

ORPC's Counsel: Michael Buonaguro
Email: mrb@mrb-law.com
Phone: 416.767.1666

1.2.3 CONFIRMATION OF INTERNET ADDRESS

Ottawa River Power Corp.'s website and social media addresses are below:

<https://www.orpowercorp.com>

<https://www.facebook.com/OttawaRiverPower/>

<https://x.com/ORPowerCorp>

1.2.4 STATEMENT OF PUBLICATION

ORPC recommends to the OEB to have the Notice of Application and Hearing for this proceeding published in the following local community not-paid-for newspapers which have the highest circulation in its service area:

The Eganville Leader

150 John Street

Eganville, Ontario

K0J 1T0

The Millstone

Almonte, Ontario

<https://millstonenews.com/>

In addition to the OEB's publication, ORPC will make the application available for review in a prominent place on its website and in its offices.

All of Ottawa River Power Corp.'s customers may be affected by this application.

1.2.5 LEGAL APPLICATION

Application

Ontario Energy Board

EB-2026-0066

**In the matter of; the Ontario Energy Board Act, 1998, and in
the matter of an Application by Ottawa River Power Corp. for
an Order or Orders approving or fixing just and reasonable
rates for the distribution of electricity to be implemented as
of May 1, 2027.**

The Applicant is Ottawa River Power Corporation (*referred in this application as "Applicant", the "Distributor", the "Company", the "utility", "LDC", "Ottawa River Power Corp" or "ORPC"*) is a fully licensed distributor of electricity under distribution license ED-2003-0033 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act").

Ottawa River Power Corp. hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective May 1, 2027.

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

- i. This Application is made in accordance with the Ontario Energy Board's *"Filing Requirements for Electricity Distribution Rate Applications for 2027 Rate Applications - Chapter 2: Cost of Service"* (dated December 16, 2025).
- ii. Ottawa River Power Corp. has filed its Distribution System Plan in conjunction with its' 2027 Cost of Service rate application. The Applicant's Distribution System Plan has been filed in accordance with the Board's *"Filing Requirements for Electricity Distribution Rate Applications for 2027 Rate Applications – Chapter 5: Distribution System Plan"* (dated December 16, 2025).

iii. In order for ORPC to maintain a safe, reliable and efficient electricity distribution infrastructure at a comparative cost of service rate, there is some impact to all customer classes serviced by the LDC. ORPC believes that costs have been proportionally and equitably distributed across the customer classes.

iv. Other grounds as may be set out in the material accompanying this Application Summary.

ORPC applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application to be effective May 1, 2027, or as soon as possible thereafter. The Applicant submits these rates and charges are just and reasonable pursuant to section 78 of the Ontario Energy Board Act, 1998 being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15,

ORPC accordingly applies to the Board for the following Order or Orders:

1) Approval to charge distribution rates effective May 1st, 2027, to recover a base revenue requirement of \$7,125,476 which includes a revenue deficiency of \$1,309,920 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of proposed rates is set out in Exhibit 8;

2) Approval of the Distribution System Plan as outlined in Exhibit 2;

3) Approval to adjust the Retail Transmission Rates – Network and Connection and as 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 revised Low Voltage charges as detailed in Exhibit 8;

7) Approval to continue the specific Service Charges and Transformer Allowance as previously approved by the OEB and as detailed in Exhibit 8;

8) Approval to continue applying the MicroFIT monthly service charge of \$5.00 as communicated by the OEB to all rate regulated electricity distributors on November 27th, 2025;

9) Approval to adjust the Power Purchase True-Up Rates as detailed in Exhibit 9;

10) 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;

- 11) Disposal of the LEAP EFA Funding Deferral Account as at December 31st, 2025, and continuation of the account from thereon; and
- 12) Such other approvals that ORPC may request and that the OEB accepts.

1.2.6 CERTIFICATIONS

ORPC hereby certifies that the application has been reviewed and approved by the President and CEO, Chief Financial Officer, and the corporation's Board of Directors. The Board of Directors have been kept informed throughout the preparation of the budget and application and have passed a resolution approving the application. Their letter of approval is provided in Appendix 1G.

ORPC confirms that the information and evidence presented herein is accurate to the best of the corporation's knowledge.

ORPC further certifies that this Application and any evidence filed in support of the Application do not include any personal information unless such information has been filed in accordance with Rule 9A of the OEB's Rules of Practice and Procedure and the Practice Direction on Confidential Filings, as applicable.

1.2.7 USE OF GENERATIVE ARTIFICIAL INTELLIGENCE

Ottawa River Power Corporation used generative artificial intelligence (AI) as a drafting and editing tool in the preparation of certain portions of this application. All content generated or assisted by generative AI has been reviewed, validated, and verified for accuracy, completeness, and appropriateness by ORPC without the assistance of generative AI. ORPC accepts full responsibility for the contents of this application and confirms that the evidence filed is accurate to the best of its knowledge.

1.2.8 CONFIDENTIAL INFORMATION

ORPC requests confidential treatment for Appendix A of Exhibit 3 in its entirety. This Appendix pertains to the historic and forecast load volumes of one ORPC customer and the adjustments made to the load forecast to account for this customer. ORPC will make the Appendix available to the OEB and parties that have signed a Declaration and Undertaking in accordance with the Practice Direction on Confidential Filings.

1.2.9 ALIGN RATE YEAR WITH FISCAL YEAR

ORPC is not proposing to align its rate year with its fiscal year in this proceeding. Therefore, no further adjustments are required in that respect. ORPC notes that it has no special conditions in its license.

1.2.10 STATEMENT AS TO THE FORM OF HEARING REQUESTED

This Application is supported by written evidence. The written evidence will be filed and may be amended from time to time, prior to the Board's final decision on the Application.

ORPC requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing to minimize costs but understands that if certain issues remain unsettled post settlement, the utility may be asked to participate in an oral hearing.

1.2.11 PROPOSED ISSUES LIST

In establishing the overall appropriateness of the proposed rates, ORPC anticipates that the following issues will be addressed by the Board and Interveners as per the OEB-issued List for Cost Based Applications Filed Under the Price Cap Incentive Rate-setting Method:

Capital Spending and Rate Base

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

OM&A

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

Cost of Capital, PILs, and Revenue Requirement

- Is the proposed cost of capital (interest on debt, return on equity) and capital structure appropriate?
- Is the proposed PILs (or Tax) amount appropriate?
- Is the proposed Other Revenue forecast appropriate?
- Is the proposed calculation of the Revenue Requirement appropriate?

Load Forecast

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

Cost Allocation, Rate Design, and Other Charges

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

Deferral and Variance Accounts

- 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?

Other

- Is the proposed effective date appropriate?
- Has the applicant responded appropriately to all relevant OEB directions from previous proceedings?

1.2.12 STATEMENT OF DEVIATION OF FILING REQUIREMENTS

ORPC followed the Ontario Energy Board's Filing Requirements for Electricity Distribution Rate Applications - 2026 Edition for 2027 Rate Applications - Chapter 2 Cost of Service December 16, 2025.

ORPC has filed a completed 2027 Cost of Service checklist in conjunction with this application.

1.2.13 CHANGES IN METHODOLOGIES

The projections for the 2027 Test Year were prepared in accordance with ORPC's budget process utilized in its prior rebasing application. All processes are compliant with policies, directives, and rules and guidelines from the Ontario Energy Board and other regulating bodies. The methodology to forecast rate class kWh volumes has changed from a forecast of system purchases that were then allocated to rate classes to individual forecast for each rate class.

1.2.14 BOARD DIRECTIVE FROM PREVIOUS DECISIONS

As part of the settlement proposal in its 2022 Cost of Service application, ORPC agreed to implement the following recommendations provided for in its Reliability Assessment Report (EB-2021-0052, Exhibit 2, Distribution System Plan, Appendix A – Needs Assessment Report). Specifically, Ottawa River Power agreed to:

1. Create a standard outage reporting tool
2. Standardize reporting
3. Establish corporate reliability targets
4. Increase investigation into power outage causes, particularly unknown events and defective equipment
5. Document improvement in understanding of power outage characteristics, review of major outages and consideration given to design improvements, process, and data collection improvement

Ottawa River Power also committed to updating its load profiles at the time of its next cost of service application where possible.

ORPC confirms that it has addressed the five recommendations and has updated its load profiles in this application. The five recommendations are also noted in Exhibit 2, Appendix A – 2027-2031 Distribution System Plan.

1.2.15 CONDITIONS OF SERVICE

ORPC's Conditions of Service are updated on a regular basis and were last updated in April 2025 to add the Electric Vehicle Charging Appendix. The utility's most recent Conditions of Service are accessible on the utility's website at

<https://www.orpowercorp.com/wp-content/uploads/2026/07/ORPC-Conditions-of-Service-V10-2025-04-22-1.pdf>

ORPC confirms that its Conditions of Service do not establish any charges that are not approved as part of the posted Tariff of Rates and Charge sheet.

1.2.16 OPERATING ENVIRONMENT

The population growth between the most recently available Statistics Canada population estimates are summarized in the table below based on geographic region. All regions experienced growth between 2021 and 2025 with Killaloe, Hagarty & Richards experiencing the slowest growth and Mississippi Mills experiencing significant growth.

Table 13 – Population Growth 2021 to 2025¹

Geographic Region	Growth (#)	Growth (%)
Mississippi Mills (Almonte)	775	5.1%
Pembroke	559	3.7%
Killaloe, Hagarty & Richard (Killaloe)	22	0.9%
Whitewater Region (Beachburg)	409	5.5%

The service territories experience warm-summer humid continental climates characterized by warm summers, cold winters, and precipitation distributed throughout the year. Based on Environment and Climate Change Canada's 1991–2020 Canadian Climate Normals, the communities of Pembroke, Beachburg, Killaloe, and Almonte experience broadly similar climatic conditions, with average annual temperatures of approximately 6°C and annual precipitation generally ranging from 900 to 1,000 millimeters. Average daytime high temperatures reach approximately 25 to 27°C during the summer months, while average overnight low temperatures during the winter months range from approximately –15 to –18°C.² These seasonal weather conditions influence electricity demand, vegetation growth, and the operation, maintenance, and long-term planning of distribution system assets. Environment and Climate Change Canada updates the Canadian Climate Normals once each decade, and the 1991–2020 normals remain the current national climate reference.

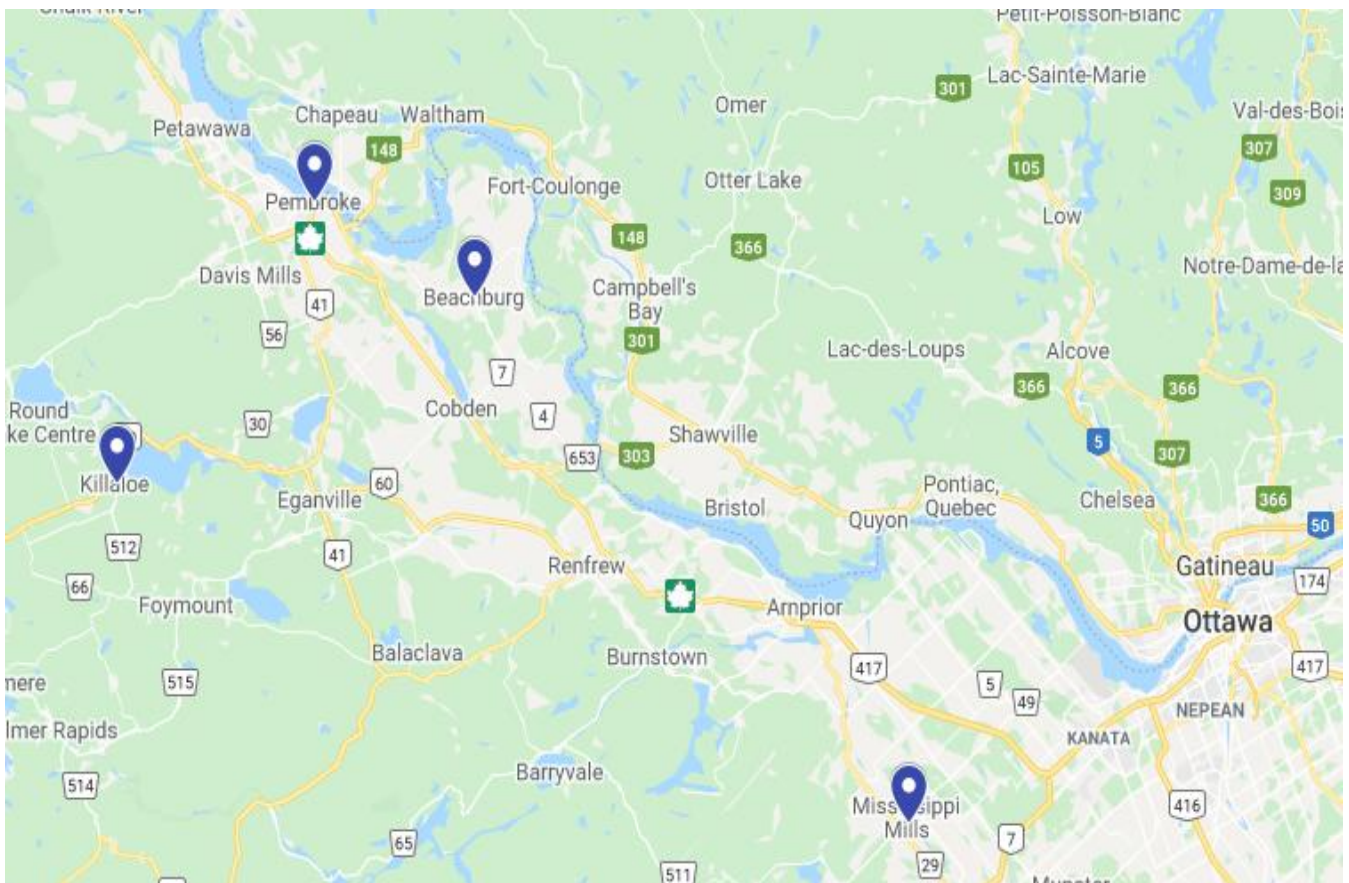
ORPC receives power from five Hydro One Networks Inc. ("HONI") transformation substations ("TS"). Almonte TS supplies power to ORPC's Almonte service area at the 44kV system voltage via

¹ Statistics Canada, *Population Estimates, July 1, by census subdivision, 2021 boundaries*, January 2026. <https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=1710015501>

² Government of Canada, Canadian Climate Normals, April 2026. https://climate.weather.gc.ca/climate_normals/

one feeder. The Almonte system is also connected with two power generators, Mississippi River Power Corporation and Enerdu Power Systems Ltd. The systems in Beachburg and Killaloe source the supply from HONI's Beachburg DS and Killaloe DS, respectively, which both are downstream from HONI's Cobden TS. The system in Pembroke is supplied by the Pembroke TS at 44kV via two feeders and interconnected with Hydro Quebec. ORPC is managed by a Board of Directors appointed by the City of Pembroke, Municipality of Mississippi Mills, Township of Whitewater Region and Township of Killaloe, Hagarty and Richards.

Figure 4 - ORPC's Service Territory



1.2.17 CORPORATE ORGANIZATION

The Directors are appointed by each respective shareholder. The CEO/President of ORPC reports to the Directors. The Board of Directors meets the requirements of Section 2.1.2 of the Affiliate Relationships Code for Electricity Distributors and Transmitters, comprising of:

- 3 independent directors; and
- 4 non-independent directors.

There are no planned changes to the corporate structure.

1.3 SMALL DISTRIBUTOR PROCESS

Ottawa River Power Corporation serves approximately 12,000 customers and therefore falls within the customer-count range applicable to small distributors under section 2.1.4 of Chapter 2 of the Ontario Energy Board's Filing Requirements. ORPC acknowledges that its residential Subtotal A bill impact exceeds the 10% criterion identified in section 2.1.4 and is therefore not requesting consideration for the Small Distributor Process. ORPC recognizes that eligibility for the Small Distributor Process is subject to the OEB's determination and is prepared to proceed under such process as the OEB considers appropriate.

1.4 MATERIALITY THRESHOLD

As per the Filing Requirements, a distributor with a distribution revenue requirement of less than \$10 million may use \$50,000 as a materiality threshold. With a proposed base revenue requirement of \$7,125,476, ORPC has used this amount as a materiality threshold throughout this application.

1.5 CUSTOMER ENGAGEMENT

1.5.1 OVERVIEW OF CUSTOMER ENGAGEMENT

On October 18, 2012, the Ontario Energy Board issued its *"Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach."* The report sets out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that;

- Benefit existing and future customers.
- Align customer and distributor interests.
- Continue to support the achievement of important public policy objectives.
- Place a greater focus on delivering value for money.

On March 5, 2014, the OEB issued its report on *"Performance Measurement for Electricity Distributors: A Scorecard Approach."* The report sets out the Board's policies on the measures that are to be used to assess a distributor's effectiveness and improvement in achieving customer focus, operational efficiencies, public policy responsiveness, and financial performance to the benefit of existing and future customers.

With the above in mind, the next section provides an account of how ORPC continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

1.5.2 ONGOING CUSTOMER ENGAGEMENT

ORPC maintains ongoing communication with its residential, commercial, industrial and institutional customers through a variety of engagement methods as part of its normal business operations. These include customer satisfaction surveys, direct customer correspondence and telephone interactions, website updates, social media communications, bill inserts, public notices, community events, outage and planned interruption notifications, conservation and energy efficiency communications, and regular engagement with key account customers, municipalities and other community stakeholders.

Feedback received through these channels consistently identifies the issues that matter most to customers, including service reliability, timely outage restoration, affordability, customer service responsiveness, clear communication, and investments that maintain a safe and reliable distribution system. ORPC reviews and considers this feedback as part of its strategic planning, annual budgeting, capital investment planning and operational decision-making processes.

Customer feedback also informs ORPC's rate applications. Insights gathered through ongoing engagement help the utility prioritize capital and operating expenditures, enhance customer service initiatives, improve communications, and balance the need for continued investment in

the distribution system with the objective of maintaining reasonable and predictable rates. This ongoing engagement supports ORPC's commitment to delivering safe, reliable and cost-effective electricity distribution service that reflects the needs and expectations of its customers.

1.5.3 APPLICATION-SPECIFIC CUSTOMER ENGAGEMENT

As part of the development of its 2027 Cost of Service Application and Distribution System Plan, ORPC conducted a customer survey to obtain feedback on customer satisfaction, service priorities, and proposed capital and operational investments. The survey was promoted through direct email communications, ORPC's website, and customer incentives, resulting in 50 responses representing all four service areas. While the survey was not intended to be statistically representative of the entire customer base, it provided valuable qualitative insight into customer priorities and preferences.

Overall, customers expressed a high level of satisfaction with ORPC's services. More than 80% of respondents indicated they were satisfied with ORPC's overall service and the reliability of electricity service, with restoration times following outages also receiving favourable ratings. Customers generally perceived reliability as stable or improving over the past two years. The primary area identified for improvement was outage communications, with respondents requesting more timely updates and additional communication channels, including text message notifications.

Reliability of electricity service was identified as the highest customer priority, followed by maintaining reasonable electricity distribution rates and ensuring the safety of the electricity system. While affordability remains an important consideration, customers demonstrated broad support for ORPC's proposed investment program, including asset replacement, general plant investments, vegetation management, testing and monitoring technologies, and preparing the distribution system to accommodate future growth and electrification. Survey respondents also expressed strong support for proactive maintenance activities intended to improve long-term reliability and reduce equipment failures.

The survey results have been incorporated into the development of ORPC's 2027–2031 investment plan. The proposed capital and OM&A programs seek to balance the customer priorities of maintaining reliable and safe electricity service while managing distribution rate impacts. The application also reflects customer feedback by continuing to emphasize reliability improvements, vegetation management, proactive asset management, and opportunities to enhance outage communications.

The complete survey report is filed in Exhibit 2, Appendix 2A, Appendix H.

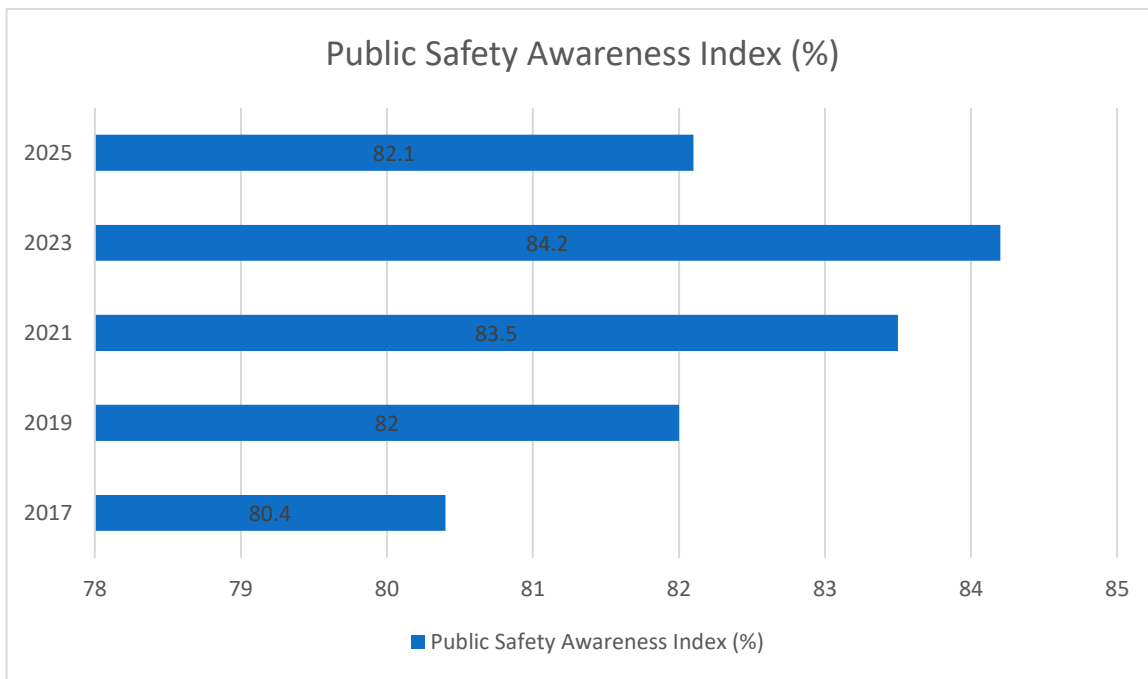
1.5.4 OPERATIONAL EFFECTIVENESS

Operational effectiveness is a measure of Safety, Reliability, Asset Management and Cost Control.

Component A - Public Awareness of Electrical Safety:

The chart below summarizes the results of the public safety awareness surveys conducted by ORPC:

Figure 5 - Public Awareness (2017-2025)



Component B – Compliance with Ontario Regulation 22/04:

Regarding Compliance with Ontario Regulation 22/04, annual audits conducted by the Electrical Safety Authority have reported that Ottawa River Power Corp. was “C” - Compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This has been achieved and maintained by a resilient commitment to safety coupled with adherence to company policies and procedures. The results of the last five audits are included in the table below:

Table 14 - ESA Ontario Regulation 22/04 Compliance Audits

Year	Non-Compliance	Opportunity for Improvement
2021	0	0
2022	0	0
2023	0	0
2024	0	0
2025	0	0

Although the Compliance Audit reports did not identify areas of improvement, the LDC will continue to construct and maintain the electrical distribution system in accordance with the safety standards set out by the Ontario Regulation 22/04 code. Recent results demonstrate ORPC’s ability to comply with ESA audits and maintain a safe and reliable cost-effective distribution system.

Component C - Serious Electrical Incident Index:

Over the 5-year period of 2021 to 2025, ORPC has had zero fatalities and zero serious incidents within its operating service areas.

Planning Quality Indicators

The Table 17 below summarizes the variances (in \$’000s) between ORPC’s actual expenditure from the OEB-approved budget expenditure.

Table 15 - Planning Quality Indicators

		2022	2023	2024	2025	2026	Average
Capital Expenditures	Board Approved	1,725	1,617	1,674	1,631	1,973	1,724
	Actual	2,607	2,163	2,371	2,697	2,802	2,528
	Variance (%)	51%	34%	42%	65%	42%	47%
		2022	2023	2024	2025	2026	Average
OM&A Expenditures	Board Approved	3,623					3,623
	Actual	3,839	4,153	4,134	4,713	4,596	4,287
	Variance (%)	6%	15%	14%	30%	27%	18%

The above table demonstrates that ORPC's actual OM&A expenditures have remained above the OEB-approved budget over the 2022–2026 period, with an average variance of 18%. The higher operating expenditures primarily reflect significant pressures experienced during the period, including increased facility rental costs, the implementation of a new accounting system, and substantial increases in vendor pricing for software, hardware and annual maintenance services. Despite these cost pressures, ORPC continues to actively manage operating expenditures while maintaining reliable service and meeting its operational obligations.

Actual capital expenditures exceeded approved amounts in each year, with an average variance of 47%. The higher capital spending was primarily driven by customer and third-party initiated work, including a Ministry of Transportation pole relocation project, the transformer PCB testing and replacement program completed in 2025, and SCADA replacements. These investments were necessary to meet regulatory requirements, accommodate external infrastructure projects, maintain system reliability, and support the safe operation of ORPC's distribution system.

1.5.5 PUBLIC POLICY RESPONSIVENESS

Although electricity distributors are no longer responsible for the delivery of Conservation and Demand Management (CDM) programs, ORPC continues to support provincial energy policy objectives through its planning, operations and customer communications. ORPC assists customers by providing information on IESO-administered conservation and electrification programs, facilitates customer connections associated with electrification initiatives, and continues to invest in a safe, reliable and resilient distribution system that supports evolving customer needs and provincial policy objectives.

1.5.6 FINANCIAL PERFORMANCE

Return on Equity

Key factors to ORPC’s financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and operating expenditures. Since 2023, cost pressures have challenged ORPC in maintaining its Achieved Return on Equity within the +/- 3% target. ORPC’s historical ROE is provided in the table below.

Table 16 – Return on Equity Achieved Under and Over

Return on Equity	2022	2023	2024	2025
Achieved (%)	10.59%	3.84%	4.50%	3.30%
Deemed in Rates (%)	8.66%	8.66%	8.66%	8.66%
Over (Under) Earning	1.93%	(4.82)%	(4.16)%	(5.36)%

With increased facilities rent, a new accounting system, additional right of way clearing, changes to customer interval meter charges among other factors, ORPC has earned below its Deemed ROE and outside of the -3% parameter.

Liquidity

ORPC has maintained a sound liquidity position throughout the historical period, with its current ratio ranging from 1.00 in 2021 to 2.01 in 2022 and remaining above 1.0 in each subsequent year (1.45 in 2023, 1.73 in 2024, and 1.31 in 2025). These results indicate that ORPC has consistently maintained sufficient current assets to meet its short-term obligations while effectively managing working capital. The year-to-year fluctuations primarily reflect the timing of cash receipts, capital expenditures, financing activities, and other working capital balances, all of which are typical for a capital-intensive regulated utility. Overall, the current ratio demonstrates ORPC's ability to meet its short-term financial commitments while maintaining the liquidity necessary to support ongoing operations and planned investments in the electricity distribution system.

Debt to Equity

ORPC has maintained a stable and prudent capital structure throughout the historical period, with its total debt-to-equity ratio remaining within a narrow range of 0.69 to 0.75 between 2021 and 2025. This consistency reflects disciplined financial management and a balanced approach to financing capital investments while preserving financial flexibility. During the rebasing period, the debt-to-equity ratio is forecast to gradually increase toward ORPC's long-term target of approximately 1.5 as the utility finances the capital investments required to maintain and modernize its distribution system. Even at this level, ORPC expects to maintain a sound and sustainable capital structure that supports continued investment in safe and reliable electricity service while balancing the interests of both customers and shareholders.

Efficiency

ORPC has consistently demonstrated strong operating efficiency, as reflected in its OEB efficiency assessment rankings. Following an efficiency assessment of "**Group 2**" in 2021, ORPC achieved the highest efficiency assessment ranking of "**Group 1**" in each year from 2022 through 2025. These results indicate that ORPC has been recognized as operating efficiently relative to comparable electricity distributors while continuing to provide safe and reliable service to its customers. The sustained ranking of "**Group 1**" reflects ORPC's ongoing commitment to prudent cost management, operational effectiveness, and the responsible stewardship of customer and shareholder resources. ORPC will continue to build on this performance throughout the rebasing period by maintaining a disciplined approach to managing operating costs while making the investments necessary to support a safe, reliable, and resilient distribution system.

ORPC's 2027 Business Plan and Distribution System Plan will serve major roles in providing the future direction of financial investment and performance.

1.5.7 ALIGNMENT OF GOALS TO NEEDS AND PREFERENCE OF CUSTOMERS

ORPC's customer satisfaction results and findings based on discussions with its customers support the hypothesis that good service (i.e., high levels of reliability, low SAIDI) combined with

reasonable prices are essential to satisfying customers. In other words, all customers expect reliable service at the lowest prices possible.

