Appendix B

Consolidated Financial Statements of

OAKVILLE ENTERPRISES CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2023
(Expressed in thousands of dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Oakville Enterprises Corporation

Opinion

We have audited the consolidated financial statements of Oakville Enterprises Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

April 12, 2024

OAKVILLE ENTERPRISES CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2023, with comparative information for 2022
(in thousands of dollars)

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents	4	$ 54,902	$ 33,698
Accounts receivable	5	185,800	171,803
Income taxes receivable		493	2,349
Materials and supplies	6	14,886	15,847
Prepaid expenses		5,759	5,571
Assets held for sale	8	–	1,986
Total current assets		261,840	231,254
Non-current assets			
Right-of-use assets	7	27,777	22,451
Property, plant and equipment	8	340,728	315,755
Intangible assets	9	79,825	89,808
Goodwill	9	53,272	56,995
Derivative assets	14	5,076	7,526
Deferred tax assets	11	18,053	21,508
Total non-current assets		524,731	514,043
Total assets		786,571	745,297
Regulatory balances	12	15,182	20,232
Total assets and regulatory balances		$ 801,753	$ 765,529

See accompanying notes to the consolidated financial statements.

OAKVILLE ENTERPRISES CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2023, with comparative information for 2022
(in thousands of dollars)

	Note	2023	2022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 107,284	$ 105,160
Income taxes payable		3,105	674
Long-term debt due within one year	14	31,776	29,758
Finance lease obligation	7	5,306	3,217
Customer deposits		15,130	11,691
Deferred revenue	10	6,881	3,476
		169,482	153,976
Long-term debt under renewal	14	63,539	–
Total current liabilities		233,021	153,976
Non-current liabilities			
Long-term debt	14	163,001	227,957
Finance lease obligation	7	27,899	25,572
Post-employment benefits	15	7,359	9,061
Deferred revenue	10	79,006	61,804
Deferred tax liabilities	11	54,194	56,287
Total non-current liabilities		331,459	380,681
Class B common shares	17	33,750	47,500
Total liabilities		598,230	582,157
Equity			
Share capital	16	63,024	63,024
Retained earnings		127,604	102,968
Accumulated other comprehensive income	18	5,268	5,770
Total equity		195,896	171,762
Total liabilities and equity		794,126	753,919
Regulatory balances	12	7,627	11,610
Total liabilities, equity and regulatory balances		$ 801,753	$ 765,529

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

OAKVILLE ENTERPRISES CORPORATION

Consolidated Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022
(in thousands of dollars)

	Note	2023	2022
Revenue			
Sale of energy		$ 216,309	$ 203,934
Distribution revenue		48,086	43,724
Other revenue		426,262	343,247
	19	690,657	590,905
Other income	20	6,261	7,225
		696,918	598,130
Operating expenses			
Cost of power purchased		204,223	203,453
Employee salaries and benefits	21	217,396	181,480
Operating expenses	22	170,773	157,842
Depreciation and amortization	7,8,9	32,758	34,004
		625,150	576,779
Income from operating activities		71,768	21,351
Finance income	23	1,877	1,438
Finance costs	23	(13,687)	(14,979)
Income before the undernoted		59,958	7,810
Impairment of goodwill	9	(3,723)	–
Remeasurement of put liability	17	(10,000)	–
Income before income taxes		46,235	7,810
Income tax expense	11	14,386	166
Net income for the year		31,849	7,644
Net movement in regulatory balances		(3,863)	8,696
Tax on net movement		2,796	212
		(1,067)	8,908
Net income for the year and net movement in regulatory balances		30,782	16,552
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	14	1,767	3,154
Tax on remeasurements	11	(468)	(836)
		1,299	2,318
Items that will be reclassified to profit or loss:			
Remeasurements of cash flow hedge	14	(2,450)	7,010
Tax on remeasurements	11	649	(1,858)
		(1,801)	5,152
Other comprehensive (loss) income for the year		(502)	7,470
Total comprehensive income for the year		$ 30,280	$ 24,022

See accompanying notes to the consolidated financial statements.

OAKVILLE ENTERPRISES CORPORATION

Consolidated Statement of Changes in Equity

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

(in thousands of dollars)

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2022	$ 63,024	$ –	$ 93,262	$ (1,700)	$ 154,586
Net income and net movement in regulatory balances	–	–	16,552	–	16,552
Other comprehensive income	–	–	–	7,470	7,470
Share issuance costs	–	–	(746)	–	(746)
Dividends	–	–	(6,100)	–	(6,100)
Balance at December 31, 2022	$ 63,024	$ –	$ 102,968	$ 5,770	$ 171,762
Balance at January 1, 2023	$ 63,024	$ –	$ 102,968	$ 5,770	$171,762
Net income and net movement in regulatory balances	–	–	30,782	–	30,782
Other comprehensive loss	–	–	–	(502)	(502)
Share issuance costs	–	–	(46)	–	(46)
Dividends	–	–	(6,100)	–	(6,100)
Balance at December 31, 2023	$ 63,024	$ –	$ 127,604	$ 5,268	$ 195,896

See accompanying notes to the consolidated financial statements.

OAKVILLE ENTERPRISES CORPORATION

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
Operating activities		
Net Income and net movement in regulatory balances	$ 30,782	$ 16,552
Adjustments for:		
Depreciation and amortization	32,758	34,004
Amortization of deferred revenue	(1,637)	(1,364)
Post-employment benefits	65	45
Loss (gain) on disposal of right-of-use-assets	14	(30)
(Gain) loss on disposal of property, plant and equipment	(1,146)	558
Impairment loss of goodwill	3,723	1,171
Remeasurement of put liability	10,000	–
Recovery of acquisition settlement	–	(507)
Recovery of promissory note	(6,261)	(6,718)
Net finance costs	11,810	13,541
Income tax expense	14,386	166
	94,494	57,418
Change in non-cash operating working capital:		
Accounts receivable	(13,997)	(44,528)
Materials and supplies	961	(3,302)
Prepaid expenses	(188)	(1,430)
Accounts payable and accrued liabilities	851	