A high level of reliability requires system-wide investments, notably enhancing the distribution system to provide more reliable service can be expensive. Much like other utilities, ORPC must frequently consider trade-offs between costs and benefits to target initiatives that will provide the best outcomes or increase customer satisfaction.

In addition to system-wide investments, ORPC continues to focus on reducing its costs to demonstrate to customers that they are delivering as much value per dollar as possible. ORPC has found that the key is to strike the right balance in delivering initiatives, such as properly pacing upgrades to its distribution system, when possible, all while improving its customer interfaces or customizing customer engagement programs.

ORPC believes that it is moving in a positive direction. The survey results helped to identify customer attitudes about the utility's standing and reputation in the community as well as its view on what is important to them. The results will assist ORPC in further refining its programs, services and communications.

Customer feedback, input, views and preferences are welcome and encouraged. ORPC is confident that the utility's capital budget, as proposed in the Distribution System Plan, supports ORPC's customer priority and preferences. ORPC's priority over the coming years will be to carefully manage the aging infrastructure and to improve reliability.

1.5.8 CUSTOMER SATISFACTION SURVEY

Bi-annually, ORPC engages a third-party organization to conduct a customer satisfaction survey. This statistical survey reviews key areas including power quality and reliability, price, billing and payments, communications and the overall customer service experience. ORPC believes this satisfaction survey to be a useful tool for engagement to identify customer requirements with respect to the provision of electricity services as well as identifying areas that may require improvement. The table below illustrates the survey results:

Table 17 – Customer Satisfaction Results

	2021	2023	2025
Satisfaction Score	81%	79%	84%
Survey Sample Size	402	400	400

The full survey results are provided in Appendix 1E to this exhibit.

1.6 LETTERS OF COMMENT

1.6.1 LETTERS OF COMMENT

ORPC has not received any letters of comment as of August 28, 2026. ORPC will reply promptly to any letters of comment received and will submit responses to the Ontario Energy Board.

1.7 PERFORMANCE MEASUREMENT

1.7.1 SCORECARD RESULTS AND ANALYSIS

Discussion of performance of each of ORPC's scorecard measures over the last five years is presented below. ORPC has used the most recent (2024 performance) as published on both the utility's and [OEB's website](#).

Customer Focus - Service Quality

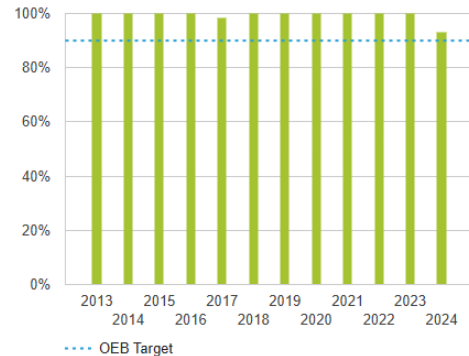
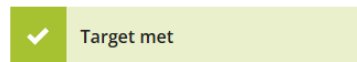
The table below summarizes ORPC's performance for the period from 2013 to 2024 for Service Quality provided to our customers. For each metric, ORPC has exceeded the OEB's minimum targets.

Figure 6 – On Time Customer Connections

**New residential/small business services
connected on time**

93.1% (2024)

The utility must connect new service for the customer within five business days, 90 % of the time, unless the customer agrees to a later date. This timeline depends on the customer meeting specific requirements ahead of time (such as no electrical safety concerns in the building, customer's payment information complete, etc.)



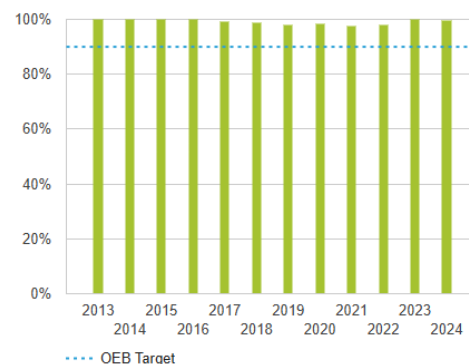
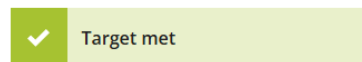
Ottawa River Power Corporation connected almost all its low-voltage requests within five working days of all applicable service conditions being met. This result exceeds the Ontario Energy Board's mandated target of 90% for this measure. Ottawa River Power considers "New Services Connected on Time" as an important form of customer engagement as it is the utilities first opportunity to meet and/or exceed its customer's expectations, which in turn affects the level of customer satisfaction within a utility's territory. Ottawa River Power prides itself on being a small, pliable utility able to respond to its customer needs quickly and it expects to continue to exceed the mandated target.

Figure 7 – Scheduled Appointments Met On Time

Scheduled appointments met on time

99.53% (2024)

For appointments during the utility's regular business hours, the utility must offer a window of time that is not more than four hours long, and must arrive within that window, 90 % of the time.



Ottawa River Power Corporation schedules appointments that require the presence of the customer. This includes appointments to connect services, disconnect services, complete customer underground locates, or complete other work requested by its customers. In 2024,

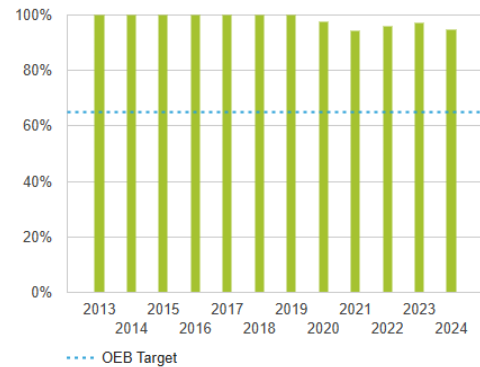
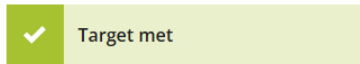
Ottawa River Power Corporation kept the appointment date and time for 99.53% of appointments, which exceeds the mandated target of 90% for this measure and is consistent with prior year results. Ottawa River Power considers “Scheduled Appointments Met on Time” as an important form of customer engagement and expects to maintain this quality of service in the future.

Figure 8 – Telephone Calls Answered On Time

Telephone calls answered on time

94.52% (2024)

During regular call centre hours, the utility's call centre staff must answer within 30 seconds of receiving the call directly or having the call transferred to them, 65 % of the time



In 2024, Ottawa River Power Corporation received 11,676 telephone calls from its customers which represents an average of 47 calls received per business day. The call volumes are attributed to customer demographics and preference to contact Ottawa River Power by telephone and as ORPC considers telephone calls to be an important communication tool for identifying and responding to customer needs and preferences. Consistent with prior years, a customer service representative answered 94.52% of these calls in 30 seconds which far exceeds the Ontario Energy Board’s mandated target of 65% for this measure. Ottawa River Power expects this trend to continue into the foreseeable future.

Customer Focus - Customer Satisfaction

The table below summarizes ORPC’s performance for the period 2014 to 2024 for Customer Satisfaction:

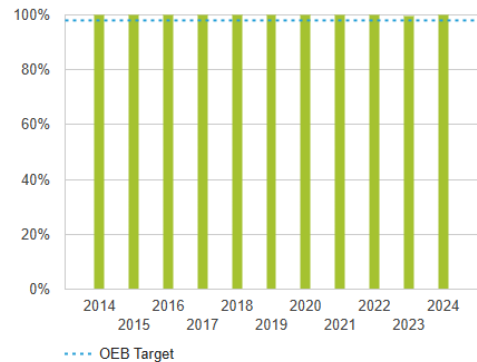
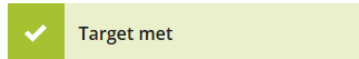
Figure 9 – Billing Accuracy

Billing accuracy

99.92% (2024)

An important part of business is ensuring that customer's bills are accurate. The utility must report on its success at issuing accurate bills to its customers.

[More information about billing accuracy](#)



Billing is the main form of communication with customers and Ottawa River Power Corporation strives to communicate clearly and accurately with its customers. In 2024, Ottawa River Power Corporation achieved a billing accuracy of 99.92%, which represents a percentage expressed as the total number of accurate bills issued compared to the total number issued. This percentage remains consistent with prior years and meets the mandated target of 98%.

Figure 10 – Customer Complaints

CUSTOMER SATISFACTION

Complaints

0.00 (2024)

This metric measures the number of complaints the Ontario Energy Board received from customers about matters within our authority. Complaints made directly to the utility are not reported here. We measure this per 1000 customers so utilities that serve much larger or smaller populations can be compared against each other.

Year	Complaints per 1000 customers	Total number of complaints
2013	0.00	0
2014	0.09	1
2015	0.18	2
2016	0.00	0
2017	0.09	1
2018	0.27	3
2019	0.09	1
2020	0.00	0
2021	0.52	6
2022	0.26	3
2023	0.00	0
2024	0.00	0

Customer complaints made to the Ontario Energy Board are an important avenue of communication and reporting for the customer. In 2024, Ottawa River Power Corporation received 0 customer complaints, consistent with the prior year. ORPC takes all complaints very

seriously and ensures to review and implement new processes as necessary to ensure the company maintains compliant procedures and the customer is priority.

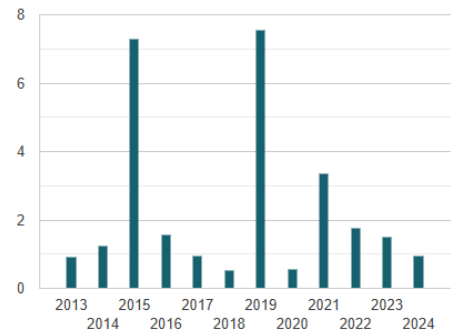
Operational Effectiveness - System Reliability

Figure 11 – Average Interruption Hours

Average number of hours power to a customer was interrupted

0.955h (2024)

An important feature of a reliable distribution system is recovering from power outages as quickly as possible. The utility must track the average length of time, in hours, that its customers have experienced a power outage over the past year.



In 2024, Ottawa River Power Corporation saw a decrease in the average number of hours that power is interrupted to 0.96 and a five-year average of 1.52. This is within the target of 2.59 prescribed by the Ontario Energy Board. The utility hopes to further improve its reliability with the implementation of its new Distribution System Plan in the years to come.

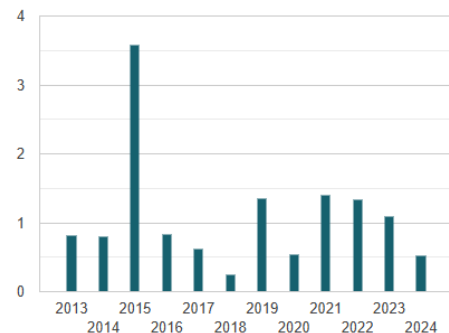
Figure 12 – Average Interruption Number of Times

Average number of times power to a customer was interrupted

0.526 (2024)

Another important feature of a reliable distribution system is reducing the frequency of power outages. Utilities must also track the number of times their customers experienced a power outage during the past year.

[More information about interruption frequency](#)



Ottawa River Power's target for 2024 was 0.83 as set by the Ontario Energy Board whereas 0.53 was achieved which is within the target established by the Ontario Energy Board. Defective equipment outages contributed the most to the overage in this ratio as the utility's infrastructure continues to age.

Operational effectiveness - cost control: cost per customer

The figures below illustrate ORPC's Efficiency Rating and Cost per Customer over the 12-year period 2013 to 2024:

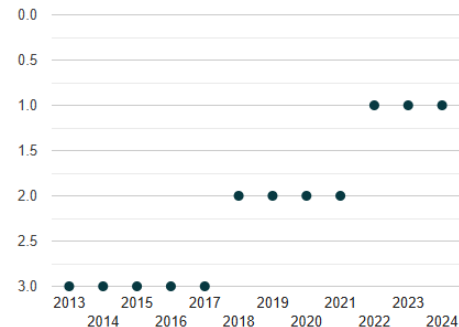
Figure 13 – Efficiency Rating

Efficiency rating

1 (2024)

The utility must manage its costs successfully in order to help assure its customers they are receiving value for the cost of the service they receive. Utilities' total costs are evaluated to produce a single efficiency ranking. This is divided into five groups based on how big the difference is between each utility's actual and predicted costs. Distributors whose actual costs are lower than their predicted costs are considered more efficient.

- 1 = Actual costs are 25% or more below predicted costs
- 2 = Actual costs are 10% to 25% below predicted costs
- 3 = Actual costs are within +/- 10% of predicted costs
- 4 = Actual costs are 10% to 25% above predicted costs
- 5 = Actual costs are 25% or more above predicted costs



On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electricity distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2024, Ottawa River Power was placed in Group 1 in terms of cost efficiency. Group 1 is considered the most efficient grouping and is defined as having actual cost savings of more than 25% below predicted costs. Group 1 utilities represent the most cost-efficient distributors across the province. With ORPC expected to remain in Cohort 1 in 2027, its future goal is to maintain the highest efficiency assessment.

Figure 14 – Cost Per Customer

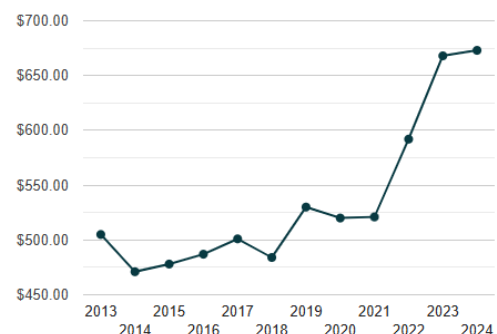
Cost per customer

\$673 (2024)

A simple measure that can be used as a comparison with other utilities is the utility's total cost per customer.

Total cost is a sum of all the costs incurred by the utility to provide service to its customers. The amount is then divided by the utility's total number of customers. This amount does not represent how much customers pay for their utility services.

[More information about Cost per Customer](#)



In 2024, Ottawa River Power Corporation's total cost per customer was \$673 compared to \$668 in 2023. Although there was an increase mainly attributed to inflation, Ottawa River Power will continue to strive to implement efficiencies and other improvements to help offset costs associated with the distribution system enhancements while ensuring to maintain reliability and quality of its distribution system.

Financial Performance

The table below summarizes ORPC's Financial Performance over the past 5 years:

Table 18 – Financial Ratios

	Liquidity: Current Ratio (Current Assets/Current Liabilities)	Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	Efficiency Rating	Regulatory Return on Equity (Achieved ROE)
2021	1.00	0.75	2	8.57%
2022	2.01	0.71	1	10.59% 11
2023	1.45	0.70	1	3.84%
2024	1.73	0.69	1	4.50% 12
2025	1.31	0.71	1	3.30%

13

Return on Equity

ROE is discussed in section 1.5.6 above.

Liquidity

ORPC has maintained a sound liquidity position throughout the historical period, with its current ratio ranging from 1.00 in 2021 to 2.01 in 2022 and remaining above 1.0 in each subsequent year (1.45 in 2023, 1.73 in 2024, and 1.31 in 2025). These results indicate that ORPC has consistently maintained sufficient current assets to meet its short-term obligations while effectively managing working capital. The year-to-year fluctuations primarily reflect the timing of cash receipts, capital expenditures, financing activities, and other working capital balances, all of which are typical for a capital-intensive regulated utility. Overall, the current ratio demonstrates ORPC's ability to meet

its short-term financial commitments while maintaining the liquidity necessary to support ongoing operations and planned investments in the electricity distribution system.

Debt to Equity

ORPC has maintained a stable and prudent capital structure throughout the historical period, with its total debt-to-equity ratio remaining within a narrow range of 0.69 to 0.75 between 2021 and 2025. This consistency reflects disciplined financial management and a balanced approach to financing capital investments while preserving financial flexibility. During the rebasing period, the debt-to-equity ratio is forecast to gradually increase toward ORPC's long-term target of approximately 1.5 as the utility finances the capital investments required to maintain and modernize its distribution system. Even at this level, ORPC expects to maintain a sound and sustainable capital structure that supports continued investment in safe and reliable electricity while balancing the interests of both customers and shareholders.

Efficiency

ORPC has consistently demonstrated strong operating efficiency, as reflected in its OEB efficiency assessment rankings. Following an efficiency assessment of "**Group 2**" in 2021, ORPC achieved the highest efficiency assessment ranking of "**Group 1**" in each year from 2022 through 2025. These results indicate that ORPC has been recognized by the OEB as operating efficiently relative to comparable electricity distributors while continuing to provide safe and reliable service to its customers. The sustained ranking of "**Group 1**" reflects ORPC's ongoing commitment to prudent cost management, operational effectiveness, and the responsible stewardship of customer and shareholder resources. ORPC will continue to build on this performance throughout the rebasing period by maintaining a disciplined approach to managing operating costs while making the investments necessary to support a safe, reliable, and resilient distribution system.

Overall

ORPC has continued to perform as a customer focused, financially sound, safe and reliable Local Distribution Company. ORPC's 2027 Business and Distribution System Plans will serve major roles in providing the future direction of financial investment and performance.

- 1 The figure below shows the most current Scorecard available to ORPC which ORPC confirms is
- 2 consistent with the data provided in Appendix 2-G.

1

Figure 15 – 2025 Scorecard

Scorecard - Ottawa River Power Corporation

5/26/2026

Performance Outcomes	Performance Categories	Measures	2021	2022	2023	2024	2025	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%	93.10%	100.00%	🟢	90.00%	
		Scheduled Appointments Met On Time	97.58%	98.11%	100.00%	99.53%	100.00%	🟢	90.00%	
		Telephone Calls Answered On Time	94.33%	96.05%	97.24%	94.52%	95.44%	🟢	65.00%	
	Customer Satisfaction	First Contact Resolution	98%	98%	97%	97%	99.4%	🟢		
		Billing Accuracy	99.88%	99.92%	99.79%	99.92%	99.90%	🟢	98.00%	
		Customer Satisfaction Survey Results	81%	79%	79%	84%	84%			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	83.50%	83.50%	84.20%	84.20%	82.10%			
		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	3.36	1.77	1.49	0.95	2.99	🔴		2.59
		Average Number of Times that Power to a Customer is Interrupted ²	1.39	1.33	1.09	0.53	1.72	🔴		0.83
	Asset Management	Distribution System Plan Implementation Progress	In progress	In Progress	In Progress	In progress	In progress			
	Cost Control	Efficiency Assessment	2	1	1	1				
		Total Cost per Customer ³	\$521	\$592	\$668	\$673				
		Total Cost per Km of Line ³	\$11,805	\$13,519	\$15,370	\$15,537				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	New Micro-embedded Generation Facilities Connected On Time					100.00%		100.00%	90.00%
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.00	2.01	1.45	1.73	1.31			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.75	0.71	0.70	0.69	0.71			
		Profitability: Regulatory Return on Equity	9.19%	8.66%	8.66%	8.66%	8.66%			
		Deemed (included in rates) Achieved	8.57%	10.59%	3.84%	4.50%	3.30%			

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

2

1.7.2 PERFORMANCE IMPROVEMENT TARGETS

ORPC is committed to the continuous improvement of its operational and financial performance throughout the 2027–2031 rate-setting period. The utility monitors its performance through the Ontario Energy Board's Distributor Scorecard, internal operational reporting, and regular management and Board oversight. These measures provide the framework for identifying opportunities to improve service quality, operational effectiveness, customer service, and financial performance.

ORPC has established the default OEB quantitative performance improvement targets which are embedded within the OEB's regulatory framework and the utility's ongoing operational planning processes. The OEB's incentive regulation mechanisms, including annual productivity and efficiency expectations, together with the performance measures reported through the Distributor Scorecard, provide meaningful benchmarks against which ORPC evaluates its performance and identifies opportunities for continuous improvement.

During the rate-setting period, ORPC will continue to pursue initiatives that support improved performance across its operations. These include prudent investments in distribution system renewal, modernization of critical infrastructure such as substation SCADA systems, implementation of smart fault indicators to improve system monitoring and outage response, ongoing process improvements, and the continued use of performance monitoring to identify efficiencies and enhance customer service.

ORPC will continue to monitor developments in the OEB's performance measurement and incentive frameworks and will incorporate new regulatory initiatives and best practices, where appropriate, to support continuous improvement and deliver safe, reliable, and cost-effective electricity distribution service to its customers.

1.7.3 BENCHMARKING

ORPC has completed the OEB Benchmarking Spreadsheet Forecast Model. The results predict that with the 2027 applied for funding level, ORPC will remain in Cohort 1, with a score of

30.24%. Cohort 1 is the highest ranking in the PEG Model and includes distributors whose actual costs are 25% or more below predicted costs.

With respect to benchmarking against other LDCs, ORPC is providing benchmark comparisons of key metrics against a Geographical Cohort of LDCs (e.g. Eastern Ontario) and against a cohort of similar size LDCs as measured by number of customers (e.g. 5,000-15,000 customers). The specific metrics of comparison are:

- Total Cost (\$) per Customer;
- Total Cost (\$) per km of Line, and
- PEG Benchmarking, 3-Year Avg. Performance Ranking

The tables below summarize these key metrics:

Table 19 – Total Cost (\$) per Customer - Geographical Cohort

Geographical Cohort LDCs	Total Cost (\$) per Customer
Hydro Hawkesbury Inc.	\$391
Cooperative Hydro Embrun Inc.	\$576
Ottawa River Power Corporation	\$673
Kingston Hydro Corporation	\$688
Hydro 2000 Inc.	\$753
Rideau St. Lawrence Distribution Inc.	\$767
Renfrew Hydro Inc.	\$774
Hydro Ottawa Limited	\$950

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Table 20 – Total Cost (\$) per Customer - Customer Count Cohort

Customer Count Cohort LDCs	Total Cost (\$) per Customer
Hydro Hawkesbury Inc.	\$391
Wasaga Distribution Inc.	\$616
E.L.K. Energy Inc.	\$643
Lakefront Utilities Inc.	\$673
Ottawa River Power Corporation	\$673
Orangeville Hydro Limited	\$708
Grimsby Power Incorporated	\$751
Rideau St. Lawrence Distribution Inc.	\$767
Tillsonburg Hydro Inc.	\$815
Centre Wellington Hydro Ltd.	\$844
Lakeland Power Distribution Ltd.	\$954
Niagara-on-the-Lake Hydro Inc.	\$971
Northern Ontario Wires Inc.	\$974

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Table 21 – Total Cost (\$) per km of Line - Geographical Cohort

Geographical Cohort LDCs	Total Cost (\$) per km of Line
Ottawa River Power Corporation	\$15,537
Hydro Ottawa Limited	\$27,343
Kingston Hydro Corporation	\$28,157
Hydro Hawkesbury Inc.	\$30,291
Cooperative Hydro Embrun Inc.	\$39,937
Rideau St. Lawrence Distribution Inc.	\$40,533
Renfrew Hydro Inc.	\$41,176
Hydro 2000 Inc.	\$45,916

4

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Table 22 – Total Cost (\$) per km of Line - Customer Count Cohort

Customer Count Cohort LDCs	Total Cost (\$) per km of Line
Grimsby Power Incorporated	\$12,810
Ottawa River Power Corporation	\$15,537
Northern Ontario Wires Inc.	\$15,669
Hydro Hawkesbury Inc.	\$30,291
Niagara-on-the-Lake Hydro Inc.	\$30,326
Lakefront Utilities Inc.	\$31,102
Wasaga Distribution Inc.	\$31,361
Lakeland Power Distribution Ltd.	\$35,676
Centre Wellington Hydro Ltd.	\$39,610
Rideau St. Lawrence Distribution Inc.	\$40,533
Orangeville Hydro Limited	\$41,002
E.L.K. Energy Inc.	\$47,083
Tillsonburg Hydro Inc.	\$47,099

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Table 23 – PEG Average Performance (2022-2024) - Geographical Cohort

Geographical Cohort LDCs	PEG Updated Three Year Average Performance (2022-2024)
Cooperative Hydro Embrun Inc.	-70.0%
Hydro Hawkesbury Inc.	-68.1%
Ottawa River Power Corporation	-27.8%
Hydro 2000 Inc.	-17.8%
Kingston Hydro Corporation	-14.6%
Rideau St. Lawrence Distribution Inc.	-13.8%
Renfrew Hydro Inc.	-6.6%
Hydro Ottawa Limited	23.0%

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Table 24 – PEG Average Performance (2022-2024) - Customer Count Cohort

Customer Count Cohort LDCs	PEG Updated Three Year Average Performance (2022-2024)
Hydro Hawkesbury Inc.	-68.1%
Wasaga Distribution Inc.	-44.4%
Northern Ontario Wires Inc.	-43.0%
Grimsby Power Incorporated	-40.4%
E.L.K. Energy Inc.	-34.5%
Orangeville Hydro Limited	-29.2%
Ottawa River Power Corporation	-27.8%
Lakefront Utilities Inc.	-27.4%
Centre Wellington Hydro Ltd.	-17.1%
Tillsonburg Hydro Inc.	-16.3%
Lakeland Power Distribution Ltd.	-15.6%
Niagara-on-the-Lake Hydro Inc.	-15.2%
Rideau St. Lawrence Distribution Inc.	-13.8%

With respect to Activity and Program Benchmarking (APB), ORPC provides the following results and analysis. In summary, ORPC's cost results are typically more favourable than the industry average. ORPC continues to review the annual results and seeks to understand the underlying reasons for variances from industry results and also changes in its own performance over time.

Table 25 – Activity and Program Benchmarking

Activity	Unit Cost Measure	ORPC Average (2020-2024)	Industry Average (2020-2024)	Above/Below Average
Billing O&M	\$/Customer	\$46.09	\$27.17	Above
Metering O&M	\$/Customer	\$13.02	\$13.25	Below
Vegetation Management O&M	\$/Pole	\$35.95	\$65.23	Below
Lines O&M	\$/Circuit km Line	\$1,446.91	\$2,856.98	Below
Stations O&M	\$/MVA per station	\$1,237.98	\$1,453.19	Below
Poles, Towers O&M	\$/Pole	\$7.17	\$12.87	Below
Stations CAPEX	\$/MVA station	\$3,693.64	\$3,169.93	Above
Poles, Towers CAPEX	\$/Pole	\$5,202.31	\$19,461.81	Below
Line Transformers CAPEX	\$/Line Transformer	\$15,062.11	\$10,794.53	Above
Meters CAPEX	\$/Customer	\$8.62	\$32.78	Below

Billing O&M

ORPC's Billing OM&A expense per customer is higher than the Ontario industry average primarily due to the utility's accounting treatment of certain meter data management costs. ORPC records the costs associated with the Utilismart meter data management system, including related software hosting fees, within account 5315. These costs support the collection, validation, and transfer of interval and demand meter data for use in the customer information system. While other distributors may classify similar costs as Meter Reading Expenses (USofA 5310), ORPC's accounting treatment results in higher reported billing expenses without increasing the utility's overall OM&A costs. Accordingly, the comparison of Billing OM&A per customer should be interpreted in the context of these differences in accounting classification rather than as an indication of higher underlying billing costs or reduced operating efficiency.

Stations CAPEX

ORPC's Stations CAPEX is higher than the industry average as in 2022, ORPC incurred \$851,715 in capital costs on Pembroke MS#6 to replace a substation transformer. Additionally, in 2023 ORPC

incurred capital costs of \$259,608 to replace a Pembroke MS#1 substation transformer along with miscellaneous capital costs on Pembroke MS#2 and Pembroke MS#4 resulting from third-party contractor maintenance.

Line Transformers Capex

ORPC's Line Transformer is higher than the industry average primarily due to the inclusion of \$359,753 (\$235,177 in 2023, \$117,135 in 2022) in system access expenditures including 4 material new customer construction projects. ORPC also incurred \$84,557 to replace a 750kVa padmount transformer at the Pembroke Courthouse. Excluding 2024, ORPC's average would be \$11,919 and 10.4% above industry average.

Table 26 – Activity and Program Benchmarking by Year

	2020	2021	2022	2023	2024	ORPC 5-Year Average	ORPC 2024 vs. 5- Year Avg.
<i>Billing O&M</i>	\$51.47	\$46.63	\$43.81	\$38.98	\$49.55	\$46.09	7.5%
<i>Metering O&M</i>	\$12.56	\$22.68	\$7.90	\$12.17	\$9.79	\$13.02	-24.8%
<i>Vegetation Management O&M</i>	\$18.28	\$43.82	\$29.41	\$54.61	\$33.63	\$35.95	-6.4%
<i>Lines O&M</i>	\$1,491.61	\$1,355.95	\$1,111.46	\$1,682.27	\$1,593.25	\$1,446.91	10.1%
<i>Stations O&M</i>	\$755.26	\$527.87	\$1,769.62	\$1,109.07	\$2,028.07	\$1,237.98	63.8%
<i>Poles, Towers O&M</i>	\$1.10	\$12.52	\$15.47	\$3.48	\$3.27	\$7.17	-54.4%
<i>Stations CAPEX</i>	\$217.84	\$707.22	\$11,709.15	\$5,309.42	\$524.59	\$3,693.64	-85.8%
<i>Poles, Towers CAPEX</i>	\$1,261.30	\$3,673.72	\$8,845.67	\$6,488.52	\$5,742.35	\$5,202.31	10.4%
<i>Line Transformers CAPEX</i>	\$5,219.97	\$7,224.60	\$18,854.88	\$16,374.58	\$27,636.52	\$15,062.11	83.5%
<i>Meters CAPEX</i>	\$4.67	\$13.81	\$6.51	\$3.98	\$14.12	\$8.62	63.8%

Stations O&M

ORPC's 2024 amount was higher than the five-year average as it employed a substation electrician up to June 2020. ORPC did not fill the vacancy and opted to move to the use of contractors. In 2020 and 2021 substation maintenance was minimal due to the pandemic and subsequently moved up and down in costs based on the cyclical maintenance requirements of the substations.

Line Transformers CAPEX

ORPC's 2024 Line Transformers CAPEX amount was higher in 2024 compared to the five-year average as 2024 included \$359,753 (\$235,177 in 2023, \$117,135 in 2022) in system access expenditures including 4 material new customer construction projects. ORPC also incurred \$84,557 to replace a 750kVa padmount transformer at the Pembroke Courthouse.

Meters CAPEX

The increases in 2021 and 2024 are attributed primarily to replacement requirements and reverifications which are cyclical in nature and see uneven spending because of the mass installation of smart meters in 2015 and 2016. The pandemic also contributed to extended lead times on meter orders which resulted in larger meter orders and shipments in certain years.

Cost Performance and Unit Cost Variances

ORPC reviews its Activity and Program Benchmarking results annually to identify significant variances in unit costs, understand whether the underlying cost drivers are within the utility's control, and identify opportunities for improved cost performance. As discussed above, ORPC's unit costs are below the industry average for most of the benchmarked activities.

Where ORPC's unit costs exceed industry averages or vary materially from its historical results, the variances are generally attributable to differences in accounting classification, the timing and cyclical nature of maintenance and capital programs, system access requirements, and specific asset replacement requirements. Certain factors, such as the timing and prioritization of discretionary maintenance and asset replacement activities and the choice between internal and contracted resources, are within ORPC's control and are managed through its annual budgeting, work prioritization and asset management processes. Other cost drivers, including customer-driven system access expenditures, asset failures and the need to maintain system safety and reliability, are less directly within ORPC's control.

ORPC will continue to review its annual benchmarking results and investigate material changes in unit costs. Where opportunities for improvement are identified, ORPC will consider changes to

work practices, resource utilization, procurement and the timing and prioritization of expenditures while ensuring that cost reductions do not compromise safety, reliability or customer service.

Use of Benchmarking in Business Planning

ORPC considers the results of the Activity and Program-based Benchmarking as part of its business planning, budgeting and work prioritization processes. The benchmarking model projects that ORPC will remain in Cohort 1 in the 2027 Test Year, indicating that ORPC's overall cost performance continues to compare favourably with the costs predicted by the OEB's econometric model. ORPC's APB results similarly demonstrate that its unit costs are below the industry average for most benchmarked activities, while identifying certain activities where costs are above industry averages or have experienced material year-over-year changes.

ORPC has used these results to inform the development of its 2027–2031 Business Plan and this Application by reviewing areas of above-average or increasing unit costs to understand the underlying cost drivers and identify opportunities for improved cost performance. As discussed above, these reviews identified, among other things, the impact of accounting classification on Billing O&M, the cyclical nature and timing of substation maintenance and capital expenditures, and customer-driven and asset replacement expenditures. The benchmarking results have also informed ORPC's approach to the level and timing of expenditures proposed in this Application. ORPC has sought to maintain its overall cost performance while ensuring that the resources and investments included in the Business Plan and Application are sufficient to maintain safety, reliability and customer service. Where cost drivers are within ORPC's control, ORPC continues to consider opportunities relating to work prioritization, resource utilization, procurement and the timing of expenditures.

1.8 FACILITATING INNOVATION

Ottawa River Power Corporation recognizes that innovation plays an important role in maintaining a safe, reliable, and cost-effective electricity distribution system. ORPC continually evaluates emerging technologies, industry best practices, and evolving regulatory guidance to identify opportunities to improve operational efficiency, enhance reliability, and deliver greater value to customers. As a small distributor, ORPC must also carefully balance innovation with affordability,

1 ensuring that investments are appropriate for the size, characteristics, and needs of its service
2 territory.

3 Throughout the development of its 2027 Cost of Service application, ORPC considered
4 opportunities to incorporate innovative solutions into its capital planning process. Where
5 appropriate, ORPC evaluated alternatives to traditional infrastructure investments, including
6 opportunities to improve system monitoring, operational visibility, and outage response through
7 the deployment of advanced technologies.

8 A key example is ORPC's planned implementation of smart fault indicators on selected portions
9 of its distribution system. These devices will provide field crews and system operators with
10 improved visibility into fault locations, reducing patrol time required to locate outages, improving
11 restoration times, and enhancing overall system reliability. The project represents a cost-effective
12 application of advanced monitoring technology that improves operational performance while
13 avoiding more costly infrastructure solutions.

14 ORPC also plans to replace obsolete and non-functional substation Supervisory Control and Data
15 Acquisition (SCADA) equipment through funding available under Natural Resources Canada's
16 Smart Renewables and Electrification Pathways (SREPs) Program. Modernizing the SCADA system
17 will restore and enhance ORPC's ability to remotely monitor and control critical substation
18 equipment, improve system awareness, support faster operational decision-making during
19 outage events, and strengthen cybersecurity and system resilience. The availability of external
20 funding significantly improves the cost-effectiveness of this investment while minimizing the
21 financial impact on customers.

22 Consistent with the OEB's guidance regarding innovation and Non-Wires Solutions, ORPC
23 considers innovative alternatives as part of its asset planning process where they are technically
24 and economically appropriate. Given the characteristics of ORPC's distribution system, customer
25 density, and projected load growth, no opportunities were identified during the planning period
26 where distributed energy resources or other NWSs would provide a more cost-effective solution
27 than the proposed investments. Accordingly, ORPC is not proposing any DER or NWS projects as
28 part of this application.

ORPC will continue to monitor developments in grid modernization, distributed energy resources, and other emerging technologies, and will assess future opportunities to incorporate innovative solutions where they provide demonstrable customer and system benefits while maintaining safe, reliable, and affordable electricity service.

1.9 FINANCIAL INFORMATION

1.9.1 RATE BASE AND REVENUE DEFICIENCY

ORPC's revenue deficiency has increased over time, reflecting the growing gap between rates established in its last rebasing application and the current cost of providing safe and reliable electricity distribution service. Inflationary pressures, including increases in facility lease costs, hardware and software expenditures, third-party maintenance fees, employee compensation, and other operating costs, have contributed to this widening deficiency. As a result, ORPC's current rates no longer fully recover the reasonable costs of providing service.

Through this Cost of Service application, ORPC is seeking to re-establish rates that more accurately reflect its current and forecast cost structure. With the approval of new rates effective in 2027, ORPC expects to eliminate its forecast revenue deficiency and restore its financial position to a level that supports the ongoing operation, maintenance, and renewal of its distribution system.

ORPC remains committed to prudent financial management and continues to carefully control both capital and OM&A expenditures. The utility strives to earn a return on equity within the OEB-approved range while balancing the interests of customers and shareholders. This disciplined approach enables ORPC to continue investing in its distribution system, maintain operational efficiencies, and provide customers with the safe, reliable, and high-quality electricity service they expect.

1.9.2 HISTORICAL FINANCIAL STATEMENTS

The Audited Financial Statement attachments are in the following appendices:

- ✓ Appendix 1A Year ended 31 December 2025 with 2024 Comparatives
- ✓ Appendix 1B Year ended 31 December 2024 with 2023 Comparatives
- ✓ Appendix 1C Year ended 31 December 2023 with 2022 Comparatives

A detailed reconciliation between the Audited Financial Statements and ORPC's RRR filing results is presented in Appendix 1D.

1.9.3 ANNUAL REPORT

ORPC does not publish an annual report to its shareholders.

1.9.4 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

ORPC does not issue debt nor does it publish a prospectus or have a share issuance update.

1.9.5 ACCOUNTING STANDARDS

ORPC prepares its audited financial statements in accordance with International Financial Reporting Standards ("IFRS"). ORPC adopted IFRS effective January 1, 2015.

For regulatory accounting and rate-setting purposes, ORPC follows the Ontario Energy Board's Modified International Financial Reporting Standards ("MIFRS") requirements. This Cost of Service Application has been prepared on a MIFRS basis, consistent with the accounting basis applicable for OEB regulatory purposes.

ORPC confirms there have been no accounting changes adopted since the Applicant's 2022 Cost of Service rate application (EB-2021-0052).

1.9.6 UNIFORM SYSTEM OF ACCOUNTS

ORPC has followed the accounting principles and main categories of accounts prescribed in the OEB's Accounting Procedures Handbook and Uniform System of Accounts in preparing this

Application, except for the accounting treatment of Other Post-Employment Benefits (“OPEB”), which ORPC recognizes on a cash basis rather than on an accrual basis. Other than this treatment, ORPC has not identified any departures from the USoA in preparing this Application.

1.9.7 EXISTING ACCOUNTING ORDERS AND DEPARTURES

ORPC is currently subject to two utility-specific accounting orders approved by the OEB.

In EB-2023-0047, the OEB approved the establishment of USoA Account 1508, Other Regulatory Assets, sub-account Power Purchased True-Up, effective July 1, 2023. The account records amounts associated with ORPC’s Power Purchased True-Up mechanism relating to electricity purchased from the Waltham Generating Station. ORPC continues to operate this account in accordance with the accounting order approved by the OEB.

In EB-2025-0209, the OEB approved an accounting order establishing USoA Account 1508, Other Regulatory Assets, sub-account Rate Base Correction, effective May 1, 2026. The account records the revenue requirement impact associated with the correction of the formula error in ORPC’s 2022 Cost of Service application relating to the inclusion of previously approved ICM assets in rate base.

ORPC confirms that it has not departed from the accounting treatment prescribed by either accounting order.

1.9.8 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESS

All non-regulated revenues and expenses are included in the Uniform System of Accounts 4375 and 4380 groupings. This includes any transactions with its affiliate and billing and metering services provided to other LDCs.

1.9.9 CHANGES IN TAX STATUS

ORPC 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.

1.9.10 DISTRIBUTION CONSOLIDATION AND COLLABORATION

In accordance with section 2.1.10 of the OEB's Filing Requirements, ORPC has considered opportunities for both consolidation and collaboration with other electricity distributors.

ORPC has not identified a business case that would support pursuing consolidation or amalgamation with another distributor during the 2027 Test Year or the planning period covered by this application. ORPC's Board of Directors and management periodically consider strategic opportunities that could improve the long-term sustainability of the utility, including potential consolidation opportunities should they arise. Based on the information available at this time, ORPC has concluded that there are no consolidation initiatives under active consideration and, accordingly, no savings related to consolidation have been reflected in this application.

While consolidation is not currently being pursued, ORPC continues to seek opportunities to collaborate with neighbouring local distribution companies, industry associations, and service providers where such arrangements can improve operational efficiency, enhance service delivery, reduce costs, or provide access to specialized expertise. These collaborative efforts include information sharing, participation in industry working groups, joint procurement opportunities where practical, and the use of shared external service providers and consultants to support specialized operational and regulatory functions.

ORPC will continue to evaluate future opportunities for consolidation or collaboration as part of its ongoing strategic planning and will pursue such opportunities where they are demonstrated to be in the best interests of the utility and its customers.

1.10 APPENDICES

Appendix 1A	2025 Audited Financial Statements
Appendix 1B	2024 Audited Financial Statements
Appendix 1C	2023 Audited Financial Statements
Appendix 1D	2025 Detailed Financial Statement Reconciliation
Appendix 1E	2025 Customer Satisfaction Survey Report
Appendix 1F	ORPC 2027-2031 Business Plan
Appendix 1G	ORPC Board of Directors Approval

1 1.10.1 APPENDIX 1A - 2025 AUDITED FINANCIAL STATEMENTS

2

Financial Statements of

**OTTAWA RIVER POWER
CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2025

Management's Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with IFRS Accounting Standards.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that Ottawa River Power Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

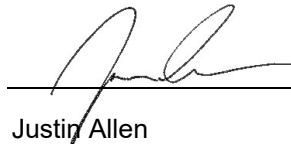
The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditor's responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with IFRS Accounting Standards. The attached Independent Auditor's Report outlines the scope of their examination and their opinion.

On behalf of management,



Jeffrey Roy, CPA, CA
Chief Financial Officer

April 24, 2026



Justin Allen
President and Chief Executive Officer



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at December 31, 2025
- the statement of income and 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 Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 24, 2026

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash	\$ 2,350,790	\$ 3,734,124
Accounts receivable (note 4)	3,536,882	2,922,796
Unbilled energy revenue	4,037,650	2,731,502
Inventory (note 6)	926,897	1,001,590
Prepaid expenses	421,681	370,587
Payments in lieu of corporate income taxes receivable (note 9)	—	132
	11,273,900	10,760,731
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	28,836,576	26,096,468
Less accumulated depreciation	8,574,554	7,589,723
	20,262,022	18,506,745
Intangible assets (note 8)	82,995	134,701
Deferred income tax assets (note 9)	—	61,708
Other non-current assets	213,461	165,134
Total assets	31,832,378	29,629,019
Regulatory assets (note 10)		
	308,682	1,080,604
Total assets and regulatory assets	\$ 32,141,060	\$ 30,709,623

OTTAWA RIVER POWER CORPORATION

Balance Sheet (continued)

December 31, 2025, with comparative information for 2024

	2025	2024
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 8,490,025	\$ 6,146,736
Current portion of long-term debt (note 14)	69,308	44,986
Current portion of lease obligation	17,134	26,016
	<u>8,576,467</u>	<u>6,217,738</u>
Contributions in aid of construction (note 12)	2,482,891	2,225,639
Employee future benefits (note 13)	305,178	260,361
Lease obligations	—	4,986
Long-term debt (note 14)	7,560,676	7,137,914
Deferred income tax liability (note 9)	61,582	—
Total liabilities	<u>18,986,794</u>	<u>15,846,638</u>
Equity:		
Capital stock (note 15)	5,591,406	5,591,406
Retained earnings	5,117,614	4,892,851
Total equity	<u>10,709,020</u>	<u>10,484,257</u>
Total liabilities and equity	<u>29,695,814</u>	<u>26,330,895</u>
Regulatory liabilities (note 10)	2,445,246	4,378,728
Commitments (note 16)		
Contingencies (note 17)		
	<u>\$ 32,141,060</u>	<u>\$ 30,709,623</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

OTTAWA RIVER POWER CORPORATION

Statement of Income and Comprehensive Income

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Service revenue (note 18):		
Electricity revenue	\$ 24,834,416	\$ 24,170,079
Distribution revenue	5,624,922	5,163,924
	30,459,338	29,334,003
Cost of power	25,877,033	21,749,563
	4,582,305	7,584,440
Other operating revenue (note 18)	867,309	1,056,166
	5,449,614	8,640,606
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	1,937,637	1,396,937
Community relations (note 19)	23,586	29,510
Billing and collecting (note 19)	1,133,089	1,061,331
General and administrative (note 19)	1,660,418	1,665,371
Depreciation and amortization	993,616	960,599
Unregulated contracting	155,243	316,474
Interest and bank charges	14,458	268,397
Interest on long-term debt	244,166	237,567
	6,162,213	5,936,186
(Loss) income before income taxes and regulatory items	(712,599)	2,704,420
Net movement in regulatory balances (note 10)	1,161,560	(2,306,850)
Income before amount in lieu of income taxes	448,961	397,570
Amount in lieu of income taxes (note 9)	165,899	113,664
Net income	283,062	283,906
Other comprehensive income:		
Items that will not be subsequently reclassified to net income:		
Actuarial loss on post-employment benefits, net tax (note 13)	58,299	3,475
Total income and other comprehensive income	\$ 224,763	\$ 280,431

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Changes in Equity

Year ended December 31, 2025, with comparative information for 2024

	Capital stock	Retained Earnings	Total
Balance at December 31, 2023	5,591,406	4,612,420	10,203,826
Net income after net movements in regulatory balances	—	283,906	283,906
Other comprehensive income	—	(3,475)	(3,475)
Balance at December 31, 2024	\$ 5,591,406	\$ 4,892,851	\$ 10,484,257
Net income after net movements in regulatory balances	—	283,062	283,062
Other comprehensive income	—	(58,299)	(58,299)
Balance at December 31, 2025	\$ 5,591,406	\$ 5,117,614	\$ 10,709,020

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash flows from operating activities:		
Total income and other comprehensive income	\$ 224,763	\$ 280,431
Items not affecting cash:		
Depreciation of property, plant and equipment	984,831	1,015,743
Amortization of intangible assets	78,502	98,702
Contributions in aid of construction amortized to revenue	(61,037)	(51,050)
Amortization of other non-current assets	(48,327)	70,772
Employee future benefits	44,817	(42,820)
Interest income	(91,388)	(238,912)
Interest expense	244,166	237,567
Income tax expense	165,899	113,664
Net movements in regulatory accounts	(1,161,560)	2,306,850
Income taxes paid	(45,230)	11,820
Income taxes received	2,753	45,293
Interest paid	(243,988)	(237,567)
Interest received	91,388	238,912
Changes in non-cash operating working capital:		
Increase in accounts receivable	(614,086)	(1,009,663)
(Increase) decrease in unbilled energy revenue	(1,306,148)	1,940,876
Decrease in inventory	74,693	2,664
Increase in prepaid expense	(51,094)	(28,321)
Increase (decrease) in accounts payable and accrued liabilities	2,107,758	(560,540)
Cash provided by operating activities	396,712	4,194,421
Cash flows from financing activities:		
Payment of lease obligations	(13,868)	(13,512)
Payment on long-term debt	(52,916)	(43,850)
Proceeds from long-term debt	500,000	-
Cash provided by (used in) financing activities	433,216	(57,362)
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,504,755)	(2,476,047)
Additions to intangible assets	(26,796)	(43,213)
Receipt of contributions in aid of construction	318,289	295,457
Cash used in investing activities	(2,213,262)	(2,223,803)
Net (decrease) increase in cash	(1,383,334)	1,913,256
Cash, beginning of year	3,734,124	1,820,868
Cash, end of year	\$ 2,350,790	\$ 3,734,124

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements

Year ended December 31, 2025

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Municipality of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Hagarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Municipality of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Municipality of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with IFRS Accounting Standards.

The financial statements were authorized for issue by the Board of Directors on April 24, 2026.

(b) Basis of presentation:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, 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 Corporation and establishing standards of service for the Corporation's customers.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

1. Basis of presentation (continued):

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

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation 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 on an annual basis for May 1 to April 30.

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, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) 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.

2. Material accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following material accounting policies, which are an integral part of understanding them.

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods 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 Corporation 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 (the "EA") 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 nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. 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.

(b) Revenue recognition:

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(b) Revenue recognition (continued):

Other revenues

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenue are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

(d) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are classified as amortized cost. These include cash, accounts receivable, and unbilled energy revenue. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information.

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

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation's financial liabilities are classified as amortized cost. These include accounts payable and accrued liabilities, customer deposits, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment ("PP&E") are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of income and comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

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

The estimated useful lives are as follows:

Asset	Useful life
Land	Indefinite
Substation and buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

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.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of income and comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of income and comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in statement of income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of 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 an 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 inflows from other assets. An impairment loss is charged to the statement of income and comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

Post-employment defined benefit plan:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of income and comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(j) Employee future benefits (continued):

Other long-term service benefits:

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in lieu of taxes payable:

The Corporation 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 Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation 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.

Current and deferred tax:

Provision in lieu of taxes is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(k) Payments in lieu of taxes payable (continued):

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) 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.

(m) Inventory:

Cost of inventory 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 net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Leases:

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

The corporation recognizes a right-of-use ("ROU") assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(n) Leases (continued):

Lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(o) Future accounting standards:

i. IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board ("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 Corporation is currently assessing the impact this amendment will have on the Corporation's financial statements.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

2. Material accounting policies (continued):

(o) Future accounting standards (continued):

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.

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Payments in lieu of taxes payable:

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation'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.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

3. Use of estimates and judgments (continued):

Accounts receivable impairment:

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Useful lives of depreciable assets:

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience.

4. Accounts receivable:

	2025	2024
Residential and commercial energy and rentals	\$ 2,963,393	\$ 2,972,822
Work at customers premises	152,795	109,344
HST recoverable	193,547	142,615
Other miscellaneous receivables	975,801	282,905
	4,285,536	3,507,686
Allowance for doubtful accounts	(748,654)	(584,890)
	\$ 3,536,882	\$ 2,922,796

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their fair values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Municipality of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation 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.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

5. Related party transactions (continued):

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

Ottawa River Energy Solutions Inc.

A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2025	2024
Labour on customer premises	\$ 197,193	\$ 363,692
Administration services	17,237	15,836
Rent and service charges	38,129	37,044
	\$ 252,559	\$ 416,572

Included in the statement of income and comprehensive income is fibre services of \$12,240 (2024 - \$12,240) and solar generation of \$28,850 (2024 - \$32,969) paid to Ottawa River Energy Solutions Inc.

At December 31, 2025, the Corporation has accounts payable and accrued liabilities of \$23,531 (2024 - \$31,446) due to Ottawa River Energy Solutions Inc., prepaids of \$1,020 (2024 - \$nil) and accounts receivable include \$39,249 (2024 - \$23,344) due from Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Included in the statement of income and comprehensive income is electrical energy of \$895,635 (2024 - \$936,143) charged by the Corporation to the City of Pembroke.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

At December 31, 2025, accounts payable and accrued liabilities include \$146 (2024 - \$424) due to the City of Pembroke and accounts receivable include \$105,105 (2024 - \$88,461) due from the City of Pembroke.

Dividends in the amount of \$Nil (2024 - \$Nil) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to \$50,503 (2024 - \$49,724). The Corporation incurred interest on the financing provided by the City of Pembroke in the amount of \$152,304 (2024 - \$152,304).

(c) Key management personnel compensation:

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

	2025	2024
Board of directors' fees	\$ 49,252	\$ 50,287
Short-term employment benefits and salaries	727,837	676,433
Post-employment benefits	74,331	70,132
	\$ 851,420	\$ 796,852

6. Inventory:

Inventory consists of maintenance and construction materials amounting to \$926,897 (2024 - \$1,001,590).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

7. Property, plant and equipment:

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	2025 Total
Cost:								
Balance, December 31, 2024	\$ 258,350	\$ 487,369	\$ 7,507,129	\$ 7,354,344	\$ 1,900,113	\$ 4,162,849	\$ 4,426,314	\$ 26,096,468
Additions during the year	—	49,980	678,609	426,426	331,325	839,742	414,026	2,740,108
Balance, December 31, 2025	258,350	537,349	8,185,738	7,780,770	2,231,438	5,002,591	4,840,340	28,836,576
Accumulated depreciation:								
Balance, December 31, 2024	—	47,711	1,315,626	1,938,379	507,085	935,455	2,845,467	7,589,723
Depreciation for the year	—	27,577	242,255	186,520	75,378	168,728	284,373	984,831
Balance, December 31, 2025	—	75,288	1,557,881	2,124,899	582,463	1,104,183	3,129,840	8,574,554
Net book value:								
Balance, December 31, 2025	\$ 258,350	\$ 462,061	\$ 6,627,857	\$ 5,655,871	\$ 1,648,975	\$ 3,898,408	\$ 1,710,500	\$ 20,262,022
Balance, December 31, 2024	\$ 258,350	\$ 439,658	\$ 6,191,503	\$ 5,415,965	\$ 1,393,028	\$ 3,227,394	\$ 1,580,847	\$ 18,506,745

During the year, no provision for the cost of funds used during construction was capitalized.

The Corporation has entered into non-cash transactions relating to property, plant and equipment that have been excluded from the statement of cash flows. Accounts payable and accrued liabilities contain \$235,353 of amounts pertaining to additions to property, plant and equipment.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

7. Property, plant and equipment (continued):

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	2024 Total
Cost:									
Balance,									
December 31, 2023	\$ 258,350	\$ 602,770	\$ 7,345,698	\$ 6,832,441	\$ 1,609,718	\$ 3,674,076	\$ 4,214,873	\$ (117,479)	\$ 24,420,447
Additions during the year	—	63,476	403,348	583,582	297,107	597,413	531,121	—	2,476,047
Disposals/transfers	—	—	(117,479)	—	—	—	—	117,479	—
during the year	—	(178,877)	(124,438)	(61,679)	(6,712)	(108,640)	(319,680)	—	(800,026)
Balance, December 31, 2024	258,350	487,369	7,507,129	7,354,344	1,900,113	4,162,849	4,426,314	—	26,096,468
Accumulated depreciation:									
Balance,									
December 31, 2023	—	201,047	1,218,484	1,796,656	442,654	889,168	2,825,997	—	7,374,006
Depreciation for the year	—	25,541	221,580	203,402	71,143	154,927	339,150	—	1,015,743
Disposals during the year	—	(178,877)	(124,438)	(61,679)	(6,712)	(108,640)	(319,680)	—	(800,026)
Balance, December 31, 2024	—	47,711	1,315,626	1,938,379	507,085	935,455	2,845,467	—	7,589,723
Net book value:									
Balance,									
December 31, 2024	\$ 258,350	\$ 439,658	\$ 6,191,503	\$ 5,415,965	\$ 1,393,028	\$ 3,227,394	\$ 1,580,847	\$ —	\$ 18,506,745
Balance,									
December 31, 2023	258,350	401,723	6,127,214	5,035,785	1,167,064	2,784,908	1,388,876	(117,479)	17,046,441

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

8. Intangible assets:

Intangible assets consist of the following:

		Land rights	Computer software	Total
Cost:				
Balance, December 31, 2024	\$	20,326	\$ 384,935	\$ 405,261
Additions		–	26,796	26,796
Balance, December 31, 2025		20,326	411,731	432,057
Accumulated amortization:				
Balance, December 31, 2024		3,810	266,750	270,560
Amortization for the year		2,542	75,960	78,502
Balance, December 31, 2025		6,352	342,710	349,062
Carrying amount:				
Balance, December 31, 2024		16,516	118,185	134,701
Balance, December 31, 2025		13,974	69,021	82,995
Cost:				
Balance, December 31, 2023	\$	20,326	\$ 347,195	\$ 367,521
Additions		–	43,213	43,213
Disposals		–	(5,473)	(5,473)
Balance, December 31, 2024		20,326	384,935	405,261
Accumulated amortization:				
Balance, December 31, 2023		1,270	176,061	177,331
Amortization for the year		2,540	96,162	98,702
Disposals		–	(5,473)	(5,473)
Balance, December 31, 2024		3,810	266,750	270,560
Carrying amount:				
Balance, December 31, 2023		19,056	171,134	190,190
Balance, December 31, 2024		16,516	118,185	134,701

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

	2025	2024
Current tax expense:		
Current year	\$ 42,609	\$ –
Deferred tax expense:		
Origination and reversal of temporary differences	123,290	113,664
	\$ 165,899	\$ 113,664

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2024 - 15%) for federal corporate tax and 11.5% (2024 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2025	2024
Income before provision for PILs	\$ 448,962	\$ 397,570
Statutory Canadian federal and provincial tax rate	26.5%	26.5%
Provision for PILs at statutory rate	118,975	105,356
Increase in income tax resulting from:		
Permanent differences	4,016	608
Prior period adjustment	42,609	–
Other	299	7,700
	\$ 165,899	\$ 113,664
Effective tax rate	36.95%	28.59%

The movement in the deferred tax asset/(liability) is as follows:

	2025	2024
Opening balance, January 1	\$ 61,708	\$ 175,372
Recognized in regulatory deferral credits	(123,290)	(113,664)
Closing balance, December 31	\$ (61,582)	\$ 61,708

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

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

Deferred tax assets are attributable to the following:

	2025	2024
Property, plant and equipment	\$ (341,477)	\$ (227,738)
Employee future benefits	110,030	93,872
Non-capital loss carryforward	169,865	195,574
	\$ (61,582)	\$ 61,708

The utilization of this tax asset (liability) is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	December 31, 2024	Balances arising in the period	Recovery/ reversal	Other movements*	December 31, 2025
Regulatory assets:					
RARA approved May 1, 2021	\$ 1,869	\$ 15	\$ —	\$ —	\$ 1,884
RARA Approved May 1, 2023	—	10,087	—	—	10,087
RARA Approved May 1, 2025	—	186,657	—	—	186,657
Retail settlement variances	1,059,242	(1,059,242)	—	—	—
Other variance	19,493	28,979	—	—	48,472
Regulatory asset for deferred income taxes	—	61,582	—	—	61,582
	1,080,604	(771,922)	—	—	308,682
Regulatory liabilities:					
Regulatory liability for deferred income taxes	61,708	(61,708)	—	—	—
RARA approved May 1, 2022	13,469	339	—	—	13,808
RARA Approved May 1, 2023	94,740	(94,740)	—	—	—
RARA Approved May 1, 2024	2,904,561	(1,421,130)	—	—	1,483,431
Power Purchase True-Up	1,304,250	(953,758)	—	—	350,492
Retail settlement variances	—	597,515	—	—	597,515
	4,378,728	(1,933,482)	—	—	2,445,246
Net regulatory liability	\$ (3,298,124)	\$1,161,560	\$ —	\$ —	\$ (2,136,564)

*Other movements represent reclassifications of balances.

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

10. Regulatory deferral accounts (continued):

Regulatory asset recovery accounts ("RARA")

The RARA are 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 RARA are subject to carrying charges following the OEB prescribed methodology and rates.

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation 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.

Deferred income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

Power Purchase True-Up

Effective July 1, 2023, the Electricity Act, 1998 was amended to exempt global adjustment charges for customers who consume electricity supplied outside Ontario. As the Company purchased a portion of their electricity from Quebec the Company is no longer paying global adjustment charges for those purchases. This account was established to refund the over-collection of global adjustment charges from rate payers since July 1, 2023 and collect increased electricity costs of the Quebec purchases since July 1, 2023.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

11. Accounts payable and accrued liabilities:

	2025	2024
Hydro One	\$ 6,768,995	\$ 4,137,203
Embedded generation	177,898	336,916
Trade payables	447,742	675,556
Accrued interest on long-term debt	228	191
Customer credit balances	471,928	486,324
Other accounts payable and accruals	573,029	465,401
Customer deposits	26,528	13,234
Due to related parties	23,677	31,911
	\$ 8,490,025	\$ 6,146,736

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2025	2024
Deferred contributions, net, beginning of year	\$ 2,225,639	\$ 1,981,232
Contributions in aid of construction received	318,289	295,457
Contributions in aid of construction recognized as other revenue	(61,037)	(51,050)
Deferred contributions, net, end of year	\$ 2,482,891	\$ 2,225,639

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the OMERS. Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was \$244,228 (2024 - \$224,558). The contributions were made for current service and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2025. The results of this valuation disclosed total actuarial liabilities of \$149.6 billion (2024 - \$140.8 billion) in respect of benefits accrued for service with actuarial assets at that date of \$145.2 billion (2024 - \$137.9 billion), indicating an actuarial deficit of \$1.3 billion (2024 - \$2.9 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

13. Employee future benefits:

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the Year ended December 31, 2025 is based on results determined by actuarial valuation as at December 31, 2025.

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

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

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:

	2025	2024
Defined benefit obligation, beginning of year	\$ 260,361	\$ 303,181
Amounts recognized in net income:		
Current service cost	–	1,408
Past Service cost	–	(33,401)
Interest on cost obligation	11,646	13,375
	11,646	(18,618)
Benefit payments	(25,128)	(27,677)
Projected defined benefit obligation before actuarial valuation	246,879	256,886
Actuarial loss recognized in other comprehensive income	58,299	3,475
Defined benefit obligation, end of year	\$ 305,178	\$ 260,361

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

Significant actuarial assumptions for the measurement of the defined benefit obligation as at December 31 are as follows:

	2025	2024
Discount rate	4.90%	4.70%
Rate of compensation increase	Not applicable	2.65%
Retirement age	Variable	Variable

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by \$36,900.
- 1% increase in the discount rate decreases the defined benefit obligation by \$30,500.
- Change with 1-year greater life expectancy increase the defined benefit obligation by \$7,800.
- Change with 1-year increase in retirement age assumption decrease the defined benefit obligation by \$nil.
- The expected average remaining service lifetime at December 31, 2025 was 11 years (2024 - 12.6 years).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

14. Long-term debt:

	2025	2024
3.49% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2032	\$ 4,364,000	\$ 4,364,000
3.49% Promissory note payable to the Corporation of the Township of Whitewater Region, due May 1, 2032	147,000	147,000
3.49% Promissory note payable to the Corporation of the Township of Killaloe, Hagarty and Richards, due May 1, 2032	172,348	172,348
3.49% Promissory note payable to the Corporation of the Municipality of Mississippi Mills, due May 1, 2032	902,490	902,490
2.56% Promissory note payable in blended monthly payments of \$ 7,112 to Ontario Infrastructure and Lands Corporation, due June 30, 2050	1,552,076	1,597,062
5.13% Bank loan payable in blended monthly payments of \$3,988, due August 31, 2030	492,070	—
	7,629,984	7,182,900
Less: current portion of long-term debt	69,308	44,986
	\$ 7,560,676	\$ 7,137,914

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

In September 2025, the Corporation entered into a \$500,000 loan agreement with Bank of Montreal. The loan bears interest at 5.13% and matures on August 31, 2030.

The fair value of the long-term debt is estimated at \$1,266,573 (December 31, 2024 - \$1,165,145) for the Ontario Infrastructure and Lands Corporation debenture, \$508,778 (December 31, 2024 - \$nil) for the Bank of Montreal Bank Loan and \$5,563,307 (December 31, 2024 - \$5,558,601) in aggregate for the shareholder promissory notes due in 2032. Fair value was determined based on discounting all estimated future repayments of principal and interest required to fully repay the debt at the estimated interest rate that would be available to the Corporation on December 31, 2025 for these financial instruments. The fair value measurement which has been disclosed is included in level 2 of the fair value hierarchy.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

(b) Issued:

As at December 31, 2025, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Municipality of Mississippi Mills	888	15.95%
Corporation of the Township of Killaloe, Hagarty and Richards	169	3.03%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100%

No movement in common share capital has occurred during 2025 or 2024.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

15. Capital stock (continued):

(b) Issued (continued):

As at December 31, 2025, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Municipality of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Hagarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D
	5,568	

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2025 or 2024.

(c) Dividends per share:

During 2025, the Corporation paid no dividends (2024 – \$nil).

16. Commitments:

City of Pembroke

The Corporation rents its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of \$12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty-three dollars (\$360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation rents office premises from Mississippi River Power Corporation at an annual cost of \$15,732. The lease expires on September 30, 2028.

The Corporation rents substation premises from Mississippi River Power Corporation at a monthly cost of \$575. The lease expires on December 31, 2026.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

16. Commitments (continued):

Municipality of Mississippi Mills

The Corporation executed a new lease agreement effective December 1, 2023. The lease expires on November 30, 2026. The Corporation is committed to \$90,400 annual minimum rent payment under the agreement.

17. Contingencies:

Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of \$20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2025	2024
Revenue from contracts with customers:		
Power recovery	\$ 24,834,416	\$ 24,170,079
Distribution:		
Residential service	3,593,895	3,331,536
General service	1,056,369	850,150
Larger users	974,658	982,238
	5,624,922	5,163,924
	\$ 30,459,338	\$ 29,334,003

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

18. Revenue (continued):

	2025	2024
Other operating revenue:		
Late payment charges	\$ 56,017	\$ 65,420
Property and equipment rent	179,063	72,084
Change of occupancy and connection fees	39,210	37,260
Unregulated contracting	472,424	617,337
Interest	91,388	238,912
Billing and collection charges	13,690	15,647
Gain on disposal of property, plant and equipment	14,626	9,506
Recoverable work	891	—
	\$ 867,309	\$ 1,056,166

19. Expenses by nature:

Distribution operation and maintenance

	2025	2024
Materials, supplies, small tools recovery	\$ 143,148	\$ 41,481
Salaries and benefits	1,412,196	1,070,283
Training and travel	54,803	30,744
Office and general	225,197	161,604
Utilities	68,736	63,372
Property taxes	33,557	29,453
	\$ 1,937,637	\$ 1,396,937

Community relations

	2025	2024
Advertising	\$ 20,565	\$ 24,000
Safety program	3,021	5,510
	\$ 23,586	\$ 29,510

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

19. Expenses by nature (continued):

Billing and collecting

	2025	2024
Smart meter reading and operations	\$ 39,992	\$ 42,111
Postage	155,914	145,620
Salaries and benefits	445,415	422,349
Information technology	164,916	265,073
Office and general	163,382	59,254
Bad debts	153,985	124,611
Collection agency costs	9,485	2,313
	\$ 1,133,089	\$ 1,061,331

General and administrative

	2025	2024
Salaries and benefits	\$ 790,245	\$ 851,680
Memberships, fees and dues	92,961	93,120
Legal	2,467	30,365
Audit	57,345	64,093
Engineering	5,250	—
Professional services	3,200	1,950
Building maintenance	116,993	112,609
Advertising	35,495	7,500
Regulatory	156,875	159,029
Information technology	220,815	196,039
Telephone	37,247	32,885
Insurance	84,983	75,205
Bank charges	22,806	21,424
Office supplies and materials	33,736	19,472
	\$ 1,660,418	\$ 1,665,371

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

20. Financial risk management (continued):

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash, accounts receivable, and unbilled energy revenue presented on the balance sheet.

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 12,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits, 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. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12-month period. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled energy revenue which is not included in the table below is considered all current.

	2025	2024
Under 30 days	\$ 3,356,709	\$ 2,670,570
30 to 60 days	74,017	103,801
61 to 90 days	51,681	66,170
Over 90 days	803,129	667,145
	4,285,536	3,507,686
Allowance for doubtful accounts	(748,654)	(584,890)
Total accounts receivable	\$ 3,536,882	\$ 2,922,796

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

20. Financial risk management (continued):

(a) Credit risk:

The following table reconciles the opening and closing loss allowance for trade and other receivables:

	2025	2024
Balance, beginning of year	\$ 584,890	\$ 474,434
Net remeasurement of loss allowance	153,985	115,322
Write-offs	(875)	(14,373)
Recoveries of amounts previously written off	10,654	9,507
Balance, end of year	\$ 748,654	\$ 584,890
Net remeasurement of loss allowance	\$ 153,985	\$ 115,322
Recoveries of amounts previously written off	—	9,289
Bad debt expense	\$ 153,985	\$ 124,611

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	\$ 8,490,025	\$ —	\$ —	\$ —
Debt obligations	82,036	246,109	303,773	8,582,050
Total, December 31, 2025	\$ 8,572,061	\$ 246,109	\$ 303,773	\$ 8,582,050

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2025

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2025 is \$6,768,995 (2024 - \$4,137,203). Included in cost of power in the statement of income and comprehensive income is \$22,581,541 (2024 - \$19,620,180) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for \$1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2025, \$nil had been drawn on the line of credit (2024 - \$Nil).

There is one credit facility bearing general, non-financial covenants, which the amount drawn from is \$nil as at December 31, 2025.

23. Capital management:

The Corporation considers its capital to be its long-term debt, capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

1 **1.10.2 APPENDIX 1B - 2024 AUDITED FINANCIAL STATEMENTS**

2

Financial Statements of

**OTTAWA RIVER POWER
CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2024

Management's Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with IFRS Accounting Standards.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that Ottawa River Power Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

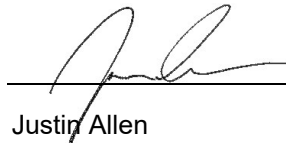
The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditor's responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with IFRS Accounting Standards. The attached Independent Auditor's Report outlines the scope of their examination and their opinion.

On behalf of management,



Jeffrey Roy, CPA, CA
Chief Financial Officer

April 24, 2025



Justin Allen
President and Chief Executive Officer



KPMG LLP

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at the year ended December 31, 2024
- the statement of income and 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 policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 24, 2025

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 3,734,124	\$ 1,820,868
Accounts receivable (note 4)	2,922,796	1,913,133
Unbilled energy revenue	2,731,502	4,672,378
Inventory (note 6)	1,001,590	1,004,254
Prepaid expenses	370,587	342,266
Payments in lieu of corporate income taxes receivable (note 9)	132	57,245
	<u>10,760,731</u>	<u>9,810,144</u>
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	26,096,468	24,420,447
Less accumulated depreciation	<u>7,589,723</u>	<u>7,374,006</u>
	18,506,745	17,046,441
Intangible assets (note 8)	134,701	190,190
Deferred income tax assets (note 9)	61,708	175,372
Other non-current assets	<u>165,134</u>	<u>235,906</u>
Total assets	29,629,019	27,458,053
Regulatory assets (note 10)	1,080,604	375,550
Total assets and regulatory assets	<u>\$ 30,709,623</u>	<u>\$ 27,833,603</u>

OTTAWA RIVER POWER CORPORATION

Balance Sheet (continued)

December 31, 2024, with comparative information for 2023

	2024	2023
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 6,146,736	\$ 6,707,276
Current portion of long-term debt (note 14)	44,986	43,850
Current portion of lease obligation	26,016	13,513
	6,217,738	6,764,639
Contributions in aid of construction (note 12)	2,225,639	1,981,232
Employee future benefits (note 13)	260,361	303,181
Lease obligations	4,986	31,001
Long-term debt (note 14)	7,137,914	7,182,900
Total liabilities	15,846,638	16,262,953
Equity:		
Capital stock (note 15)	5,591,406	5,591,406
Retained earnings	4,892,851	4,612,420
Total equity	10,484,257	10,203,826
Total liabilities and equity	26,330,895	26,466,779
Regulatory liabilities (note 10)	4,378,728	1,366,824
Commitments (note 16)		
Contingencies (note 17)		
	\$ 30,709,623	\$ 27,833,603

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

OTTAWA RIVER POWER CORPORATION

Statement of Income and Comprehensive Income

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

	2024	2023
Service revenue (note 18):		
Electricity revenue	\$ 24,170,079	\$ 22,912,591
Distribution revenue	5,163,924	5,132,227
	29,334,003	28,044,818
Cost of power	21,749,563	22,054,133
	7,584,440	5,990,685
Other operating revenue (note 18)	1,056,166	878,847
	8,640,606	6,869,532
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	1,396,937	1,521,424
Community relations (note 19)	29,510	28,355
Billing and collecting (note 19)	1,061,331	824,090
General and administrative (note 19)	1,665,371	1,788,277
Depreciation and amortization	960,599	1,061,371
Unregulated contracting	316,474	170,420
Interest and bank charges	268,397	95,690
Interest on long-term debt	237,567	239,005
	5,936,186	5,728,632
Income before income taxes and regulatory items	2,704,420	1,140,900
Net movement in regulatory balances (note 10)	(2,306,850)	(695,587)
Income before amount in lieu of income taxes	397,570	445,313
Amount in lieu of income taxes (note 9)	113,664	115,876
Net income	283,906	329,437
Other comprehensive income:		
Items that will not be subsequently reclassified to net income:		
Actuarial loss on post-employment benefits, net tax (note 13)	3,475	17,367
Total income and other comprehensive income	\$ 280,431	\$ 312,070

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Changes in Equity

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

	Capital stock	Retained Earnings	Total
Balance at December 31, 2022	\$ 5,591,406	\$ 4,548,054	\$ 10,139,460
Net income after net movements in regulatory balances	—	329,437	329,437
Other comprehensive income	—	(17,367)	(17,367)
Dividends	—	(247,704)	(247,704)
Balance at December 31, 2023	5,591,406	4,612,420	10,203,826
Net income after net movements in regulatory balances	—	283,906	283,906
Other comprehensive income	—	(3,475)	(3,475)
Dividends	—	—	—
Balance at December 31, 2024	\$ 5,591,406	\$ 4,892,851	\$ 10,484,257

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

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

	2024	2023
Cash flows from operating activities:		
Total income and other comprehensive income	\$ 280,431	\$ 312,070
Items not affecting cash:		
Depreciation of property, plant and equipment	1,015,743	970,366
Amortization of intangible assets	98,702	91,005
Contributions in aid of construction amortized to revenue	(51,050)	(45,767)
Amortization of other non-current assets	70,772	70,772
Employee future benefits	(42,820)	8,832
Interest income	(238,912)	(198,092)
Interest expense	237,567	239,005
Income tax expense	113,664	115,876
Net movements in regulatory accounts	2,306,850	(695,587)
Income taxes paid	11,820	—
Income taxes received	45,293	11,820
Interest paid	(237,567)	(239,005)
Interest received	238,912	198,092
Changes in non-cash operating working capital:		
Decrease in accounts receivable	(1,009,663)	137,634
Increase in unbilled energy revenue	1,940,876	(1,547,906)
Decrease (increase) in inventory	2,664	113,642
Decrease in prepaid expense	(28,321)	(89,487)
Increase (decrease) in accounts payable and accrued liabilities	(560,540)	2,497,105
Cash provided by operating activities	4,194,421	1,950,375
Cash flows from financing activities:		
Dividends paid	—	(247,704)
Payment of lease obligations	(13,512)	(13,182)
Payment on long-term debt	(43,850)	(42,743)
Cash used in financing activities	(57,362)	(303,629)
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,476,047)	(1,991,819)
Additions to intangible assets	(43,213)	(170,833)
Receipt of contributions in aid of construction	295,457	343,376
Cash used in investing activities	(2,223,803)	(1,819,276)
Net increase (decrease) in cash	1,913,256	(172,530)
Cash, beginning of year	1,820,868	1,993,398
Cash, end of year	\$ 3,734,124	\$ 1,820,868

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements

Year ended December 31, 2024

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Municipality of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Hagarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Municipality of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Municipality of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with IFRS Accounting Standards.

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

(b) Basis of presentation:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, 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 Corporation and establishing standards of service for the Corporation's customers.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

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

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation 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 on an annual basis for May 1 to April 30.

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, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) 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.

2. Material accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following material accounting policies, which are an integral part of understanding them.

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods 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 Corporation 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 (the "EA") 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 nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. 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.

(b) Revenue recognition:

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Revenue recognition (continued):

Other revenues

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenues are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

(d) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are classified as amortized cost. These include cash, accounts receivable, and unbilled energy revenue. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increase, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information.

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

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation's financial liabilities are classified as amortized cost. These include accounts payable and accrued liabilities, customer deposits, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment ("PP&E") are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

The estimated useful lives are as follows:

Asset	Useful life
Substation and buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

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.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of income and comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of income and comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of 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 an 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 inflows from other assets. An impairment loss is charged to the statement of income and comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

Post-employment defined benefit plan:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of income and comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(j) Employee future benefits (continued):

Other long-term service benefits:

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in lieu of taxes payable:

The Corporation 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 Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation 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:

Provision in lieu of taxes is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(k) Payments in lieu of taxes payable (continued):

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) 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.

(m) Inventory:

Cost of inventory 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 net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Leases:

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

The corporation recognizes a right-of-use ("ROU") assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(n) Leases (continued):

Lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(o) New accounting standards implemented during the fiscal year:

The Corporation has adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) from January 1, 2024. The amendments apply retrospectively. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period.

The Corporation has determined that the adoption of this amendment does not have a material impact on the Corporation's audited financial statements.

(p) Future accounting standards:

In April 2024, the International Accounting Standards Board ("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 Corporation is currently assessing the impact this amendment will have on the Corporation's financial statements.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements

Year ended December 31, 2024

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Payments in lieu of taxes payable:

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation'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.

Accounts receivable impairment:

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Useful lives of depreciable assets:

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Accounts receivable:

	2024	2023
Residential and commercial energy and rentals	\$ 2,972,822	\$ 1,497,651
Work at customers premises	109,344	38,519
HST recoverable	142,615	210,230
Other miscellaneous receivables	282,905	641,167
	3,507,686	2,387,567
Allowance for doubtful accounts	(584,890)	(474,434)
	\$ 2,922,796	\$ 1,913,133

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their fair values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Municipality of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation 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.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Related party transactions (continued):

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

Ottawa River Energy Solutions Inc.

A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2024	2023
Labour on customer premises	\$ 363,692	\$ 263,313
Administration services	15,836	13,911
Rent and service charges	37,044	24,631
	<u>\$ 416,572</u>	<u>\$ 301,855</u>

Included in the statement of income and comprehensive income is fibre services of \$12,240 (2023 - \$11,240) and solar generation of \$32,969 (2023 - \$31,506) paid to Ottawa River Energy Solutions Inc.

At December 31, 2024, the Corporation has accounts payable and accrued liabilities of \$31,446 (2023 - \$17,559) due to Ottawa River Energy Solutions Inc. and accounts receivable include \$23,344 (2023 - \$9,942) due from Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City of Pembroke are as follows:

	2024	2023
Electrical energy	\$ 936,143	\$ 825,727
Unregulated contracting	52,482	47,070
	<u>\$ 988,625</u>	<u>\$ 872,797</u>

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

At December 31, 2024, accounts payable and accrued liabilities include \$424 (2023 - \$468) due to the City of Pembroke and accounts receivable include \$88,461 (2023 - \$88,076) due from the City of Pembroke.

Dividends in the amount of \$Nil (2023 - \$167,998) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to \$49,724 (2023 - \$47,070). The Corporation incurred interest on the financing provided by the City of Pembroke in the amount of \$152,304 (2023 - \$152,304).

(c) Key management personnel compensation:

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

	2024	2023
Board of directors' fees	\$ 50,287	\$ 46,994
Short-term employment benefits and salaries	676,433	705,626
Post-employment benefits	70,132	82,974
	\$ 796,852	\$ 835,594

6. Inventory:

Inventory consists of maintenance and construction materials amounting to \$1,001,590 (2023 - \$1,004,254).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment:

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance,									
December 31, 2023	\$ 258,350	\$ 602,770	\$ 7,345,698	\$ 6,832,441	\$ 1,609,718	\$ 3,674,076	\$ 4,214,873	\$ (117,479)	\$ 24,420,447
Additions during the year	—	63,476	403,348	583,582	297,107	597,413	531,121	—	2,476,047
Transfers during the year	—	—	(117,479)	—	—	—	—	117,479	—
Disposals during the year	—	(178,877)	(124,438)	(61,679)	(6,712)	(108,640)	(319,680)	—	(800,026)
Balance,									
December 31, 2024	258,350	487,369	7,507,129	7,354,344	1,900,113	4,162,849	4,426,314	—	26,096,468
Accumulated depreciation:									
Balance,									
December 31, 2023	—	201,047	1,218,484	1,796,656	442,654	889,168	2,825,997	—	7,374,006
Depreciation for the year	—	25,541	221,580	203,402	71,143	154,927	339,150	—	1,015,743
Disposals during the year	—	(178,877)	(124,438)	(61,679)	(6,712)	(108,640)	(319,680)	—	(800,026)
Balance, December 31, 2024	—	47,711	1,315,626	1,938,379	507,085	935,455	2,845,467	—	7,589,723
Net book value:									
Balance, December 31, 2024	\$ 258,350	\$ 439,658	\$ 6,191,503	\$ 5,415,965	\$ 1,393,028	\$ 3,227,394	\$ 1,580,847	\$ —	\$ 18,506,745
Balance, December 31, 2023	258,350	401,723	6,127,214	5,035,785	1,167,064	2,784,908	1,388,876	(117,479)	17,046,441

During the year, no provision for the cost of funds used during construction was capitalized.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment (continued):

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance,									
December 31, 2022	\$ 258,350	\$ 560,141	\$ 6,884,417	\$ 6,505,086	\$ 1,422,676	\$ 3,306,573	\$ 4,171,048	\$ (117,479)	\$ 22,990,812
Additions during the year	—	43,328	732,939	327,355	296,052	417,416	174,729	—	1,991,819
Disposals/transfers during the year	—	(699)	(271,658)	—	(109,010)	(49,913)	(130,904)	—	(562,184)
Balance,									
December 31, 2023	258,350	602,770	7,345,698	6,832,441	1,609,718	3,674,076	4,214,873	(117,479)	24,420,447
Accumulated depreciation:									
Balance,									
December 31, 2022	—	178,340	1,268,887	1,599,627	480,536	791,764	2,646,670	—	6,965,824
Depreciation for the year	—	23,406	221,255	197,029	71,128	147,317	310,231	—	970,366
Disposals during the year	—	(699)	(271,658)	—	(109,010)	(49,913)	(130,904)	—	(562,184)
Balance,									
December 31, 2023	—	201,047	1,218,484	1,796,656	442,654	889,168	2,825,997	—	7,374,006
Net book value:									
Balance,									
December 31, 2022	\$ 258,350	\$ 381,801	\$ 5,615,530	\$ 4,905,459	\$ 942,140	\$ 2,514,809	\$ 1,524,378	\$ (117,479)	\$ 16,024,988
Balance,									
December 31, 2023	258,350	401,723	6,127,214	5,035,785	1,167,064	2,784,908	1,388,876	(117,479)	17,046,441

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Intangible assets:

Intangible assets consist of the following:

		Land rights	Computer software	Total
Cost:				
Balance, December 31, 2023	\$	20,326	\$ 347,195	\$ 367,521
Additions		–	43,213	43,213
Disposals		–	(5,473)	(5,473)
Balance, December 31, 2024		20,326	384,935	405,261
Accumulated amortization:				
Balance, December 31, 2023		1,270	176,061	177,331
Amortization for the year		2,540	96,162	98,702
Disposals		–	(5,473)	(5,473)
Balance, December 31, 2024		3,810	266,750	270,560
Carrying amount:				
Balance, December 31, 2023	\$	19,056	\$ 171,134	\$ 190,190
Balance, December 31, 2024		16,516	118,185	134,701

		Land rights	Computer software	Total
Cost:				
Balance, December 31, 2022	\$	2,748	\$ 213,348	\$ 216,096
Additions		20,326	150,507	170,833
Disposals		(2,748)	(16,660)	(19,408)
Balance, December 31, 2023		20,326	347,195	367,521
Accumulated amortization:				
Balance, December 31, 2022		2,748	102,986	105,734
Amortization for the year		1,270	89,735	91,005
Disposals		(2,748)	(16,660)	(19,408)
Balance, December 31, 2023		1,270	176,061	177,331
Carrying amount:				
Balance, December 31, 2022	\$	–	\$ 110,362	\$ 110,362
Balance, December 31, 2023		19,056	171,134	190,190

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

	2024	2023
Current tax expense:		
Current year (recovery)	\$ —	\$ (46,996)
Deferred tax expense:		
Origination and reversal of temporary differences	113,664	162,872
	\$ 113,664	\$ 115,876

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2023 - 15%) for federal corporate tax and 11.5% (2023 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2024	2023
Income before provision for PILs	\$ 397,570	\$ 445,313
Statutory Canadian federal and provincial tax rate	26.5%	26.5%
Provision for PILs at statutory rate	105,356	118,008
Increase (decrease) in income tax resulting from:		
Permanent differences	608	448
Other	7,700	(2,580)
	\$ 113,664	\$ 115,876
Effective tax rate	28.59%	26.02%

The movement in the deferred tax asset is as follows:

	2024	2023
Opening balance, January 1	\$ 175,372	\$ 338,244
Recognized in regulatory deferral credits	(113,664)	(162,872)
Closing balance, December 31	\$ 61,708	\$ 175,372

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

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

Deferred tax assets are attributable to the following:

	2024	2023
Property, plant and equipment	\$ (227,738)	\$ (30,817)
Employee future benefits	93,872	109,310
Non-capital loss carryforward	195,574	96,879
	\$ 61,708	\$ 175,372

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Dec 31, 2023	Balances arising in the period	Recovery/ reversal	Other movements*	Dec 31, 2024
Regulatory assets:					
RARA approved					
May 1, 2021	\$ 1,845	\$ 24	\$ –	\$ –	\$ 1,869
RARA Approved					
May 1, 2023	373,705	(373,705)	–	–	–
Retail settlement variances	–	1,059,242	–	–	1,059,242
Other variance	–	19,493	–	–	19,493
	375,550	705,054	–	–	1,080,604
Regulatory liabilities:					
Regulatory liability for					
deferred income taxes	175,372	(113,664)	–	–	61,708
RARA approved					
May 1, 2022	12,924	545	–	–	13,469
RARA Approved					
May 1, 2023	–	94,740	–	–	94,740
RARA Approved					
May 1, 2024	–	2,904,561	–	–	2,904,561
Power Purchase True-Up	646,491	657,759	–	–	1,304,250
Retail settlement variances	532,037	(532,037)	–	–	–
	1,366,824	3,011,904	–	–	4,378,728
Net regulatory liability	\$ (991,274)	\$ (2,306,850)	\$ –	\$ –	\$ (3,298,124)

*Other movements represent reclassifications of balances.

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

Regulatory asset recovery accounts ("RARA")

The RARA are 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 RARA are subject to carrying charges following the OEB prescribed methodology and rates.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Regulatory deferral accounts (continued):

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation 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.

Deferred income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

Power Purchase True-Up

Effective July 1, 2023, the Electricity Act, 1998 was amended to exempt global adjustment charges for customers who consume electricity supplied outside Ontario. As the Company purchased a portion of their electricity from Quebec the Company is no longer paying global adjustment charges for those purchases. This account was established to refund the over-collection of global adjustment charges from rate payers since July 1, 2023 and collect increased electricity costs of the Quebec purchases since July 1, 2023.

11. Accounts payable and accrued liabilities:

	2024	2023
Hydro One	\$ 4,137,203	\$ 3,525,011
Embedded generation	336,916	233,564
Trade payables	675,556	1,933,400
Accrued interest on long-term debt	191	230
Customer credit balances	486,324	500,387
Other accounts payable and accruals	465,401	434,339
Customer deposits	13,234	15,648
Due to related parties	31,911	64,697
	<u>\$ 6,146,736</u>	<u>\$ 6,707,276</u>

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2024	2023
Deferred contributions, net, beginning of year	\$ 1,981,232	\$ 1,683,623
Contributions in aid of construction received	295,457	343,376
Contributions in aid of construction recognized as other revenue	(51,050)	(45,767)
Deferred contributions, net, end of year	\$ 2,225,639	\$ 1,981,232

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

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the OMERS. Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was \$224,558 (2023 - \$216,396). The contributions were made for current service and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2024. The results of this valuation disclosed total actuarial liabilities of \$140.8 billion (2023 - \$134.6 billion) in respect of benefits accrued for service with actuarial assets at that date of \$137.9 billion (2023 - \$130.4 billion), indicating an actuarial deficit of \$2.9 billion (2023 - \$4.2 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Employee future benefits:

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the Year ended December 31, 2024 is based on results determined by actuarial valuation as at December 31, 2023.

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

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

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
Defined benefit obligation, beginning of year	\$ 303,181	\$ 294,349
Amounts recognized in net income:		
Current service cost	1,408	2,313
Past Service cost	(33,401)	–
Interest on cost obligation	13,375	14,207
	(18,618)	16,520
Benefit payments	(27,677)	(25,055)
Projected defined benefit obligation before actuarial valuation	256,886	285,814
Actuarial loss recognized in other comprehensive income	3,475	17,367
Defined benefit obligation, end of year	\$ 260,361	\$ 303,181

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

Significant actuarial assumptions for the measurement of the defined benefit obligation as at December 31 are as follows:

	2024	2023
Discount rate	4.70%	4.60%
Rate of compensation increase	2.65%	2.65%
Retirement age	Variable	Variable

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by \$41,500.
- 1% increase in the discount rate decreases the defined benefit obligation by \$32,300.
- Change with 1-year greater life expectancy decrease the defined benefit obligation by \$9,100.
- Change with 1-year increase in retirement age assumption decrease the defined benefit obligation by \$Nil.
- The expected average remaining service lifetime at December 31, 2024 was 12.6 years (2023 - 14.6 years).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

14. Long-term debt:

	2024	2023
3.49% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2032	\$ 4,364,000	\$ 4,364,000
3.49% Promissory note payable to the Corporation of the Township of Whitewater Region, due May 1, 2032	147,000	147,000
3.49% Promissory note payable to the Corporation of the Township of Killaloe, Hagarty and Richards, due May 1, 2032	172,348	172,348
3.49% Promissory note payable to the Corporation of the Municipality of Mississippi Mills, due May 1, 2032	902,490	902,490
2.56% Promissory note payable in blended monthly payments of \$ 7,112 to Ontario Infrastructure and Lands Corporation, due June 30, 2050	1,597,062	1,640,912
	7,182,900	7,226,750
Less: current portion of long-term debt	44,986	43,850
	\$ 7,137,914	\$ 7,182,900

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

The fair value of the long-term debt is estimated at \$1,165,145 for the Ontario Infrastructure and Lands Corporation debenture, and \$5,558,601 in aggregate for the shareholder promissory notes due in 2032. Fair value was determined based on discounting all estimated future repayments of principal and interest required to fully repay the debt at the estimated interest rate that would be available to the Corporation on December 31, 2024 for these financial instruments. The fair value measurement which has been disclosed is included in level 2 of the fair value hierarchy.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

(b) Issued:

As at December 31, 2024, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Municipality of Mississippi Mills	888	15.95%
Corporation of the Township of Killaloe, Hagarty and Richards	169	3.03%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100%

No movement in common share capital has occurred during 2024 or 2023.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Capital stock (continued):

(b) Issued (continued):

As at December 31, 2024, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Municipality of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Hagarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D
	5,568	

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2024 or 2023.

(c) Dividends per share:

	2024	2023
Class A special shares	\$ —	\$ 38.50
Class B special shares	—	69.96
Class C special shares	—	47.60
Class D special shares	—	64.87

16. Commitments:

City of Pembroke

The Corporation rents its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of \$12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty-three dollars (\$360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation rents office premises from Mississippi River Power Corporation at an annual cost of \$10,438. The lease expires on September 30, 2025.

The Corporation rents substation premises from Mississippi River Power Corporation at a monthly cost of \$575. The lease expires on December 31, 2026.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

16. Commitments (continued):

Municipality of Mississippi Mills

The Corporation executed a new lease agreement effective December 1, 2023. The lease expires on November 30, 2026. The Corporation is committed to \$90,400 annual minimum rent payment under the agreement.

17. Contingencies:

Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of \$20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2024	2023
Revenue from contracts with customers:		
Power recovery	\$ 24,170,079	\$ 22,912,591
Distribution:		
Residential service	3,331,536	3,272,769
General service	850,150	915,547
Larger users	982,238	943,911
	5,163,924	5,132,227
	\$ 29,334,003	\$ 28,044,818

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

18. Revenue (continued):

	2024	2023
Other operating revenue:		
Late payment charges	\$ 65,420	\$ 54,701
Property and equipment rent	72,084	101,884
Change of occupancy and connection fees	37,260	37,110
Unregulated contracting	617,337	333,084
Interest	238,912	198,092
Billing and collection charges	15,647	6,476
Gain on disposal of property, plant and equipment	9,506	147,500
	\$ 1,056,166	\$ 878,847

19. Expenses by nature:

Distribution operation and maintenance

	2024	2023
Materials, supplies, small tools recovery	\$ 41,481	\$ 200,981
Salaries and benefits	1,070,283	1,170,130
Training and travel	30,744	14,718
Office and general	161,604	64,558
Utilities	63,372	42,950
Property taxes	29,453	28,087
	\$ 1,396,937	\$ 1,521,424

Community relations

	2024	2023
Advertising	\$ 24,000	\$ 19,573
Safety program	5,510	8,782
	\$ 29,510	\$ 28,355

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Expenses by nature (continued):

Billing and collecting

	2024	2023
Smart meter reading and operations	\$ 42,111	\$ 87,746
Postage	145,620	130,898
Salaries and benefits	422,349	343,192
Information technology	265,073	147,620
Office and general	59,254	48,744
Bad debts	124,611	63,709
Collection agency costs	2,313	2,181
	\$ 1,061,331	\$ 824,090

General and administrative

	2024	2023
Salaries and benefits	\$ 851,680	\$ 930,158
Memberships, fees and dues	93,120	93,535
Legal	30,365	46,539
Audit	64,093	46,706
Professional services	1,950	4,200
Building maintenance	112,609	108,301
Advertising	7,500	7,349
Regulatory	159,029	225,510
Information technology	196,039	141,182
Telephone	32,885	33,507
Insurance	75,205	68,649
Bank charges	21,424	22,489
Office supplies and materials	19,472	59,652
Donations	—	500
	\$ 1,665,371	\$ 1,788,277

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial risk management (continued):

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash, accounts receivable, and unbilled revenue presented on the balance sheet.

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 12,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits, 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. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12-month period. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue which is not included in the table below is considered all current.

	2024	2023
Under 30 days	\$ 2,670,570	\$ 1,698,638
30 to 60 days	103,801	75,247
61 to 90 days	66,170	58,543
Over 90 days	667,145	555,139
	3,507,686	2,387,567
Allowance for doubtful accounts	(584,890)	(474,434)
Total accounts receivable	\$ 2,922,796	\$ 1,913,133

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial risk management (continued):

(a) Credit risk:

The following table reconciles the opening and closing loss allowance for trade and other receivables:

	2024	2023
Balance, beginning of year	\$ 474,434	\$ 407,533
Net remeasurement of loss allowance	115,322	63,634
Write-offs	(14,373)	—
Recoveries of amounts previously written off	9,507	3,267
Balance, end of year	\$ 584,890	\$ 474,434
Net remeasurement of loss allowance	\$ 115,322	\$ 63,634
Recoveries of amounts previously written off	9,289	75
Bad debt expense	\$ 124,611	\$ 63,709

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	\$ 6,146,736	\$ —	\$ —	\$ —
Debt obligations	21,336	64,009	85,345	7,591,453
Lease obligations	3,667	23,098	4,986	—
Total, December 31, 2024	\$ 6,171,739	\$ 87,107	\$ 90,331	\$ 7,591,453

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial risk management (continued):

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2024 is \$4,137,203 (2023 - \$3,525,011). Included in cost of power in the statement of income and comprehensive income is \$19,620,180 (2023 - \$20,468,378) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for \$1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2024, \$Nil had been drawn on the line of credit (2023 - \$Nil).

There is one credit facility bearing general, non-financial covenants, which the amount drawn from is \$Nil as at December 31, 2024.

23. Capital management:

The Corporation considers its capital to be its long-term debt, capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

1 **1.10.3** APPENDIX 1C - 2023 AUDITED FINANCIAL STATEMENTS

2

3

Financial Statements of

**OTTAWA RIVER POWER
CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2023

Management's Responsibility for the Financial Statements

Management is responsible for the integrity of the financial data reported by Ottawa River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgment and estimates in accordance with IFRS Accounting Standards.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that Ottawa River Power Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings reviews audit, internal control and financial reporting matters with management and external auditors.

The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditor's responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The attached Independent Auditor's Report outlines the scope of their examination and their opinion.

On behalf of management,

Jeffrey Roy, CPA, CA
Chief Financial Officer

Justin Allen
President and Chief Executive Officer

April 26, 2024



KPMG LLP

150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ottawa River Power Corporation

Opinion

We have audited the financial statements of Ottawa River Power Corporation (the Entity), which comprise:

- the balance sheet as at the year ended December 31, 2023
- the statement of income and 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 policies

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

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

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 26, 2024

OTTAWA RIVER POWER CORPORATION

Balance Sheet

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 1,820,868	\$ 1,993,398
Accounts receivable (note 4)	1,913,133	2,050,767
Unbilled energy revenue	4,672,378	3,124,472
Inventory (note 6)	1,004,254	1,117,896
Prepaid expenses	342,266	252,779
Payments in lieu of corporate income taxes receivable (note 9)	57,245	22,069
	9,810,144	8,561,381
Property, plant and equipment (note 7):		
Land, building, distribution and office equipment and motor vehicles	24,420,447	22,990,812
Less accumulated depreciation	7,374,006	6,965,824
	17,046,441	16,024,988
Intangible assets (note 8)	190,190	110,362
Deferred income tax assets (note 9)	175,372	338,244
Other non-current assets	235,906	306,678
Total assets	27,458,053	25,341,653
Regulatory assets (note 10)	375,550	81,754
Total assets and regulatory assets		
	\$ 27,833,603	\$ 25,423,407

OTTAWA RIVER POWER CORPORATION

Balance Sheet (continued)

December 31, 2023, with comparative information for 2022

	2023	2022
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 6,707,276	\$ 4,210,171
Current portion of long-term debt (note 14)	43,850	42,743
Current portion of lease obligation	13,513	13,183
	<u>6,764,639</u>	<u>4,266,097</u>
Contributions in aid of construction (note 12)	1,981,232	1,683,623
Employee future benefits (note 13)	303,181	294,349
Lease obligations	31,001	44,513
Long-term debt (note 14)	<u>7,182,900</u>	<u>7,226,750</u>
Total liabilities	16,262,953	13,515,332
Equity:		
Capital stock (note 15)	5,591,406	5,591,406
Retained earnings	<u>4,612,420</u>	<u>4,548,054</u>
Total equity	10,203,826	10,139,460
Total liabilities and equity	<u>26,466,779</u>	<u>23,654,792</u>
Regulatory liabilities (note 10)	1,366,824	1,768,615
Commitments (note 16)		
Contingencies (note 17)		
	<u>\$ 27,833,603</u>	<u>\$ 25,423,407</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

OTTAWA RIVER POWER CORPORATION

Statement of Income and Comprehensive Income

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

	2023	2022
Service revenue (note 18):		
Electricity revenue	\$ 22,912,591	\$ 22,140,868
Distribution revenue	5,132,227	5,154,656
	28,044,818	27,295,524
Cost of power	22,054,133	22,471,825
	5,990,685	4,823,699
Other operating revenue (note 18)	878,847	943,800
	6,869,532	5,767,499
Operating and maintenance expenses:		
Distribution operation and maintenance (note 19)	1,521,424	1,453,994
Community relations (note 19)	28,355	36,357
Billing and collecting (note 19)	824,090	878,316
General and administrative (note 19)	1,788,277	1,485,109
Depreciation and amortization	1,061,371	1,078,769
Unregulated contracting	170,420	201,157
Interest and bank charges	95,690	190
Interest on long-term debt	239,005	275,441
	5,728,632	5,409,333
Income before income taxes and regulatory items	1,140,900	358,166
Net movement in regulatory balances (note 10)	(695,587)	385,930
Income before amount in lieu of income taxes	445,313	744,096
Amount in lieu of income taxes (note 9)	115,876	198,113
Net income	329,437	545,983
Other comprehensive income:		
Items that will not be subsequently reclassified to net income:		
Actuarial loss on post-employment benefits, net tax (note 13)	17,367	(73,277)
Total income and other comprehensive income	\$ 312,070	\$ 619,260

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Changes in Equity

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

	2023	2022
Capital stock:		
Balance, beginning and end of year	\$ 5,591,406	\$ 5,591,406
Retained earnings:		
Balance, beginning of year	4,548,054	4,095,772
Total income and other comprehensive income	312,070	619,260
Dividends paid	(247,704)	(166,978)
Balance, end of year	4,612,420	4,548,054
Total equity	\$ 10,203,826	\$ 10,139,460

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Statement of Cash Flows

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

	2023	2022
Cash flows from operating activities:		
Total income and other comprehensive income	\$ 312,070	\$ 619,260
Items not affecting cash:		
Depreciation of property, plant and equipment	970,366	1,017,283
Amortization of intangible assets	91,005	61,486
Contributions in aid of construction amortized to revenue	(45,767)	(43,014)
Amortization of other non-current assets	70,772	(15,719)
Employee future benefits	8,832	(81,303)
Interest income	(198,092)	(75,673)
Interest expense	239,005	275,441
Income tax expense	115,876	198,113
Net movements in regulatory accounts	(695,587)	(385,931)
Income taxes paid	—	—
Income taxes received	11,820	113,583
Interest paid	(239,005)	(275,441)
Interest received	198,092	75,673
Changes in non-cash operating working capital:		
Decrease in accounts receivable	137,634	1,143,598
Increase in unbilled energy revenue	(1,547,906)	(565,463)
Decrease (increase) in inventory	113,642	(524,890)
Decrease in prepaid expense	(89,487)	(9,499)
Increase (decrease) in accounts payable and accrued liabilities	2,497,105	(1,381,247)
Cash provided by operating activities	1,950,375	146,257
Cash flows from financing activities:		
Dividends paid	(247,704)	(166,978)
Payment of lease obligations	(13,182)	(12,864)
Payment on long-term debt	(42,743)	(41,664)
Cash used in financing activities	(303,629)	(221,506)
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,991,819)	(2,546,157)
Additions to intangible assets	(170,833)	(41,526)
Receipt of contributions in aid of construction	343,376	160,368
Cash used in investing activities	(1,819,276)	(2,427,315)
Net decrease in cash	(172,530)	(2,502,564)
Cash, beginning of year	1,993,398	4,495,962
Cash, end of year	\$ 1,820,868	\$ 1,993,398

See accompanying notes to financial statements.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements

Year ended December 31, 2023

Ottawa River Power Corporation (the "Corporation") was incorporated in accordance with the provincial government's Electricity Act, 1998 under the Business Corporations Act (Ontario) on April 22, 1999. Ottawa River Power Corporation is the successor to the former Pembroke Hydro Electric Commission ("Pembroke Hydro"), the Municipality of Mississippi Mills Public Utilities Commission ("Almonte Hydro"), the Township of Killaloe, Hagarty & Richards Hydro Electric Commission ("Killaloe Hydro") and the Beachburg Hydro System ("Beachburg Hydro").

The shareholders of the Corporation are the City of Pembroke (78.4%), the Municipality of Mississippi Mills (15.9%), the Township of Killaloe-Hagarty-Richards (3.0%) and the Township of Whitewater Region (2.7%).

The Corporation is the electric distribution utility for residents of the City of Pembroke, the Municipality of Mississippi Mills (Almonte Ward), the Township of Killaloe and the Village of Beachburg under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared by management on a going-concern basis in accordance with IFRS Accounting Standards.

The financial statements were authorized for issue by the Board of Directors on April 25, 2024.

(b) Basis of presentation:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Basis of presentation (continued):

(e) Explanation of activities subject to rate regulation:

Ottawa River Power Corporation, 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 Corporation and establishing standards of service for the Corporation's customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Corporation 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 on an annual basis for May 1 to April 30.

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, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Corporation is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing regulated service, and (ii) 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.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies:

The preparation and presentation of financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following material accounting policies, which are an integral part of understanding them.

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

On January 1, 2023 the Company adopted amendments within IAS 1 Presentation of Financial Statements related to the Disclosure of Accounting Policies. The changes required an entity to disclose material rather than significant accounting policies and provided guidance identifying material accounting policies relevant to users of the financial statements. Accordingly, management reviewed its accounting policies and updated the accounting policy information within this note to align with these amendments.

(a) Regulatory deferral accounts:

Regulatory deferral account debit balances represent future revenues associated with certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenue earned in the current period or prior period(s) that are expected to be returned to consumers in future periods 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 Corporation 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 (the "EA") 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 nonfinancial assets as described below.

Management continually assesses the likelihood of recovery of regulatory deferral accounts. 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.

(b) Revenue recognition:

The Corporation recognizes revenue from contracts with customers when it transfers control over a product or service to a customer either over time or at a point in time. Revenue is measured at the consideration received or receivable, excluding sales taxes and other amounts collected on behalf of third parties. Revenue is comprised of sales and distribution of energy, pole use rental, collection charges, administrative services and other miscellaneous revenue.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(b) Revenue recognition (continued):

Sale and distribution of energy

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation 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 Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

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

Other revenues

Other revenues, which include revenues from pole use rental, collection charges, administrative services and other miscellaneous revenues are recognized over time as the services are provided, except for revenue from certain account-related charges, which is recognized at a point in time.

Where the Corporation has an ongoing obligation to provide services, revenues are recognized over time as the services are performed. Revenue earned for service work related to distribution operations is recognized over time as the corresponding costs are recognized proportionately with the degree of completion of the services under contract. Amounts billed in advance are recognized as deferred revenue.

Contributions in aid of construction

Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply specific requirements. Capital contributions from developers are recognized as deferred revenue and amortized into revenue from other sources at an equivalent rate to that used for the depreciation of the related property, plant and equipment.

(c) Cash:

Cash includes cash on hand with financial institutions.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(d) Financial instruments:

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument.

Accounts receivable and unbilled energy revenue are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value.

The Corporation determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as amortized cost. These include cash, accounts receivable, and unbilled energy revenue. Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment.

The Corporation measures a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Corporation measures loss allowances for accounts receivable and unbilled revenue via a simplified approach as permitted by IFRS 9, at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information.

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

The Corporation determines the classification of its financial liabilities at initial recognition. The Corporation's financial liabilities are classified as amortized cost. These include accounts payable and accrued liabilities, customer deposits, and long-term debt.

Financial liabilities at amortized cost are measured using the effective interest method.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(e) Customer deposits:

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash, these amounts are recorded in the accounts as deposits. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

(f) Property, plant and equipment:

Recognition and measurement

Property, plant and equipment ("PP&E") are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation, including eligible borrowing costs.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives are as follows:

Asset	Useful life
Substation and buildings	30 to 60 years
Poles, towers and fixtures	25 to 45 years
Overhead conductors and devices	25 to 60 years
Underground conduit	25 to 50 years
Underground conductors and devices	25 to 40 years
Services	3 to 25 years

Major spare parts such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the corporation's distribution system reliability. No amortization is recorded on these items until they are put into service.

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.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

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

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of income and comprehensive income when the asset is disposed. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining contributions are recognized in full in the statement of income and comprehensive income.

(g) Borrowing costs:

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

(h) Intangible assets:

Land rights

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Computer software

Computer software that is acquired or developed by the Corporation, including software that is integral to the functionality of equipment purchased, which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Half of a year's amortization is taken for the first year. Amortization of useful lives for the current and comparative years are:

Asset	Useful life
Land rights	25 to 30 years
Computer software	3 years

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(i) Impairment of non-financial assets:

The Corporation conducts annual internal assessments of the values of equipment to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of 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 an 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 inflows from other assets. An impairment loss is charged to the statement of income and comprehensive income, except to the extent it reverses gains previously recognized in other comprehensive income.

(j) Employee future benefits:

Pension plan

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The Corporation is only one of a number of employers that participates in the plan and financial information provided to the Corporation on the basis of the contractual agreements is usually insufficient to measure the Corporation's proportionate share in the plan's assets and liabilities for defined benefit accounting requirements.

Post-employment defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation's net obligation on behalf of its retired employees unfunded life insurance benefits is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value.

The calculation is performed by a qualified actuary using the projected unit credit method at least every third year or when there are significant changes to workforce.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(j) Employee future benefits (continued):

Post-employment defined benefit plan (continued)

Service costs are recognized in operating expenses and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in finance costs and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the statement of income and comprehensive income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

(k) Payments in lieu of taxes payable:

The Corporation 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 Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Corporation 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

Provision in lieu of taxes is comprised of current and deferred tax. Current tax and deferred tax are recognized in total income and other comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (note 10).

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILs are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(k) Payments in lieu of taxes payable (continued):

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered). The Corporation recognized deferred tax arising from temporary difference on regulatory deferral account balances.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax assets. The Corporation recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(l) 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.

(m) Inventory:

Cost of inventory 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 net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Leases:

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Material accounting policies (continued):

(n) Leases (continued):

The corporation recognizes a right-of-use ("ROU") assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus any initial direct costs incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Use of estimates and judgments:

The Corporation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Payments in lieu of taxes payable

The Corporation is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on the Corporation'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.

Accounts receivable impairment

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Useful lives of depreciable assets

Depreciation expense is calculated based on estimates of the useful lives of equipment. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of experience.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Accounts receivable:

	2023	2022
Residential and commercial energy and rentals	\$ 1,497,651	\$ 1,720,905
Work at customers premises	38,519	31,063
HST recoverable	210,230	198,367
Other miscellaneous receivables	641,167	508,965
	2,387,567	2,459,300
Allowance for doubtful accounts	(474,434)	(408,533)
	\$ 1,193,133	\$ 2,050,767

Due to their short-term natures, the carrying amounts of the various components of accounts receivable approximate their fair values.

5. Related party transactions:

(a) The ultimate parent:

The common shares of Ottawa River Power Corporation are owned by the City of Pembroke, the Municipality of Mississippi Mills, the Township of Killaloe-Hagarty-Richards and the Township of Whitewater Region, which all constitute local governments. Consequently, the Corporation 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.

(b) Transactions with related parties:

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

Ottawa River Energy Solutions Inc.

The Corporation provides services to Ottawa River Energy Solutions Inc., at cost. A summary of amounts charged by the Corporation to the Ottawa River Energy Solutions Inc. are as follows:

	2023	2022
Labour on customer premises	\$ 263,313	\$ 206,476
Administration services	13,911	23,356
Rent and service charges	24,631	55,840
	\$ 301,855	\$ 285,672

Included in the statement of income and comprehensive income is fibre services of \$11,240 (2022 - \$11,240) and solar generation of \$31,506 (2022 - \$32,965) paid to Ottawa River Energy Solutions Inc.

At December 31, 2023, the Corporation has accounts payable and accrued liabilities of \$17,559 (2022 - \$26,421) due to Ottawa River Energy Solutions Inc. and accounts receivable include \$9,942 (2022 - \$15,260) due from Ottawa River Energy Solutions Inc. Ottawa River Energy Solutions Inc. is affiliated by virtue of common ownership.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party transactions (continued):

(b) Transactions with related parties (continued):

Corporation of the City of Pembroke

The Corporation provides electricity and services to the principal shareholder, the City of Pembroke. Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. A summary of amounts charged by the Corporation to the City of Pembroke are as follows:

	2023	2022
Electrical energy	\$ 825,727	\$ 740,010
Unregulated contracting	47,070	45,978
	\$ 872,797	\$ 785,988

At December 31, 2023, accounts payable and accrued liabilities include \$468 (2022 - \$480) due to the City of Pembroke and accounts receivable include \$88,076 (2022 - \$18,230) due from the City of Pembroke.

Dividends in the amount of \$167,998 (2022 - \$ 112,211) have been paid to the City of Pembroke. Property taxes and water and sewer charges paid to the City of Pembroke amounted to \$47,070 (2022 - \$45,978). The Corporation incurred interest on the financing provided by the City of Pembroke in the amount of \$152,304 (2022 - \$152,304).

(c) Key management personnel compensation:

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

	2023	2022
Board of directors' fees	\$ 46,994	\$ 40,808
Short-term employment benefits and salaries	705,626	687,695
Post-employment benefits	82,974	71,300
	\$ 835,594	\$ 799,803

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Inventory:

Inventory consists of maintenance and construction materials amounting to \$1,004,254 (2022 - \$1,117,896).

7. Property, plant and equipment:

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance, December 31, 2022	\$ 258,350	\$ 560,141	\$ 6,884,417	\$ 6,505,086	\$ 1,422,676	\$ 3,306,573	\$ 4,171,048	\$ (117,479)	\$ 22,990,812
Additions during the year	–	43,328	732,939	327,355	296,052	417,416	174,729	–	1,991,819
Disposals/transfers during the year	–	(699)	(271,658)	–	(109,010)	(49,913)	(130,904)	–	(562,184)
Balance, December 31, 2023	\$ 258,350	\$ 602,770	\$ 7,345,698	\$ 6,832,441	\$ 1,609,718	\$ 3,674,076	\$ 4,214,873	\$ (117,479)	\$ 24,420,447
Accumulated depreciation									
Balance, December 31, 2022	\$ –	\$ 178,340	\$ 1,268,887	\$ 1,599,627	\$ 480,536	\$ 791,764	\$ 2,646,670	\$ –	\$ 6,965,824
Depreciation for the year	–	23,406	221,255	197,029	71,128	147,317	310,231	–	970,366
Disposals during the year	–	(699)	(271,658)	–	(109,010)	(49,913)	(130,904)	–	(562,184)
Balance, December 31, 2023	\$ –	\$ 201,047	\$ 1,218,484	\$ 1,796,656	\$ 442,654	\$ 889,168	\$ 2,825,997	\$ –	\$ 7,374,006
Net book value									
Balance, December 31, 2022	\$ 258,350	\$ 381,801	\$ 5,615,530	\$ 4,905,459	\$ 942,140	\$ 2,514,809	\$ 1,524,378	\$ (117,479)	\$ 16,024,988
Balance, December 31, 2023	258,350	401,723	6,127,214	5,035,785	1,167,064	2,784,908	1,388,876	(117,479)	17,046,441

During the year, no provision for the cost of funds used during construction was capitalized. Included in additions is a right of use asset of \$ Nil (2022 - \$45,570) which is non-cash and is not included in the statement of cash flows.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Property, plant and equipment (continued):

	Land	Substation and buildings	Poles, towers and fixtures	Overhead conductors and devices	Underground conduit	Underground conductor and devices	Services	Assets under construction	Total
Cost:									
Balance, December 31, 2021	\$ 258,350	\$ 548,308	\$ 6,290,207	\$ 5,714,036	\$ 1,301,618	\$ 3,140,430	\$ 4,500,804	\$ (98,060)	\$ 21,655,693
Additions during the year	–	12,091	1,147,556	791,050	192,369	249,593	153,498	–	2,546,157
Disposals/transfers during the year	–	(258)	(553,346)	–	(71,311)	(83,450)	(483,254)	(19,419)	(1,211,038)
Balance, December 31, 2022	\$ 258,350	\$ 560,141	\$ 6,884,417	\$ 6,505,086	\$ 1,422,676	\$ 3,306,573	\$ 4,171,048	\$ (117,479)	\$ 22,990,812
Accumulated depreciation									
Balance, December 31, 2021	\$ –	\$ 156,273	\$ 1,632,168	\$ 1,407,669	\$ 479,841	\$ 732,323	\$ 2,751,305	\$ –	\$ 7,159,579
Depreciation for the year	–	22,325	209,484	191,958	72,006	142,891	378,619	–	1,017,283
Disposals during the year	–	(258)	(572,765)	–	(71,311)	(83,450)	(483,254)	–	(1,211,038)
Balance, December 31, 2022	\$ –	\$ 178,340	\$ 1,268,887	\$ 1,599,627	\$ 480,536	\$ 791,764	\$ 2,646,670	\$ –	\$ 6,965,824
Net book value									
Balance, December 31, 2021	\$ 258,350	\$ 392,035	\$ 4,658,039	\$ 4,306,367	\$ 821,777	\$ 2,408,108	\$ 1,749,498	\$ (98,060)	\$ 14,496,114
Balance, December 31, 2022	258,350	381,801	5,615,530	4,905,459	942,140	2,514,809	1,524,378	(117,479)	16,024,988

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Intangible assets:

Intangible assets consist of the following:

	Land rights	Computer software	Total
Cost:			
Balance, December 31, 2022	\$ 2,748	\$ 213,348	\$ 216,096
Additions	20,326	150,507	170,833
Disposals	(2,748)	(16,660)	(19,408)
Balance, December 31, 2023	20,326	347,195	367,521
Accumulated amortization			
Balance, December 31, 2022	2,748	102,986	105,734
Amortization for the year	1,270	89,735	91,005
Disposals	(2,748)	(16,660)	(19,408)
Balance, December 31, 2023	1,270	176,061	177,331
Carrying amount			
Balance, December 31, 2022	\$ —	\$ 110,362	\$ 110,362
Balance, December 31, 2023	19,056	171,134	190,190
Cost:			
Balance, December 31, 2021	\$ 2,748	\$ 183,297	\$ 186,045
Additions	—	41,526	41,526
Disposals	—	(11,475)	(11,475)
Balance, December 31, 2022	2,748	213,348	216,096
Accumulated amortization			
Balance, December 31, 2021	2,680	53,043	55,723
Amortization for the year	68	61,418	61,486
Disposals	—	(11,475)	(11,475)
Balance, December 31, 2022	2,748	102,986	105,734
Carrying amount			
Balance, December 31, 2021	\$ 68	\$ 130,254	\$ 130,322
Balance, December 31, 2022	—	110,362	110,362

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Payments in lieu of corporate income taxes:

PILs recognized in total income comprise the following:

	2023	2022
Current tax expense:		
Current year	\$ (46,996)	\$ 47,931
Deferred tax expense:		
Origination and reversal of temporary differences	162,872	150,182
	<u>\$ 115,876</u>	<u>\$ 198,113</u>

Statutory Canadian federal and provincial tax rates for the current year comprise 15% (2022 - 15%) for federal corporate tax and 11.5% (2022 - 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2023	2022
Income before provision for PILs	\$ 445,313	\$ 744,096
Statutory Canadian federal and provincial tax rate	26.5%	26.5%
Provision for PILs at statutory rate	118,008	197,186
Increase (decrease) in income tax resulting from:		
Permanent differences	448	249
Other	(2,580)	678
	<u>\$ 115,876</u>	<u>\$ 198,113</u>
Effective tax rate	26.02%	29.2%

The movement in the deferred tax asset is as follows:

	2023	2022
Opening balance, January 1	\$ 338,244	\$ 488,426
Recognized in regulatory deferral credits	(162,872)	(150,182)
Closing balance, December 31	<u>\$ 175,372</u>	<u>\$ 338,244</u>

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

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

Deferred tax assets are attributable to the following:

	2023	2022
Property, plant and equipment	\$ (30,817)	\$ 232,118
Employee future benefits	109,310	106,126
Non-capital loss carryforward	96,879	-
	\$ 175,372	\$ 338,244

The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future services.

10. Regulatory deferral accounts:

All amounts deferred as regulatory account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators.

Due to previous, existing or expected future regulatory articles or decisions, the Corporation has the following amounts expected to be recovered from customer (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

	Dec 31, 2022	Balances arising in the period	Recovery/ reversal	Other movements*	Dec 31, 2023
Regulatory assets:					
RARA approved May 1, 2019	\$ 80,101	\$ (80,101)	\$ -	\$ -	\$ -
RARA approved May 1, 2021	1,653	192	-	-	1,845
RARA approved May 1, 2023	-	373,705	-	-	373,705
	81,754	293,796	-	-	375,550
Regulatory liabilities:					
Regulatory liability for deferred income taxes	338,244	(162,872)	-	-	175,372
RARA approved May 1, 2022	94,982	(82,058)	-	-	12,924
Power Purchase True-Up	-	646,491	-	-	646,491
Retail settlement variances	1,343,330	(811,293)	-	-	532,037
Other variance	(7,941)	-	7,941	-	-
	1,768,615	(409,732)	7,941	-	1,366,824
Net regulatory liability	\$ (1,686,861)	\$ 703,528	\$ (7,941)	\$ -	\$ (991,274)

*Other movements represent reclassifications of balances.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Regulatory deferral accounts (continued):

Carrying charges

Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specified interest rate as outlined by the OEB. The Corporation intends to seek recovery of carrying charge income earned in future rate applications.

Regulatory asset recovery accounts ("RARA")

The RARA are 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 RARA are subject to carrying charges following the OEB prescribed methodology and rates.

Retail settlement variances ("RSVAs")

RSVAs are comprised of the variances between amounts charged by the Corporation to its customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Corporation. The settlement variances relate primarily to service charges, non-competitive electricity charges and the global adjustment. Accordingly, the Corporation 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.

Deferred income taxes

This regulatory liability account relates to the expected future electricity distribution rate adjustments for customers arising from timing differences in the recognition of future income taxes.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Regulatory deferral accounts (continued):

Power Purchase True-Up

Effective July 1, 2023, the Electricity Act, 1998 was amended to exempt global adjustment charges for customers who consume electricity supplied outside Ontario. As the Company purchased a portion of their electricity from Quebec the Company is no longer paying global adjustment charges for those purchases. This account was established to refund the over-collection of global adjustment charges from rate payers since July 1, 2023 and collect increased electricity costs of the Quebec purchases since July 1, 2023.

11. Accounts payable and accrued liabilities:

	2023	2022
Hydro One	\$ 3,525,011	\$ 1,528,239
Embedded generation	233,564	330,238
Trade payables	1,933,400	332,463
Accrued interest on long-term debt	230	252
Customer credit balances	500,387	559,038
Other accounts payable and accruals	434,339	1,419,690
Customer deposits	15,648	13,350
Due to related parties	64,697	26,901
	\$ 6,707,276	\$ 4,210,171

Due to its short-term nature, the carrying amount of the accounts payable and accrued liabilities approximates its fair value.

12. Contributions in aid of construction:

The continuity of deferred contributions in aid of construction is as follows:

	2023	2022
Deferred contributions, net, beginning of year	\$ 1,683,623	\$ 1,566,269
Contributions in aid of construction received	343,376	160,368
Contributions in aid of construction recognized as other revenue	(45,767)	(43,014)
Deferred contributions, net, end of year	\$ 1,981,232	\$ 1,683,623

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

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Employee future benefits:

(a) Pension plan:

The employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant.

The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The employer portion of amounts paid to OMERS during the year was \$216,396 (2022 - \$215,614). The contributions were made for current service and these have been recognized in total income.

Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of \$134.6 billion (2022 - \$128.8 billion) in respect of benefits accrued for service with actuarial assets at that date of \$130.4 (2022 - \$122.1 billion), indicating an actuarial deficit of \$4.2 billion (2022 - \$6.7 billion). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees, as a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit.

(b) Post-employment life insurance plan:

The Corporation provides unfunded life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reported its share of the defined benefit costs and related liabilities, as calculated by an actuary, in these financial statements. The accrued benefit liability and the expense for the Year ended December 31, 2023 is based on results determined by actuarial valuation as at December 31, 2022.

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

- Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.
- Longevity risk: changes in the estimation of mortality rates of current and former employees.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Employee future benefits (continued):

(b) Post-employment life insurance plan (continued):

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:

	2023	2022
Defined benefit obligation, beginning of year	\$ 294,349	\$ 375,652
Amounts recognized in net income:		
Current service cost	2,313	5,247
Interest on cost obligation	14,207	11,062
	16,520	16,309
Benefit payments	(25,055)	(24,335)
Projected defined benefit obligation before actuarial valuation	285,814	367,626
Actuarial loss recognized in other comprehensive income	17,367	(73,277)
Defined benefit obligation, end of year	\$ 303,181	\$ 294,349

Significant actuarial assumptions for the measurement of the defined benefit obligation as at December 31 are as follows:

	2023	2022
Discount rate	4.60%	5.00%
Rate of compensation increase	2.65%	2.65%
Retirement age	Variable	Variable

Sensitivity analysis for each significant actuarial assumption to which the Corporation is exposed is as follows:

- 1% decrease in the discount rate increases the defined benefit obligation by \$48,300.
- 1% increase in the discount rate decreases the defined benefit obligation by \$37,600.
- Change with 1-year greater life expectancy decrease the defined benefit obligation by \$10,600.
- Change with 1-year increase in retirement age assumption decrease the defined benefit obligation by \$400.
- The expected average remaining service lifetime at December 31, 2023 was 14.6 years (2022 - 14 years).

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

14. Long-term debt:

	2023	2022
3.49% Promissory note payable to the Corporation of the City of Pembroke, due May 1, 2032	\$ 4,364,000	\$ 4,364,000
3.49% Promissory note payable to the Corporation of the Township of Whitewater Region, due May 1, 2032	147,000	147,000
3.49% Promissory note payable to the Corporation of the Township of Killaloe, Hagarty and Richards, due May 1, 2032	172,348	172,348
3.49% Promissory note payable to the Corporation of the Municipality of Mississippi Mills, due May 1, 2032	902,490	902,490
2.56% Promissory note payable in blended monthly payments of \$ 7,112 to Ontario Infrastructure and Lands Corporation, due June 30, 2050	1,640,912	1,683,655
	7,226,750	7,269,493
Less: current portion of long-term debt	43,850	42,743
	\$ 7,182,900	\$ 7,226,750

In January 2020 the Corporation obtained a construction loan from Ontario Infrastructure and Lands Corporation in order to fund the construction of a new substation in Almonte. The agreement provided two credit facilities for a total committed amount of \$1,785,850. The facilities are a short term loan which is a non-revolving floating rate construction loan and a term loan which is a non-revolving fixed rate term loan. In fiscal 2020 the Corporation received proceeds of \$1,219,507 against the non-revolving construction loan. The short term facility matured at the earlier of project completion or June 2021. Upon completion of the project the short term loan was converted to the term loan with a maturity date of June 30, 2050.

Interest on promissory notes is calculated annually and payable quarterly to the shareholders.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

15. Capital stock:

(a) Authorized:

Unlimited number of common shares

Unlimited number of non-cumulative special shares

Unlimited number of non-voting, non-cumulative Class A special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class B special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class C special shares, redeemable at one dollar per share

Unlimited number of non-voting, non-cumulative Class D special shares, redeemable at one dollar per share

Articles of amendment were issued on October 17, 2014 to authorize the Class A, B, C and D special shares. Class A, B, C and D special shares were issued on January 15, 2015.

Dividends on special shares are payable at the discretion of the Board of Directors.

(b) Issued:

As at December 31, 2023, the common shares of the Corporation are held as follows:

	Common shares	Percentage ownership
Corporation of the City of Pembroke	4,364	78.38%
Corporation of the Municipality of Mississippi Mills	888	15.95%
Corporation of the Township of Killaloe, Hagarty and Richards	169	3.04%
Corporation of the Township of Whitewater Region	147	2.64%
	5,568	100%

No movement in common share capital has occurred during 2023 or 2022.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

15. Capital stock (continued):

(b) Authorized (continued):

As at December 31, 2023, the special shares of the Corporation are held as follows:

	Special shares	Class
Corporation of the City of Pembroke	4,364	A
Corporation of the Municipality of Mississippi Mills	888	B
Corporation of the Township of Killaloe, Hagarty and Richards	169	C
Corporation of the Township of Whitewater Region	147	D
	5,568	

The special shares were issued on January 15, 2015. There was no movement on special share capital during 2023 or 2022.

(c) Dividends per share:

	2023	2022
Class A special shares	\$ 38.50	\$ 25.71
Class B special shares	69.96	48.57
Class C special shares	47.60	36.69
Class D special shares	64.87	36.98

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

16. Commitments:

City of Pembroke

The Corporation rents its premises in Pembroke, Ontario, from the Corporation of The City of Pembroke under the terms of a ten-year operating lease at an annual rental of \$12. The lease contained an option which allowed the lessee to purchase the property on or before December 1, 2009, at a cost of three hundred and sixty thousand, five hundred and eighty-three dollars (\$360,583) together with any assessable environmental clean-up costs. The Corporation is currently in discussions with the Corporation of the City of Pembroke regarding the status of this lease.

Mississippi River Power Corporation

The Corporation rents office premises from Mississippi River Power Corporation at an annual cost of \$10,438. The lease expires on September 30, 2025.

The Corporation rents substation premises from Mississippi River Power Corporation at a monthly cost of \$575. The lease expires on December 31, 2026.

Municipality of Mississippi Mills

The Corporation executed a new lease agreement effective December 1, 2023. The lease expires on November 30, 2026. The Corporation is committed to \$90,400 annual minimum rent payment under the agreement.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

17. Contingencies:

Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Effective January 1, 2001, coverage is provided to a level of \$20 million per incident.

No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

18. Revenue:

	2023	2022
Revenue from contracts with customers		
Power recovery	\$ 22,912,591	\$ 22,140,868
Distribution:		
Residential service	3,272,769	3,451,495
General service	915,547	895,811
Larger users	943,911	807,350
	5,132,227	5,154,656
	\$ 28,044,818	\$ 27,295,524

	2023	2022
Other operating revenue:		
Late payment charges	\$ 54,701	\$ 47,650
Property and equipment rent	101,884	120,375
Change of occupancy and connection fees	37,110	40,170
Unregulated contracting	333,084	649,714
Interest	198,092	75,673
Billing and collection charges	6,476	9,768
Gain on disposal of property, plant and equipment	147,500	450
	\$ 878,847	\$ 943,800

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Expenses by nature:

Distribution operation and maintenance

	2023	2022
Materials, supplies, small tools recovery	\$ 200,981	\$ 170,715
Salaries and benefits	1,170,130	1,138,643
Training and travel	14,718	11,966
Office and general	64,558	58,768
Utilities	42,950	46,684
Property taxes	28,087	27,218
	\$ 1,521,424	\$ 1,453,994

Community relations

	2023	2022
Advertising	\$ 19,573	\$ 32,492
Safety program	8,782	3,865
	\$ 28,355	\$ 36,357

Billing and collecting

	2023	2022
Smart meter reading and operations	\$ 87,746	\$ 29,458
Postage	130,898	135,369
Salaries and benefits	343,192	438,428
Information technology	147,620	109,949
Office and general	48,744	54,062
Bad debts	63,709	107,134
Collection agency costs	2,181	3,916
	\$ 824,090	\$ 878,316

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

19. Expenses by nature (continued):

General and administrative

	2023	2022
Salaries and benefits	\$ 930,158	\$ 898,497
Memberships, fees and dues	93,535	87,884
Legal	46,539	18,208
Audit	46,706	45,475
Professional Services	4,200	1,200
Building maintenance	108,301	97,695
Advertising	7,349	11,360
Regulatory	225,510	101,098
Information technology	141,182	43,243
Telephone	33,507	44,099
Insurance	68,649	59,223
Bank charges	22,489	24,894
Office supplies and materials	59,652	50,947
Donations	500	1,286
	\$ 1,788,277	\$ 1,485,109

20. Financial risk management:

As part of its operations, the Corporation carries out transactions that expose it to financial risks such as credit, liquidity and market risks. The following is a discussion of risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks identified.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The maximum credit exposure is limited to the carrying amount of cash, accounts receivable, and unbilled revenue presented on the balance sheet.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

20. Financial risk management (continued):

(a) Credit risk (continued):

The Corporation limits its exposure to credit loss by placing its cash with a high credit quality financial institution. The Corporation maintains cash with two major financial institutions. Eligible deposits per financial institution are insured to a maximum basic insurance level of \$100,000, including principal and interest by the Canada Deposit Insurance Corporation. The Corporation is exposed to credit risk related to accounts receivable and unbilled revenue arising from its day-to-day electricity and service revenue. Exposure to credit risk is limited due to the Corporation's large and diverse customer base. The Corporation has approximately 11,000 customers, the majority of which are residential. No single customer accounts for revenue in excess of 10% of total revenue. The Corporation limits its credit risk by collecting deposits, 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. Although these rules limit the risk of the Corporation, no deposits are required by customers who have shown good payment history for the previous 12-month period. The Corporation does not have any material accounts receivable balances greater than 90 days outstanding. The Corporation believes that its accounts receivable represent a low credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in net income. The provision is based on account age and customer standing. Subsequent recoveries of receivables previously provisioned are credited to net income.

The value of accounts receivable, by age, and the related bad debt provision are presented in the following table. Unbilled revenue which is not included in the table below is considered all current.

	2023	2022
Under 30 days	\$ 1,698,638	\$ 1,884,178
30 to 60 days	75,247	67,078
61 to 90 days	58,543	43,717
Over 90 days	555,139	464,327
	2,387,567	2,459,300
Allowance for doubtful accounts	(474,434)	(408,533)
Total accounts receivable	\$ 1,913,133	\$ 2,050,767

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

20. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$1,000,000 line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	\$ 6,707,269	\$ —	\$ —	\$ —
Short-term debt	14,205	43,158	—	—
Long-term debt	—	—	70,970	7,142,931
Total, December 31, 2023	\$ 6,721,474	\$ 43,158	\$ 70,970	\$ 7,142,931

	0 to 3 months	3 months to 1 year	1 year to 2 years	Thereafter
Accounts payable and accrued liabilities	\$ 4,210,171	\$ —	\$ —	\$ —
Short-term debt	13,510	41,019	—	—
Long-term debt	—	—	55,925	7,215,338
Total, December 31, 2022	\$ 4,223,681	\$ 41,019	\$ 55,925	\$ 7,215,338

(c) Market risk:

The Corporation is not exposed to significant market risk given they do not have investments in foreign currency, and have minimal investment in interest bearing instruments.

OTTAWA RIVER POWER CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

21. Energy purchase:

The Corporation is dependent on Hydro One for a significant portion of the electricity it purchases. The amount owing to Hydro One at December 31, 2023 is \$3,525,011 (2022 - \$1,528,239). Included in cost of power in the statement of income and comprehensive income is \$ 20,468,378 (2022 - \$20,442,628) purchased from Hydro One.

22. Bank indebtedness, bankers' acceptances and letters of credit:

The Corporation has a bilateral demand line of credit for \$1,000,000 with a Canadian chartered bank. The line of credit bears interest at the bank's prime rate. At December 31, 2023, \$Nil had been drawn on the line of credit (2022 - \$Nil).

23. Capital management:

The Corporation considers its capital to be its long-term debt, capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity distribution system, support its financial obligations and execute its operating and strategic plans; ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; iii) maintain an optimal capital structure that provides necessary financial flexibility and considers recoveries of financing charges permitted by the OEB, while also ensuring compliance with any financial covenants, and iv) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

24. Comparative figures:

Certain prior year comparative figures have been adjusted to reflect current year presentation.

1 1.10.4 APPENDIX 1D - 2025 DETAILED FINANCIAL STATEMENT RECONCILIATION

2

Ottawa River Power Corporation
2025 Audited Financial Statement Reconciliation

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
Cash and cash equivalents	2,350,790.00	1005	2,349,264.97	
		1010	1,525.00	
TOTAL	2,350,790.00		2,350,789.97	0.03
Accounts receivable	3,536,882.00	1100	2,954,503.29	
		1104	152,794.59	
		1110	231,130.51	
		1115	927,465.46	
		1130	(748,653.69)	
		2290	19,641.38	
TOTAL	3,536,882.00		3,536,881.54	0.46
Unbilled energy revenue	4,037,650.00	1120	4,037,650.23	
TOTAL	4,037,650.00		4,037,650.23	(0.23)
Inventory	926,897.00	1330	926,897.23	
TOTAL	926,897.00		926,897.23	(0.23)
Prepaid expenses	421,681.00	1180	421,681.41	
TOTAL	421,681.00		421,681.41	(0.41)
Payments in lieu of corporate income taxes receivable	-	2294	-	
TOTAL	-		-	-
Property, building, distribution and office equipment and motor vehicles	28,836,576.00	1805	258,350.32	
		1808	294,083.33	
		1810	444,145.19	
		1820	5,237,879.17	
		1830	4,868,827.42	
		1835	6,479,112.05	
		1840	1,063,776.01	
		1845	2,125,779.90	
		1850	5,956,601.61	
		1855	2,701,661.56	
		1860	2,452,938.66	
		1915	106,857.26	
		1920	300,157.34	
		1930	1,183,774.76	
		1935	6,337.85	
		1940	125,581.19	
		1945	36,372.91	
		1955	614.95	
		1960	14,603.00	
		1980	374,366.80	
		1995	(1,979,221.27)	
Auditor Reclassification for Financial Statement Presentation Purposes			(3,216,024.00)	
TOTAL	28,836,576.00		28,836,576.01	(0.01)
Accumulated amortization	(8,574,554.00)	2105	(11,790,578.08)	
Auditor Reclassification for Financial Statement Presentation Purposes			3,216,024.00	
TOTAL	(8,574,554.00)		(8,574,554.08)	0.08
Intangible assets	82,995.00	1611	417,203.54	
		1612	20,326.14	
		2120	(354,534.99)	
TOTAL	82,995.00		82,994.69	0.31
Other non-current assets	213,461.00	1460	213,462.42	
TOTAL	213,461.00		213,462.42	(1.42)

Ottawa River Power Corporation
2025 Audited Financial Statement Reconciliation

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
Regulatory assets	308,682.00	1508 - LEAP	48,471.17	
		1595 - 2021	1,884.01	
		1595 - 2023	10,087.53	
		1595 - 2025	186,656.75	
		2350	61,582.00	
TOTAL	<u>308,682.00</u>		<u>308,681.46</u>	0.54
Total assets and regulatory assets	<u>32,141,060.00</u>		<u>32,141,060.88</u>	(0.88)
Accounts payable and accrued liabilities	(8,490,025.00)	2205	(7,512,383.84)	
		2208	(471,928.41)	
		2210	(26,528.14)	
		2220	(479,308.79)	
		2268	(227.61)	
		2292	351.49	
TOTAL	<u>(8,490,025.00)</u>		<u>(8,490,025.30)</u>	0.30
Current portion of long-term debt	<u>(69,308.00)</u>	2225	<u>(69,307.69)</u>	
TOTAL	<u>(69,308.00)</u>		<u>(69,307.69)</u>	(0.31)
Current portion of lease obligation	<u>(17,134.00)</u>	2285	<u>(17,134.10)</u>	
TOTAL	<u>(17,134.00)</u>		<u>(17,134.10)</u>	0.10
Contributions in aid of construction	<u>(2,482,891.00)</u>	2440	<u>(2,482,891.19)</u>	
TOTAL	<u>(2,482,891.00)</u>		<u>(2,482,891.19)</u>	0.19
Employee future benefits	<u>(305,178.00)</u>	2306	<u>(305,178.00)</u>	
TOTAL	<u>(305,178.00)</u>		<u>(305,178.00)</u>	-
Lease obligations	<u>-</u>	2325	<u>-</u>	
TOTAL	<u>-</u>		<u>-</u>	-
Long-term debt	<u>(7,560,676.00)</u>	2520	<u>(7,560,676.22)</u>	
TOTAL	<u>(7,560,676.00)</u>		<u>(7,560,676.22)</u>	0.22
Deferred income tax liability	<u>(61,582.00)</u>	1495	<u>(61,582.00)</u>	
TOTAL	<u>(61,582.00)</u>		<u>(61,582.00)</u>	-
Capital stock	<u>(5,591,406.00)</u>	3005	<u>(5,591,406.00)</u>	
TOTAL	<u>(5,591,406.00)</u>		<u>(5,591,406.00)</u>	-
Retained earnings	(5,117,614.00)	3045	(4,892,849.85)	
		3090	58,299.00	
		3046	(283,063.19)	
TOTAL	<u>(5,117,614.00)</u>		<u>(5,117,614.04)</u>	0.04
Regulatory liabilities	(2,445,246.00)	1508 - PPTU	(350,492.62)	
		1550	(333,452.36)	
		1551	(8,160.49)	
		1580	(489,785.69)	
		1584	150,538.91	
		1586	62,351.26	
		1588	446,675.45	
		1589	(411,012.34)	
		1592	(14,670.85)	
		1595 - 2022	(13,808.56)	
		1595 - 2024	(1,483,429.05)	
TOTAL	<u>(2,445,246.00)</u>		<u>(2,445,246.34)</u>	0.34
Total liabilities, equity and regulatory liabilities	<u>(32,141,060.00)</u>		<u>(32,141,060.88)</u>	0.88

Ottawa River Power Corporation
2025 Audited Financial Statement Reconciliation

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
Electricity revenue	(24,834,416.00)	4006	(8,546,293.49)	
		4010	(2,794,124.79)	
		4015	(4,292,735.97)	
		4025	(46,891.32)	
		4030	(14,883.58)	
		4035	536,337.27	
		4055	(1,854,457.24)	
		4062	(1,000,650.28)	
		4066	(2,067,454.14)	
		4068	(1,613,759.46)	
		4075	(667,934.51)	
		4076	(53,963.83)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(2,417,604.92)	
TOTAL	(24,834,416.00)		(24,834,416.26)	0.26
Distribution revenue	(5,624,922.00)	4080	(5,634,700.12)	
		4082	(14,176.24)	
		4084	(16.45)	
		4086	(34,755.95)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			58,726.36	
TOTAL	(5,624,922.00)		(5,624,922.40)	0.40
Cost of power	25,877,033.00	4705	15,690,732.77	
		4707	1,322,316.34	
		4708	1,000,650.28	
		4714	2,067,454.14	
		4716	1,613,759.46	
		4750	667,934.51	
		4751	53,963.83	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			3,460,221.54	
TOTAL	25,877,033.00		25,877,032.87	0.13
Other operating revenue	(867,309.00)	4210	(179,063.44)	
		4225	(56,017.23)	
		4235	(41,451.60)	
		4355	(14,626.20)	
		4375	(391,457.79)	
		4390	(18,577.95)	
		4405	(140,312.33)	
		5330	(13,690.00)	
Auditor reclassification for financial statement presentation purposes			(61,037.26)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			48,924.38	
TOTAL	(867,309.00)		(867,309.42)	0.42
Distribution operation and maintenance	1,937,637.00	5005	187,987.43	
		5010	15,868.23	
		5012	110,637.41	
		5016	21,260.23	
		5017	9,125.00	
		5020	23,762.50	
		5025	6,131.77	
		5030	2,623.69	
		5035	365,467.52	
		5040	5,417.92	
		5045	4,217.42	
		5055	9,065.56	
		5065	85,940.64	
		5070	86,834.98	
		5075	39,024.06	
		5085	65,603.72	
		5095	99,073.70	
		5096	86,900.04	
		5105	4,537.50	
		5110	35,631.62	
		5114	103,181.28	
		5120	21,437.39	
		5125	59,943.01	
		5130	42,440.33	
		5135	222,510.25	
		5150	33,691.84	
		5155	25,835.95	
		5160	146,913.86	
		5175	16,572.02	
TOTAL	1,937,637.00		1,937,636.87	0.13
Community relations	23,586.00	5410	23,585.68	
TOTAL	23,586.00		23,585.68	0.32
Billing and collecting	1,133,089.00	5305	67,587.24	
		5310	39,991.58	
		5315	600,631.67	
		5320	218,498.02	
		5335	153,984.94	
		5340	52,395.93	
TOTAL	1,133,089.00		1,133,089.38	(0.38)

Ottawa River Power Corporation
2025 Audited Financial Statement Reconciliation

Financial Statement Item	Balance per financial statements	2.1.7 Grouping	Balance per 2.1.7 grouping	Difference
General and administrative	1,660,418.00	5605	51,954.57	
		5610	397,801.29	
		5615	167,158.67	
		5620	54,259.19	
		5630	185,993.71	
		5635	42,565.75	
		5645	199,042.29	
		5647	117,576.94	
		5655	158,032.34	
		5665	85,068.93	
		5670	13,175.28	
		5675	144,402.27	
		5680	7,891.89	
		6205	7,500.00	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			27,994.60	
TOTAL	<u>1,660,418.00</u>		<u>1,660,417.72</u>	0.28
Amortization	993,616.00	5705	930,038.16	
		5715	2,540.77	
Auditor reclassification for financial statement presentation purposes			61,037.26	
TOTAL	<u>993,616.00</u>		<u>993,616.19</u>	(0.19)
Unregulated contracting	155,243.00	4380	155,243.45	
TOTAL	<u>155,243.00</u>		<u>155,243.45</u>	(0.45)
Interest and bank charges	14,458.00	6035	151,050.85	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(136,593.27)	
TOTAL	<u>14,458.00</u>		<u>14,457.58</u>	0.42
Interest on long-term debt	244,166.00	6005	244,166.03	
TOTAL	<u>244,166.00</u>		<u>244,166.03</u>	(0.03)
Net movement in regulatory balances	(1,161,560.00)			
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			2,417,604.92	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(58,726.36)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(3,460,221.54)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(48,924.38)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(27,994.60)	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			136,593.27	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			(119,890.64)	
TOTAL	<u>(1,161,560.00)</u>		<u>(1,161,559.33)</u>	(0.67)
Amount in lieu of income taxes	165,899.00	6110	46,007.81	
Auditor reclassification to 'Net Movement in regulatory balances' for financial statement presentation purposes			119,890.64	
TOTAL	<u>165,899.00</u>		<u>165,898.45</u>	0.55
Actuarial loss on post-employment benefits, net tax	58,299.00	7010	58,299.00	
TOTAL	<u>58,299.00</u>		<u>58,299.00</u>	-
Total income and other comprehensive income	<u>(224,763.00)</u>		<u>(224,764.19)</u>	1.19

1 **1.10.5 APPENDIX 1E - 2025 CUSTOMER SATISFACTION SURVEY REPORT**

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3



Customer Satisfaction Survey Report



March 2025

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Background & Overview

Ottawa River Power Corporation commissioned Oraclepoll to conduct an engagement survey of its customers. The purpose of this survey process was to obtain customer input regarding their satisfaction with the services provided. The telephone method of data collection was used, with N=400 customers being interviewed.

Methodology & Logistics

Study Sample

Ottawa River Power Corporation provided a database of their residential and small commercial business customers to be interviewed. The sample was stratified to ensure that N=360 residential and N=40 business customers were surveyed as well as a representative sample from each service area.

AREA	N	%
Almonte	112	28%
Beachburg	29	7%
Killaloe	12	3%
Pembroke	247	62%
Total	400	100%

COHORT	N	%
Residential	360	90%
Business	40	10%
Total	400	100%

Survey Method

All surveys were completed by telephone using Computer Assisted Telephone Interviewing (CATI). The numbers within each cohort sub-set were randomly selected.

Logistics

Surveys were completed between January 27th and February 24th, 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. At least one call was made on a weekend. Calls to business clients were made during business hours from 8:30 am to 6 pm with at least one call after 6 pm and one on a weekend. In addition, telephone interview appointments were attempted with those respondents unable to complete the survey at the time of contact.

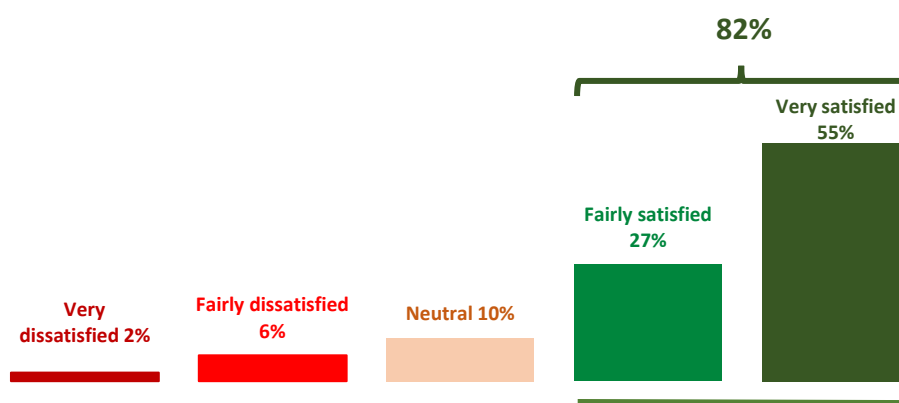
Confidence

The margin of error for the total N=400 sample is $\pm 4.9\%$, $\frac{19}{20}$ times. The error rate for each of the residential (n=360) and business (n=40) sub-sets is $\pm 5.2\%$ and $\pm 15\%$, $\frac{19}{20}$ times, respectively.

Overall Satisfaction – Services

All N=400 customers were first asked to rate their satisfaction with the services they currently receive. A five-point rating scale was used from 1-very satisfied to 5-very dissatisfied.

Q1. Thinking about the many services that Ottawa River Power Corporation provides, how satisfied are you overall with those services? Please use a scale from 1 (very dissatisfied) to 5 (very satisfied).



Overall satisfaction results are consistent since 2021 with 82% being satisfied in this survey wave compared to 79% in 2023.

Small business satisfaction numbers are higher than the results among residential customers.

BREAKDOWNS	TOTAL SATISFIED
<i>Residential</i>	80%
<i>Business</i>	88%
AREA	
<i>Almonte</i>	81%
<i>Beachburg</i>	79%
<i>Killaloe</i>	75%
<i>Pembroke</i>	82%
TRACKING	
<i>2023</i>	79%
<i>2021</i>	81%
<i>2019</i>	88%
<i>2017</i>	75%

Outages & Billing Issues

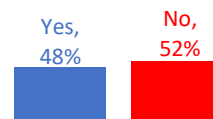
The first two questions in this section asked customers about experiences related to power outages.

Q2a. In the past 12 months, have you experienced any problems with power failures or outages, billing, or any other issues?

Outages	Yes	42%
	No	58%

The 42% or n=170 were asked Q2b.

Q2b. Did you attempt to contact Ottawa River Power about a power outage in that time?



In total, 42% (N=170) said they experienced an outage over the past 12 months. When those that experienced an outage were asked, 48% answered that they attempted to contact Ottawa River Power Corporation about the event.

Next, customers were probed about issues or problems with their electricity bill. Those that had problems were asked two follow-up questions.

Q3a. In the past 12 months, have you experienced any problems with your electricity bill?

Experienced Billing Problems

Yes 10%

No 90%

The 10% n=42 was asked Q3b & Q3c.

Ten percent said they experienced a billing problem. The amount of the bill, errors, extra charges and payment difficulties were named as issues.

Q3b. What type of billing problem did you have?

Amount of bill / too high	n=16	38%
Discrepancy / mistake	n=10	24%
Rates or fees / extra charges	n=5	12%
Problem with account / PAP / payment amount	n=5	12%
Bill was late / did not receive	n=2	5%
Difficult to understand	n=1	2%
Payment arrangements / relief	n=1	2%
Online issue	n=1	2%
Unsure	n=1	2%

Contacted Ottawa River Power Corporation about Billing

Q3c. Did you attempt to contact Ottawa River Power about the billing problem in that time?

Yes 60%

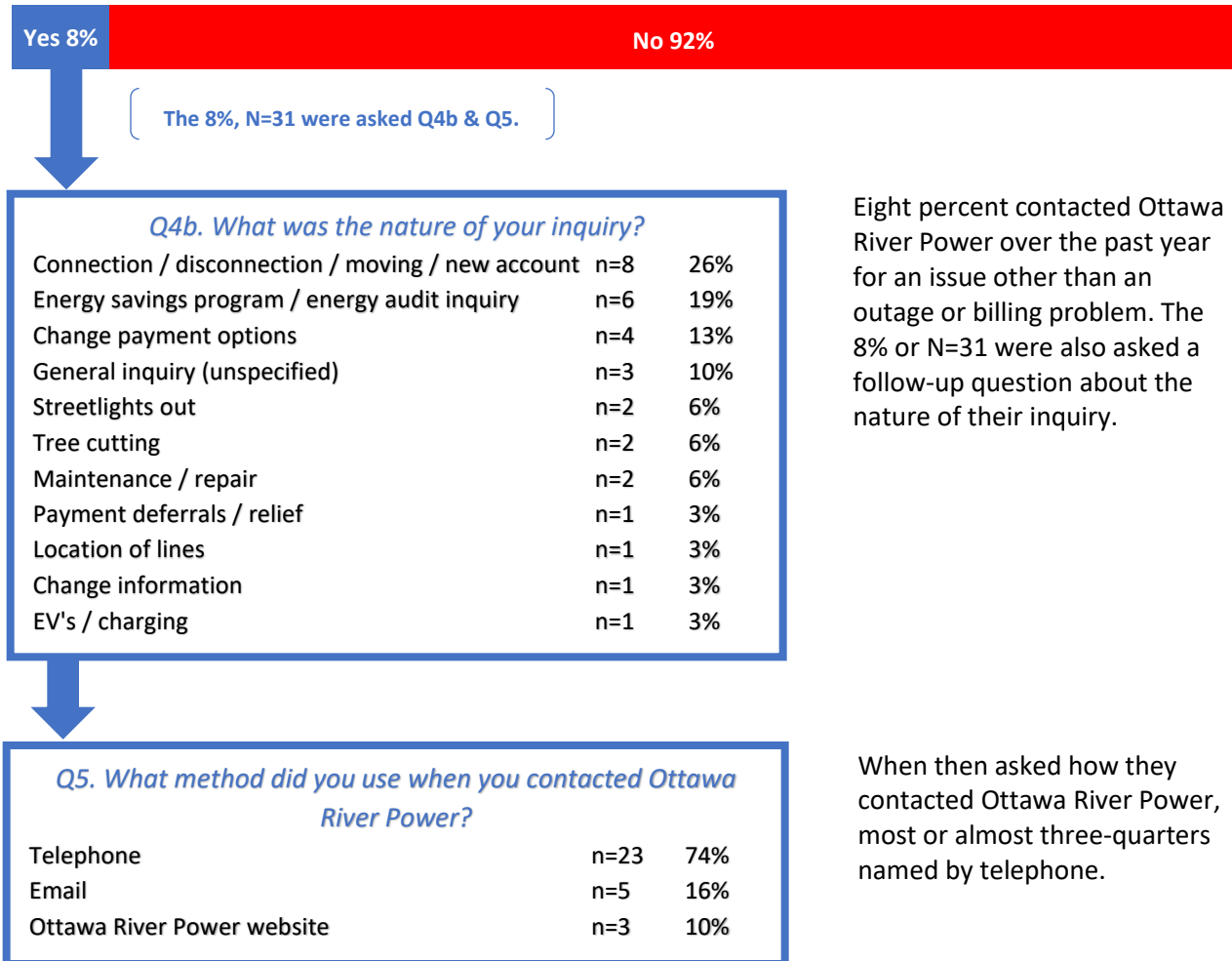
No 40%

A total of 60% (n=25) said they attempted to contact Ottawa River Power about their billing issue.

Other Contact

Customers were then asked if they contacted Ottawa River Power for reasons other than outages or billing problems. If they attempted a contact, they were then asked two follow-up probes.

Q4a. Over the past 12 months, have you tried to contact Ottawa River Power for things other than a power failure or a billing problem?



Customer Contact Experience

The following set of questions were asked to the n=131 customers that had a recent contact with Ottawa River Power as identified in Q2b, Q3c and Q4.

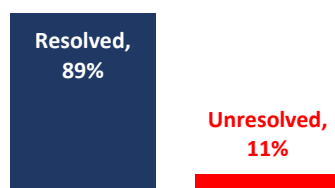
Q6. Using a scale from 1 (very dissatisfied) to 5 (very satisfied), please rate your most recent interaction with Ottawa River Power and the person you had contact with, in each of the following areas.

CUSTOMER CONTACT AREAS	<i>Unsure</i>	<i>Total Dissatisfied</i>	<i>Neither satisfied nor dissatisfied</i>	<i>Total Satisfied</i>
<i>a. The time it took to contact someone</i>	-	7%	8%	85%
<i>b. The time it took someone to deal with your problem</i>	-	4%	10%	86%
<i>c. The helpfulness of the staff who dealt with you</i>	-	4%	5%	91%
<i>d. The knowledge of the staff who dealt with you</i>	1%	5%	10%	84%
<i>e. The level of courtesy of the staff who dealt with you</i>	-	5%	3%	92%
<i>f. The quality of information provided by the staff who dealt with you</i>	-	8%	7%	85%

Customer contact ratings were strong and especially for courtesy and helpfulness, while nearly nine in ten said they were overall satisfied or very satisfied with their most recent contact experience.

OVERALL SATISFACTION	<i>Unsure</i>	<i>Total Dissatisfied</i>	<i>Neither satisfied nor dissatisfied</i>	<i>Total satisfied</i>
Q7a. Using a scale from 1 (very dissatisfied) to 5 (very satisfied), rate your most recent experience contacting Ottawa River Power overall.	-	5%	8%	87%

Q7b. With respect to this most recent contact, do you consider the issue, problem, or question you had to be resolved, or is it still unresolved?



When asked, 89% said that the issue, problem, or question related to their most recent contact has been resolved.

General Agreement Statements

All N=400 customers were read eleven statements and were asked to rate their level of agreement with them using a scale of strongly disagree, disagree, agree, or strongly agree. The table below combines the total disagree and total agree responses.

Q8. Next, I am going to read you some statements about Ottawa River Power across a range of categories. Please rate your level of agreement with each of them, using a scale of strongly disagree, disagree, agree, or strongly agree.

	Unsure	Total Disagree	Total Agree
<i>a. Deals professionally with customers' problems</i>	4%	8%	88%
<i>b. Provides information to help customers reduce their electricity costs</i>	3%	13%	84%
<i>c. Charges a cost for electricity that is reasonable when compared to other utilities</i>	2%	28%	70%
<i>d. Is a company that you would like to continue to do business with</i>	<1%	8%	92%
<i>e. Pro-active in communicating changes & issues affecting your electricity service</i>	2%	22%	77%
<i>f. Is customer-focused and treats customers as if they are valued</i>	3%	12%	85%
<i>g. Quickly deals with issues that affect customers</i>	4%	7%	90%
<i>h. Provides information and tools to help manage electricity consumption</i>	7%	21%	72%
<i>i. Adapts well to changes in customer expectations</i>	4%	7%	89%
<i>j. Provides good value for your money</i>	2%	31%	67%
<i>k. Is a company that is easy to do business with</i>	2%	6%	92%

Results are highest in terms of total agree (4-somewhat & 5-strongly agree) for Ottawa River Power being a company that you would like to continue to do business with, is easy to do business with, followed by quickly dealing with issues, adapting to customer expectations and professionally dealing with customers. Results were lowest for proving good value, but two-thirds still agreed.

Operations Agreement Statements

Next, all N=400 customers were read eight statements about operations and were asked to rate their level of agreement with them using a scale of strongly disagree, disagree, agree, or strongly agree. The table below combines the total disagree and total agree responses.

Q9. Using the same scale, please rate your level of agreement with the following statements related to Ottawa River Power's operations.

	Unsure	Total Disagree	Total Agree
<i>a. Ottawa River Power Corporation provides consistent, reliable electricity</i>	<1%	5%	94%
<i>b. Bills accurately</i>	-	10%	90%
<i>c. Makes electricity safety a top priority for employees and contractors</i>	20%	2%	78%
<i>d. Has a standard of reliability delivering electricity that meets your expectations</i>	1%	6%	93%
<i>e. Delivers on its service commitments to customers</i>	4%	7%	89%
<i>f. Provides excellent quality services overall</i>	1%	5%	94%
<i>g. Quickly handles outages and restores power</i>	1%	9%	90%
<i>h. Efficiently manages the electricity system</i>	3%	10%	89%

Agreement results were strong across all categories, except for electrical safety being a top priority as two in ten said they were unsure or did not know.

Descriptive Agreement Statements

Another eight statements were read to all N=400 customers after which they were asked to rate their level of agreement with them using a scale of strongly disagree, disagree, agree, or strongly agree. The table below combines the total disagree and total agree responses.

Q10. Next, please rate your level of agreement with the following statements that may be used to describe Ottawa River Power as a company. Once again, please use a scale of strongly disagree, disagree, agree, or strongly agree.

	Unsure	Total Disagree	Total Agree
<i>a. (Ottawa River Power) Is a respected company in the community</i>	1%	6%	93%
<i>b. Keeps its promises to customers and the community</i>	3%	6%	91%
<i>c. Is a company that you would recommend to a friend or colleague</i>	2%	8%	90%
<i>d. Operates a cost-effective electricity distribution system</i>	10%	8%	82%
<i>e. Is a trusted and trustworthy company</i>	1%	3%	96%
<i>f. Is a leader in promoting energy conservation</i>	7%	10%	83%
<i>g. Is a socially responsible company</i>	4%	8%	88%
<i>h. Spends money prudently to keep the electricity system reliable and up to date</i>	12%	5%	83%

Total agreement results while strong across all areas are highest for being trusted or trustworthy, followed by being respected in the community and a company that they would recommend.

Rating Information & Public Awareness

All N=400 customers rated their level of satisfaction with six areas related to information and public awareness provided by Ottawa River Power. A five-point scale (1-very dissatisfied to 5-very satisfied) was used, and the table below combines the total dissatisfied (1 & 2 responses).

Q11. Using a scale of 1 (very dissatisfied) to 5 (very satisfied), please rate your level of satisfaction with the following areas related to information and public awareness provided by Ottawa River Power.

	<i>Unsure</i>	<i>Total Dissatisfied</i>	<i>Neither satisfied nor dissatisfied</i>	<i>Total satisfied</i>
<i>a. The amount of information available to you about energy conservation</i>	7%	8%	13%	72%
<i>b. The quality of information available when outages occur</i>	1%	7%	7%	85%
<i>c. The electricity safety education provided to the public</i>	9%	9%	9%	77%
<i>d. The timeliness and relevance of information regarding planned outages</i>	5%	6%	6%	82%
<i>e. Online account awareness regarding no-charge services offered on sign-up</i>	7%	7%	7%	78%

The areas rated highest in terms of total satisfaction were for the quality of information about outages and the timeliness of the information about planned outages, while it was lowest for information provided about energy conservation.

Preferred Communication

Customers were asked about their preferred method to receive information from Ottawa River Power about billing issues and then about unplanned outages.

Q12. Should there be an issue with your bill, which of the following would be your preferred or primary method for Ottawa River Power Corporation to contact you?

Email	43%
Text	31%
Voice mail	9%
Telephone	7%
Mail	7%
Don't know / unsure	3%

Q13. When an unplanned outage occurs, what would be your preferred method to receive information about the outage?

Social media	31%
Email	20%
Text message	16%
Telephone (recorded message)	14%
Website	11%
Radio	4%
All methods	3%
App alert	2%
Unsure	1%

Rating Customer Service Availability

All N=400 customers rated their level of satisfaction with three areas related to customer service at Ottawa River Power. A five-point scale (1-very dissatisfied to 5-very satisfied) was used, and the table below combines the total dissatisfied (1 & 2 responses) as well as the total satisfied (4 & 5) results.

Q14. Regarding customer service availability at Ottawa River Power, how would you rate your level of satisfaction with each of the following? Please use a scale from 1 (very dissatisfied) to 5 (very satisfied).

	<i>Unsure</i>	<i>Total Dissatisfied</i>	<i>Neither satisfied nor dissatisfied</i>	<i>Total satisfied</i>
<i>a. The availability of call centre staff</i>	1%	2%	7%	89%
<i>b) The 24/7 availability of system operators to respond to outages</i>	6%	4%	4%	86%
<i>c. The online self-serve options for managing your account</i>	18%	6%	15%	61%
<i>d. The online self-serve options for requesting service</i>	21%	11%	12%	56%
<i>e. The ability to walk in for customer service (Mon to Fri from 9:00am to 4:30pm)</i>	31%	9%	9%	52%

Results were highest for the availability of call centre staff and 24/7 operators to respond to outages. Results were lower for both online self-serve options and for walk in service as a high number of customers were unsure or answered do not know.

Priorities

All N=400 customers were asked to rate eleven areas in terms of priority for Ottawa River Power. A five-point scale (1-very low priority to 5-very high priority) was used, and the table below combines the 1-very low & 2-low as well as the 4-high & 5-very high priority scores.

We are nearly finished. I have just a few more questions which will help Ottawa River Power decide what their next few years will look like and which services they should prioritize.

Q15. For each of the following areas, rate them in terms of priority using a scale of one being a very low priority to five a very high priority.

	Unsure	Low & very low priority	Medium	High & very high priority
<i>a. Investing more in the electricity grid to reduce outages / increase reliability and safety</i>	1%	3%	10%	86%
<i>b. Proactively maintaining and upgrading equipment</i>	-	1%	4%	95%
<i>c. Reducing response times to outages</i>	<1%	3%	5%	92%
<i>d. Investing more in tree trimming to help reduce the number of outages</i>	<1%	4%	11%	85%
<i>e. Burying overhead wires</i>	1%	17%	25%	57%
<i>f. Providing sponsorships to local community causes</i>	3%	18%	30%	49%
<i>g. Making better use of social media (such as Twitter, Facebook, and others)</i>	2%	29%	17%	52%
<i>h. Providing more self-serve services on the website</i>	1%	33%	13%	53%
<i>i. Educating customers about energy conservation</i>	2%	5%	10%	83%
<i>j. Educating the public as it relates to electricity safety</i>	1%	8%	16%	75%
<i>k. Investing in projects to reduce the environmental impact of the utility's operations</i>	3%	15%	9%	73%

The areas rated highest in terms of priority were for proactively maintaining / upgrading equipment, reducing response times to outages, investing in the grid to improve reliability, investing in tree trimming to reduce outages and educating customers about energy conservation.

Improvements & Electricity Statements

All N=400 customers were asked in an open probe to identify the most important service or change they would like to see Ottawa River Power make.

Q16. What is the most important new service or change that Ottawa River Power could make to improve its service?

Lower rates	46%
Don't know	19%
Maintain rates / no increases	10%
Fewer outages / quicker response to outages	7%
More information on how to save / conserve energy	3%
Better communication	3%
No interruptions / outages	3%
Incentives / programs for reducing electricity	2%
More information on alternative energy options	2%
Invest in alternative energy sources	1%
Lower delivery fees	1%
More information / notice about power outages	1%
Information on what is involved in the price of hydro	1%
Make bills easier to understand / clearer	1%
More billing options	<1%

They were then asked to identify which of three statements about electricity came closest to their own view. While more than half or 54% said paying for electricity is not a worry, 45% answered they sometimes worry about finding the money or that payments are often a major problem.

Q17. Of the following three statements about for electricity, which one comes closest to your opinion?

Paying for electricity is not really a worry	54%
Sometimes I worry about finding the money to pay for electricity	27%
Paying for electricity is often a major problem	18%
Unsure	2%

Additional / Other Questions

Q18. How do you currently pay your electricity bill?

Banking institution (online or in person)	46%
Pre-authorized payment	39%
Telephone	6%
In person at ORPC office	5%
Cheque	4%

Q19. How important to you is the physical presence of an office in your community?

Very important	17%
Somewhat important	28%
Not very important	37%
Not at all important	19%

Q20. Which category do you most associate with regarding e-billing currently offered by ORPC?

I am currently enrolled in e-billing	53%
I prefer paper bills	31%
I did not know that ORPC offered e-billing	12%
I have tried e-billing but stopped using it because of system issues	2%
I do not have access to a computer or internet	3%

In the following probe, multiple responses were accepted and Q21 displays the percentage of cases or the number of times each area was mentioned. The n=308 that provided a response (excluding those that said none) were then asked Q22 as a follow-up. Multiple responses were also accepted, and the percentage of cases are shown.

Q21. Which of the following internet-based platforms or pages maintained by ORPC do you visit?

	Percent of Cases
ORPC website	58%
ORPC Facebook Page	46%
ORPC Twitter / X account	18%
None	23%

Q22. What is the purpose of your visits to internet-based platforms or pages maintained by ORPC?

	Percent of Cases
To stay informed on news and updates about ORPC	64%
To review power outage information and updates	39%
To find information about billing and rates	68%
To learn about electrical safety	4%

Q23. Which of the following investment approaches best align with your expectation for ORPC?

Continuing with the current approach	74%
Change to a reduced investment plan with reduced rates and decreased reliability	16%
Change to an accelerated investment plan with increased rates and improved reliability	11%

Q24. Investments in smart grid technologies assist in detecting, locating and determining the cause of outages, resulting in quicker response times and shorter power outages, how important is this to you?

Understand it is important, but not willing to pay an additional cost	43%
Important and willing to pay more to increase investment in this area	27%
Not important	16%
Unsure	15%

Q25. Which category do you most associate with regarding All-Electric or Plug-In Hybrid Vehicles?

I would not consider purchasing an All-Electric or Plug-In Hybrid Vehicle for my next vehicle	66%
I would consider purchasing an All-Electric or Plug-In Hybrid Vehicle for my next vehicle	23%
I own an All-Electric (EV) or Plug-In Hybrid Vehicle	10%
I do not own a vehicle	2%

Q26. Are there any priority or important items that you would like ORPC to consider when planning investments for the next 5 years?

Don't know / no / none	56%
Lower rates	11%
Fewer outages / response times / improve reliability	9%
Bury overhead lines	8%
Maintain services / customer service levels	6%
Offer energy incentive programs	3%
Maintain rates / no increases	3%
Make bills easier to read	1%
Alternative energy sources	1%
Improve (customer) service)	1%
Trim trees	1%
Drop the distribution / extra charges	1%

Demographics

D1. In which of the following age categories do you belong?

18 to 24	3%
25 to 34	19%
35 to 44	21%
45 to 54	20%
55 to 64	21%
65 or over	15%
Prefer not to answer	2%

D2. Including yourself, how many people live in your home?

1 to 2	38%
3 to 5	59%
6+	2%
Prefer not to answer	2%

D3. Which of the following best describes the total annual income of your household before taxes?

Under \$30,000	13%
\$30,000-\$74,999	27%
\$75,000-\$99,999	35%
\$100,000+	17%
Prefer not to answer	8%

Customer Scorecard Rating

The following is the calculation of the overall customer satisfaction index using the OEB formula.

Overall Satisfaction (82%)

+ Reliability (94%) + Restoring Power (90%) + Quality of Power (94%) ÷3

+ Accurate Bills (90%) + Convenient Bill Options (61%) ÷2

+ Customer Service (89%)

+ Communications Q17e (77%)

TOTAL (420) ÷5 = (84%)

OVERALL CUSTOMER SATISFACTION INDEX SCORE

2025– 84%

2023 – 79%

2021– 81%

1 1.10.6 APPENDIX 1F - ORPC 2027-2031 BUSINESS PLAN

2



OTTAWA RIVER POWER CORPORATION

Business Plan

Strategic direction for the five years 2027 to 2031

Rates effective: May 1, 2027

Document status: Final draft

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1. Executive Summary

This Business Plan sets out Ottawa River Power Corporation's strategic direction for the five years from 2027 to 2031: the conditions and assumptions the utility is planning against, the outcomes it intends to deliver for its customers and communities, and how its capital, operating and workforce plans work together to achieve them. ORPC's distribution rates will be reset for this period effective May 1, 2027.

Three conditions shape this plan.

The distribution system is aging at a scale that is now measurable. Approximately 40% of ORPC's distribution assets have passed their typical useful life, and three-quarters of its municipal substations are more than fifty years old. Renewal of these assets is the central operational task of the plan period.

Costs have outpaced the rates set in 2022. ORPC has earned below its allowed return since 2023, and outside the permitted range, carrying a forecast revenue shortfall of \$1,309,920. Resetting rates for 2027 is how that position is corrected.

Regulatory expectations continue to develop. Cyber security, climate resilience and evidence-based distribution planning have all moved further up the OEB's agenda since ORPC last rebased, and vulnerability assessment and system hardening reporting becomes mandatory during this plan period.

ORPC plans a 2027 base revenue requirement of \$7,125,476, a total revenue requirement of \$7,590,063, and net capital investment of \$13.1 million across the five years, weighted toward system renewal. For a residential customer using 750 kWh per month, the resulting change in the total bill is \$5.43 per month, or 4.1%.

Customers support this direction. In ORPC's 2026 customer survey, 88% of respondents supported asset replacement at the proposed level or higher, and reliability was ranked the first of five priorities. Customers also identified outage communications as the aspect of service most in need of improvement; ORPC is implementing text-message outage notification in 2026, ahead of this rate term.

ORPC continues to deliver this service efficiently. The utility has been assessed in Cohort 1, the highest efficiency ranking in the OEB's benchmarking of Ontario distributors, in each year since 2022, and remains in Cohort 1 at the funding level in this plan. It has recorded no serious electrical incidents over the past five years and has been assessed compliant with Ontario Regulation 22/04 in each of its last five Electrical Safety Authority audits.

What follows sets out how these expenditures form a single coherent strategy rather than a collection of separate decisions: ORPC understands the condition of its system, has set priorities consistent with what its customers have told it, and can deliver the resulting work with the workforce and financial capacity available to it.

2. About Ottawa River Power

ORPC is a municipally owned electricity distributor serving approximately 11,800 customers in Pembroke, Almonte, Beachburg and Killaloe. It is owned entirely by those four communities.

Two things about ORPC shape everything that follows.

ORPC's owners are its customers. Because the utility is wholly owned by the municipalities it serves, its shareholders and its customers are substantially the same population and returns generated by ORPC are applied for the benefit of those communities. That alignment informs how the utility weighs investment against rate impact throughout this plan. The four communities are not alike. They differ in size, in growth, and in what they need from the distribution system, and ORPC's priorities are set with all four in mind.

ORPC is a small utility, and operates like one. Scale shapes how work is delivered: what can be executed in a year, which specialized functions are staffed internally and which are contracted, and how investment must be paced to keep rate impacts steady. It is also the source of ORPC's cost performance, which is among the strongest in the province.

3. Strategic Direction

3.1 Mission

Ottawa River Power Corporation is an electricity distributor committed to the pursuit of excellence in safety and reliability for the customers and communities we serve. We continue to seek innovation through energy conservation and technology while striving to be the trusted energy advisor for our customers and continuing to create value for our shareholders.

3.2 Vision

ORPC's vision expresses the organization it intends to be:

- To be a responsible corporate leader in the community.
- To be part of a productive and effective workforce where fulfillment, self-esteem and team spirit fuel the desire of employees to be their best.
- To have a strong customer focus, seeking new and better ways to help customers with their energy needs.
- To be innovative and creative.
- To uphold the highest standards of safety and integrity in all our actions.

These statements have guided ORPC through the current rate term and are carried forward without amendment for 2027–2031.

3.3 Strategic priorities for 2027–2031

ORPC has set four strategic priorities for the plan period. The number is deliberately small. Focus is how a utility of ORPC's size delivers: concentrating effort on a few clearly defined objectives is what allows a lean organization to execute them well, and each priority below is supported by expenditure, staffing or a measurable outcome in the plans that follow.

Priority 1: Renew the assets customers depend on. *(Operational Effectiveness)*

The condition of the distribution system is the central operational condition of this plan period. System renewal is accordingly ORPC's largest single commitment, directed at the substation and distribution assets that have exceeded their service life and that generate the equipment-related outages customers experience.

Priority 2: Restore and extend operational visibility. *(Operational Effectiveness; Public Policy Responsiveness)*

Supervisory control equipment at several substations is functionally obsolete and no longer supported. ORPC will complete the replacement of substation SCADA infrastructure and deploy technology that shortens the time required to locate and isolate faults and is working toward implementation of an Outage Management System during the term. A portion of this work is funded externally, reducing the share borne by customers. Better visibility of the system serves customers directly: it shortens restoration and improves the quality of the information ORPC can give them during an outage.

Priority 3: Strengthen customer service and communication. *(Customer Focus)*

ORPC will sustain the service quality performance it has delivered against the OEB's scorecard measures and will continue to act on what customers have identified as priorities. Recent and planned improvements to outage communication and customer usage information are described in Section 5.

Priority 4: Deliver value for money for customers. *(Financial Performance)*

Customers are entitled to expect that the money they pay ORPC is spent efficiently. ORPC has been assessed in the OEB's highest efficiency cohort in each year since 2022 and intends to hold that standing through the plan period by continuing the cost discipline described in Section 8. A distributor that operates efficiently and remains financially sound is also one that can renew its system steadily rather than in costly bursts, which is what keeps rate impacts predictable for customers over time.

Continuity with the 2022 plan. The five strategic goals set out in ORPC's 2022 business plan (prudent infrastructure investment, open two-way communication, investment in staff, adoption of new technologies, and industry and community relationships) remain valid. The four priorities above restate them in a form tied to specific commitments in ORPC's capital and operating plans. Investment in staff and organizational capability now runs through all four priorities and is addressed in Section 8.

Board approval. These priorities are presented to ORPC's Board of Directors for approval together with the utility's distribution system and financial plans. The Board's approval constitutes its adoption of the strategic direction set out here.

4. Operating Environment and Planning Assumptions

4.1 Conditions in the service area

Population across ORPC's four service areas grew by 3.6% between the 2016 and 2021 census periods, with growth concentrated in Mississippi Mills. Pembroke recorded modest growth and Killaloe recorded decline. Growth in the system is therefore uneven and geographically concentrated.

ORPC is aware of residential development representing more than 330 new connections within the planning period, principally in the Almonte and Pembroke service areas, with further development anticipated beyond the term. The load forecast assumes customer growth of approximately 0.86% annually.

To understand what this growth means for the system, ORPC will undertake a capacity and planning study of the Almonte and Pembroke systems beginning in late 2026. The study will assess feeder and transformer loading and the capacity available to support forecast growth. Its findings will inform ORPC's investment planning: where they identify need, ORPC will act on it within this term through its annual planning process, and beyond it through the next distribution system plan. ORPC expects capacity to become a more significant driver of investment in future planning periods than it is in this one.

ORPC's service areas experience a warm-summer humid continental climate. Two Major Event Days occurred during the historical period, in May 2022 and October 2025. Weather-driven and upstream events are a material component of reliability performance.

4.2 Electrification and distributed energy resources

ORPC's distribution system already accommodates embedded generation. Two renewable generation facilities are connected in the Almonte service area, together with a number of microFIT and net metering connections, and one further non-exporting project is at the Connection Impact Assessment stage. ORPC's experience is therefore with generation that is established rather than emerging.

Growth in new connections is constrained by matters outside ORPC's control. Upstream capacity limits at Hydro One-owned stations currently prevent ORPC from accommodating new renewable generation connections above 10 kW. ORPC continues to engage Hydro One and the IESO on that constraint.

Electrification is a live planning question for ORPC. To date the utility has not observed material load growth attributable to electric vehicle adoption, fuel switching or heat pump uptake, and it has not built a distributor-specific electrification forecast on evidence it does not yet have. ORPC tracks uptake through connection activity and load data, and the capacity and planning study described in Section 4.1 will establish what current and forecast demand means for the system. Where that work identifies need arising from electrification, ORPC will bring forward the investment required to meet it.

4.3 Regulatory environment

ORPC is a regulated distributor, and its plans are developed to meet the standards and reporting obligations the Ontario Energy Board sets for the sector.

Two regulatory areas carry expenditure into this plan period. The Ontario Cyber Security Framework has applied to distributors for several years, and ORPC reports against it annually; expectations under it continue to develop, and ORPC has provided for a cyber security assessment and for annual penetration testing over the term. Vulnerability assessment and system hardening reporting is newer: it is on a best-efforts basis for 2027 rates and becomes mandatory for 2028, and ORPC's work on performing assessments is in progress. Both are addressed further in Sections 8 and 10.

Distributors are no longer responsible for delivering Conservation and Demand Management programs. ORPC continues to support provincial energy policy objectives by providing customers with information on IESO-administered conservation and electrification programs and by facilitating connections associated with electrification.

4.4 Planning assumptions

ORPC's plans rest on the following assumptions:

Assumption	Basis
2027 inflation of 3.7%	OEB inflation parameters
Weighted average cost of capital of 6.22%	OEB cost of capital parameters, to be updated to those effective January 1, 2027 once issued
Deemed capital structure unchanged from 2022	OEB deemed structure
Load forecast derived by regression on historical class consumption, weather-normalized, with a conservation adjustment	ORPC load forecast
Customer growth of approximately 0.86% annually	Load forecast and known development activity
Capitalization policy and depreciation rates unchanged since 2022	ORPC accounting policy
OM&A developed on a zero-based budgeting basis	ORPC budgeting practice
No capacity-driven capital investment pending completion of the capacity and planning study	ORPC capital plan
No replacement of core information technology infrastructure, which remains under vendor support and maintenance agreements	ORPC information technology review and vendor support agreements

ORPC will update its cost of capital parameters to those effective January 1, 2027 once issued by the OEB.

5. Customers, Community and Engagement

5.1 How ORPC engages

ORPC engages its customers continuously across a range of channels, of which the telephone remains the most used.

In developing its plans for 2027–2031, ORPC conducted a customer survey addressing customer priorities, perceptions of ORPC's performance, and preferences regarding the pacing of capital investment. ORPC also engages developers on servicing requirements and system capacity, and maintains regular contact with its municipal shareholders.

5.2 What customers said

ORPC's 2026 customer survey, conducted to inform this plan, received 50 responses. The sample is not statistically representative of ORPC's customer base. Residential customers are proportionally over-represented, and two of the four service areas returned few responses. ORPC treats the results as qualitative insight rather than a statistically reliable measure. Read alongside ORPC's bi-annual third-party satisfaction survey, which has been sustained across the historical period with the two most recent years the strongest in it, the two instruments give a consistent account of what customers value.

Customers ranked reliability first among five priorities, followed by reasonable distribution rates, safety, customer service and communications, and preparing the system for future growth.

Satisfaction with ORPC's overall service was reported at 84%, and satisfaction with reliability and outage management at 86%. Satisfaction with outage communications was materially lower at 65%, the weakest result in the survey, with customers asking specifically for outage notification by text message and for more frequent updates during an outage. Customers also asked for better information to help them understand and manage their consumption.

Customers expressed clear support for the proposed investment. Eighty-eight percent supported asset replacement at the proposed level or higher, against 4% who preferred less, with comparable support for investment in testing, inspection and monitoring, in vegetation management, and in the general plant assets that sustain daily operations. At the same time, roughly one third of respondents indicated a preference for greater emphasis on limiting distribution bill impacts, even if investments take longer to complete. ORPC regards both findings as genuine: customers support the work, and they remain sensitive to what it costs. That tension is the central judgment this plan makes.

Open-ended responses identified the condition of equipment, the age of vehicles, and the availability of staff for maintenance and outage response as areas of concern and raised vegetation and corridor maintenance. Several respondents recognized the work of ORPC's line crews and noted improved reliability.

5.3 How the plan responds

Customers identified	ORPC's response
Reliability as the first priority	System renewal is the largest component of the capital plan, directed at the asset condition driving equipment-related outages.
Outage communications as the weakest aspect of service, and text notification as the remedy	ORPC is implementing text-message notification for outages and outage updates in 2026, ahead of and independently of the rate term. ORPC is also working toward implementation of an Outage Management System during the rate term, to strengthen the multi-channel outage information it already provides.
A need for better information about their own consumption	ORPC's improved web presentment and e-billing portal provides consumption history and charts, rate plan comparison tools, Green Button data download and sharing, and email alerts on consumption thresholds and high usage patterns. Further enhancements for both web and paper based presentment will be reviewed for implementation during the rate term.
Reasonable and predictable distribution rates	Bill impacts held within the OEB's threshold; efficiency standing maintained at the applied-for funding level.
Vegetation and corridor maintenance	Vegetation management is continuous. ORPC's territory is divided into three zones, and every zone is inspected and cleared within each three-year cycle, so the entire system is covered every three years. Work is prioritized by the risk vegetation presents and delivered by ORPC crews with contractor support for backlot and difficult-to-reach areas. Right-of-way and vegetation expenditure increases materially over the plan period.
Support for the proposed level of asset replacement and monitoring investment	The capital plan proceeds as proposed, with annual expenditure levelled to limit rate impact.
Consideration of lower-emission vehicles	ORPC has purchased low- and zero-emission vehicles for small fleet replacements where feasible since 2016; half of its small fleet is now low- or zero-emission. Further conversion of small fleet and large vehicles will be reviewed for implementation during rate period.

ORPC regards acting on customer feedback as a continuing obligation rather than a commitment contingent on rate approval. Many of the customer service improvements above are being delivered ahead of the rate term and will continue to develop through it.

5.4 Community and shareholders

ORPC is wholly owned by the four municipalities in which it operates, and reports to its shareholders through its Board of Directors. Being owned by the communities it serves carries an expectation that

ORPC is a constructive presence in them. ORPC meets that expectation in kind rather than in cash. The utility does not make cash donations. What it contributes is the time, expertise, equipment and presence of its people, which allows ORPC to support the communities it serves at minimal incremental cost to customers.

Public electrical safety. ORPC maintains a public electrical safety awareness program and delivers it in the community, through safety education and demonstrations at local events, schools and fairs. Powerline safety is a public safety obligation before it is a community activity. The audiences that matter most are children, homeowners working near overhead lines, and trades that work in proximity to ORPC's plant.

Promoting the electrical trades. ORPC attends local trades and career fairs to promote the electrical distribution trades to students and job seekers in its service areas. This serves a business purpose as well as a community one. As Section 8 describes, filling accredited technical positions is one of ORPC's principal operational constraints, and building local awareness of the trade is one of the few durable responses available to a small utility in a rural labour market.

In-kind support for local organizations and events. ORPC provides in-kind assistance to not-for-profit groups and to municipal events in the communities it serves, and works with its municipal shareholders where ORPC's equipment or expertise is useful to a community project. The contribution is staff time and equipment rather than money. That keeps the cost to customers low while making a practical difference to organizations that would otherwise have to purchase the service.

Mutual aid. ORPC participates in mutual aid with other distributors, providing and receiving restoration assistance following major storms. Mutual aid is how a utility of ORPC's size obtains surge capacity that no small distributor can economically hold on its own, and it works only if participants contribute when others need help. ORPC treats its participation as an obligation of operating in the sector rather than as a discretionary activity.

Local employment and economic presence. ORPC's employees live in the communities the utility serves, and ORPC purchases locally where local suppliers are competitive. Returns generated by the utility flow to its four municipal shareholders and are applied for the benefit of those same communities, as described in Section 9. Support for customers experiencing payment difficulty is also addressed in Section 9.

6. Performance and Outcomes

6.1 Service quality and safety

ORPC has met or exceeded every OEB scorecard service quality standard across the historical period.

ORPC recorded no fatalities and no serious electrical incidents over the five years to 2025 and has been assessed compliant with Ontario Regulation 22/04 in each of its last five Electrical Safety Authority

audits. Maintaining that record depends on continued inspection, procedure and training expenditure, and is a condition of this plan rather than an incidental result.

6.2 Reliability

Reliability is the outcome customers rank first and the area requiring the most context.

A majority of the customer interruptions and customer hours interrupted experienced on ORPC's system originate upstream, on the transmission and host distribution systems, and are outside ORPC's control. ORPC's all-cause reliability indices are therefore materially affected by events it cannot address through its own investment. Measured on the basis of causes within ORPC's control, performance is substantially stronger.

Of the causes within ORPC's control, defective equipment is the largest contributor. This is the direct connection between reliability performance and the capital plan: system renewal, as described in Section 7, targets the asset population generating those outages and is the most effective action available to ORPC to improve the reliability customers experience.

ORPC is also investing in how quickly it detects and restores outages. Replacement of obsolete substation supervisory equipment restores remote visibility and control, and smart fault indicators deployed on selected parts of the system will shorten the time crews spend locating faults. ORPC is working toward implementation of an Outage Management System during the term, which would improve both restoration coordination and the outage information available to customers. A share of this work is funded through Natural Resources Canada's Smart Renewables and Electrification Pathways program, reducing the cost borne by customers. Together with a fully serviceable fleet, these are the capabilities that determine how fast power comes back on when it goes out.

ORPC's corporate reliability targets are aligned with the OEB's annual Reliability Performance Improvement Targets.

6.3 Cost performance

ORPC's cost performance is the clearest available evidence that customers receive value for the amounts they are charged.

Under the OEB's econometric benchmarking, ORPC was assessed in Cohort 1 (the most efficient of five cohorts, comprising distributors whose actual costs are 25% or more below predicted costs) in each year from 2022 through 2025. At the funding level ORPC has applied for, it remains in Cohort 1.

ORPC benchmarks itself at the activity and program level against comparable distributors, both geographically and by customer count, and reviews the results annually.

6.4 Outcomes over the plan period

ORPC monitors performance through the OEB Distributor Scorecard, internal operational reporting, and regular management and Board oversight.

ORPC's corporate performance targets are deliberately aligned with the OEB's. The utility's objective is to meet the OEB's measures as a minimum, including the annual Reliability Performance Improvement Targets, to which its corporate reliability targets are aligned, and to improve on them where the investments in this plan allow. Aligning corporate and regulatory targets means management, the Board and the regulator are measuring ORPC against the same standard, and that the performance customers see reported on the Distributor Scorecard is the performance ORPC holds itself to internally.

Over the rate term ORPC will pursue improvement through distribution system renewal, modernization of substation supervisory equipment, improved fault location, and continued process improvement.

7. Asset Management and the Capital Plan

7.1 How ORPC makes investment decisions

ORPC's capital plan is built on a risk-based assessment weighing the probability of asset failure against its consequence. Probability is assessed from condition data and remaining useful life; consequence from the number of customers affected, expected restoration time, and environmental and safety hazard. ORPC applies a strict definition of end of life: an asset qualifies only where it has exceeded its typical useful life **and** carries a condition rating of Poor or Very Poor. Age alone does not justify replacement, and candidate investments are tested against a status quo alternative.

7.2 The condition of the system

Asset condition is the foundation of this capital plan.

Approximately **40% of ORPC's distribution assets have passed their typical useful life**, and without renewal nearly half of the system will have done so by the end of the planning period. **Three-quarters of ORPC's municipal substations are more than fifty years old**, against a highest applicable typical useful life of forty-five years. One substation is assessed in Poor condition, exhibiting broad-based aging rather than isolated deficiencies, and a second is approaching the end of its service life. A material proportion of the pole population is in or approaching Poor condition.

ORPC's condition data has improved materially since its last plan through electronic pole testing, the rebuilding of transformer records during the PCB replacement program, digital field inspection, and independent condition assessments. Data gaps remain for a limited proportion of assets, and closing them is part of the work of the plan period.

7.3 System capacity

ORPC will undertake a capacity study of the Almonte and Pembroke systems beginning in late 2026, assessing feeder and transformer loading and the capacity available to support forecast growth. ORPC has not included capacity-driven capital expenditure in this plan, considering it imprudent to seek recovery for capacity investment before the study that would define it is complete.

Where the study identifies need, ORPC will act on it: within this term through its annual planning process, and beyond it through the next distribution system plan. ORPC expects capacity to become a more significant driver of investment in future plan periods than it is in this one.

7.4 The 2027–2031 capital plan

ORPC plans net capital investment of **\$13.1 million over the 2027–2031 period**, an increase of approximately 23% over the preceding five years.

The plan is weighted toward system renewal, reflecting the asset condition described above. It also provides for non-discretionary customer connection work driven by development in the service area, for fleet replacement, and for the substation supervisory equipment addressed under Priority 2. Annual expenditure is deliberately levelled across the five years, allowing the work to be executed with available crew and contractor capacity and avoiding uneven rate impact. The plan does not include replacement of ORPC's core information technology infrastructure, which remains under vendor support and, at current pricing, is less costly to maintain than to replace. Section 8.4 sets out the basis for that conclusion and how ORPC will monitor it.

The plan has customer support. In the 2026 customer survey, 88% of respondents supported asset replacement at the proposed level or higher, against 4% who preferred less; approximately 90% considered investment in testing, inspection and monitoring technologies important, and 86% supported the proposed level of investment in those programs. Vegetation management drew comparable support. ORPC has taken this as confirmation that the balance struck in the plan, sufficient renewal to address condition and paced to limit rate impact, reflects what its customers want, while recognizing that roughly a third of respondents would place greater weight on limiting bill impacts.

Fleet replacement accounts for a substantial share of general plant expenditure over the period, principally the replacement of a large utility vehicle that has passed its service life and now carries material non-recurring maintenance costs. Fleet is not a peripheral asset class for a distributor: capital construction, planned maintenance and outage restoration all depend on serviceable large vehicles being available when they are needed. A vehicle out of service delays the renewal work described above and lengthens the time customers are without power. Customers asked that ORPC consider lower-emission options in its fleet decisions. ORPC has done so since 2016, purchasing low- and zero-emission vehicles for small fleet replacements where operationally feasible; half of ORPC's small fleet is now low- or zero-emission. Specialized heavy vehicles are selected on the basis of operational capability, and ORPC will continue to assess lower-emission alternatives as the market for them develops.

ORPC is participating in a multi-distributor consortium under Natural Resources Canada's Smart Renewables and Electrification Pathways program, which funds a share of qualifying costs relating to substation supervisory equipment and fault location technology. Securing external funding of this kind is an effective means for a small utility to extend a constrained capital program, and ORPC will continue to pursue such opportunities.

8. Operating Costs, Workforce and Capability

8.1 Operating costs

ORPC plans OM&A of **\$5,215,106** for 2027.

The increase over the 2022 Board-Approved amount reflects facilities costs, information technology and cyber security obligations, market-based adjustments to wages, additional field maintenance performed under contract, and customer service and billing costs. A portion of the increase exceeds inflationary escalation and reflects obligations that did not exist at the time of ORPC's last rebasing together with costs the utility does not control.

ORPC's efficiency standing is the product of sustained cost discipline: zero-based budgeting, outsourcing of functions that scale does not justify staffing internally, annual review of contractor and consultant agreements, joint procurement with other distributors, and the pursuit of external funding. ORPC has been assessed in the OEB's highest efficiency cohort throughout the historical period and remains there at the funding level applied for.

8.2 Workforce

ORPC plans a complement of 26 full-time equivalent employees over the 2027–2031 term, of whom eight are non-union. Approximately 70% are represented by IBEW Local 636 under collective agreements in effect to June 30, 2027.

Workforce capacity is a principal operational constraint, and it is a recruitment constraint rather than a succession one. A small number of retirements are anticipated over the plan period and have been planned for. The more material risk is that technical positions requiring subject matter expertise, advanced qualifications or trade accreditation are difficult to fill when a vacancy arises, particularly in a smaller rural labour market. Where such a position has been lost, ORPC has transferred the work to contractors at additional cost. A utility of ORPC's size carries limited depth in specialized functions, so a single vacancy has an effect on service delivery out of proportion to its size.

ORPC is responding by adding technical capacity during the plan period, by investing in the training and development of existing staff, and by continuing to use contracted and shared services for specialized work that cannot support a full-time position. Where operating capacity allows and the need is clear, ORPC will also recruit additional staff. Training expenditure specifically directed at succession planning increases in 2026 and 2027.

8.3 Organizational capability

The capabilities ORPC requires continue to evolve. Cyber security, geographic information and data management, and the operation of modern supervisory control equipment were all part of ORPC's work at its last rebasing; what has changed is the depth of capability each now demands, and the extent to which they are relied on day to day.

Health and safety. ORPC's safety record rests on procedures, training and inspection discipline, supported by contractor health and safety requirements within procurement and a community electrical safety program.

Cyber security. ORPC maintains a Corporate Privacy and Cyber Security Governance Program and files annual attestations with the OEB in respect of the requirements of the Ontario Cyber Security Framework. ORPC has commissioned a cyber security assessment and has provided for annual penetration testing over the rate term. Information technology investment decisions are driven by asset age, software and hardware obsolescence, and cyber security risk. Consistent with good practice, ORPC does not disclose the specifics of its security posture or the findings of its assessments on the public record.

Collaboration. ORPC participates in industry associations and working groups and pursues collaboration with neighbouring distributors where it improves service or reduces cost. ORPC has not identified a business case supporting consolidation over the planning period, and the Board periodically considers whether that assessment should change.

8.4 Information technology infrastructure

ORPC's core information technology infrastructure, comprising its servers, network equipment and the business systems that run on them, is aging. It remains capable, and it remains supported. Hardware and software are covered by current vendor support and maintenance agreements, and ORPC is satisfied that the platform will meet its operational and cyber security requirements through the rate term.

ORPC has therefore not included replacement of this infrastructure in the 2027 to 2031 capital plan. That is a cost decision as much as a technical one. Vendor licensing and support costs have risen materially in recent years and ORPC expects further increases. They nonetheless remain below the cost of replacing the underlying hardware, which has been affected by significant price increases across the computer hardware market driven by supply and demand conditions. On the information available today, maintaining and supporting the existing infrastructure is the lower cost course for customers, and ORPC has planned on that basis.

ORPC will monitor that position rather than assume it holds for five years. Two conditions could change it within the rate term. Licensing and support costs could escalate further, or hardware pricing could decline if current supply constraints ease. Either would move the point at which replacement becomes less expensive than continued support. A vendor decision to end support for a component would have the same effect more abruptly, because continued operation would no longer be an available option. ORPC reviews vendor pricing and published product support timelines annually through its budget process.

If that assessment changes during the rate term, ORPC will bring forward a replacement plan supported by the cost comparison that justifies it, assessed against the same criteria of asset age, obsolescence, cyber security risk and cost that govern ORPC's other information technology investment decisions, and

will address the appropriate means of recovery at that time. No expenditure for that work is provided for in this plan.

9. Financial Plan, Affordability and Rate Impacts

9.1 Financial position

ORPC plans a 2027 base revenue requirement of **\$7,125,476** and a rate base of **\$22.5 million**, recovering a weighted average cost of capital of 6.22% and applying the OEB's deemed capital structure without change from 2022. Capitalization policy and depreciation rates are likewise unchanged.

ORPC has maintained a sound liquidity position and a stable capital structure throughout the historical period, with its debt-to-equity ratio remaining within a narrow range.

ORPC has earned below its deemed return on equity, and outside the OEB's permitted range, since 2023. Sustained under-earning is not a stable position for a utility required to renew aging infrastructure, and rebasing is the mechanism by which it is corrected. ORPC does not issue debt or shares.

9.2 Affordability and rate impacts

The proposed rates result in a total bill impact of \$5.43 per month, or 4.1%, for a residential customer using 750 kWh per month.

ORPC recognizes that affordability is a primary customer concern and is not proposing rate mitigation, on the basis that bill impacts fall within the OEB's threshold.

ORPC supports customers experiencing payment difficulty through the Low-income Energy Assistance Program and has increased its LEAP funding for 2027 substantially above the historical level and above the minimum required contribution. ORPC also administers the Ontario Electricity Support Program and provides customers with information on IESO-administered conservation and electrification programs.

Programs alone do not help a customer who does not know they exist. ORPC's customer service staff are trained to recognize when a customer is struggling, to connect them with the agencies and programs available to them, and to give practical and trustworthy advice on managing their account. ORPC will continue to invest in that training over the plan period. For a utility whose mission is to be a trusted energy advisor, this is where that commitment is tested.

9.3 Shareholder value

ORPC is wholly owned by four municipal shareholders. Returns generated by the utility flow to those municipalities and are applied for the benefit of the communities ORPC serves. The utility's financial objective is to earn its allowed return while maintaining rates that its customers, who are also collectively its owners, regard as reasonable. ORPC does not regard shareholder return and customer affordability as competing objectives at the level of its ownership structure.

10. Risk and Mitigation

ORPC identified the following principal risks during the development of this plan. Each is addressed through commitments described elsewhere in this plan.

Risk	Mitigation
Asset condition. A substantial proportion of distribution assets, and the majority of municipal substations, have exceeded their service life.	System renewal as the largest component of the capital plan; condition-based prioritization; strict end-of-life criteria.
Loss of operational visibility. Substation supervisory equipment is functionally obsolete and no longer supported.	Substation SCADA replacement program; improved fault location technology; externally funded in part.
Upstream supply reliability. A majority of customer interruptions originate outside ORPC's system.	Continued coordination with Hydro One; investment focused on the causes within ORPC's control.
Cyber security and IT/OT. Obligations under the Ontario Cyber Security Framework and the general threat environment.	Corporate Privacy and Cyber Security Governance Program; annual attestation to the OEB; cyber security assessment; annual penetration testing; obsolescence-driven infrastructure renewal.
Workforce capacity. Technical positions requiring specialized expertise or accreditation are difficult to fill when vacancies arise.	Additional technical capacity; training and succession investment; contracted and shared services.
Extreme weather and climate. Weather-driven events materially affect reliability performance.	Continuous vegetation management, with the whole system inspected and cleared on a three-year cycle; adoption of current standards and best practice in distribution system design and materials; vulnerability assessment work in progress ahead of the 2028 requirement.
Financial sustainability. Returns below the allowed range since 2023.	Rebasing; continued cost discipline; maintenance of efficiency cohort standing.
Regulatory change. Evolving filing, cyber security and resilience requirements.	Monitoring of OEB frameworks; assessments in progress; participation in industry forums.
Information technology infrastructure. Core information technology infrastructure is aging. It remains vendor-supported, but licensing and support costs are rising and hardware replacement pricing is volatile.	Current vendor support and maintenance agreements; annual review of vendor pricing and published support timelines; no replacement capital included in the plan, with a replacement plan and supporting cost comparison brought forward if maintenance becomes more costly than replacement or vendor support ends.

The Board of Directors receives regular reporting on operational, financial and safety performance and considers risk in its oversight of management's plans.

1 **1.10.7** APPENDIX 1G - ORPC BOARD OF DIRECTORS APPROVAL

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BY EMAIL

August 26, 2026

The Board of Directors of ORPC certifies that it is aware of, and has approved, the submission of ORPC's Cost of Service rate application for rates effective May 1, 2027.

At its meeting of August 13, 2026, the Board reviewed the Application, including the Business Plan and the 2027 to 2031 Distribution System Plan that form its basis, and approved it in principle by Resolution 26-007.

The Application has since been finalized with no material changes from the version considered by the Board. The Board has been advised of the filing and I am authorized to sign this letter on its behalf.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephane Levesque". The signature is stylized with a large, looping initial "S" and a long, sweeping horizontal stroke at the end.

Stephane Levesque
Vice-Chair
Ottawa River Power Corporation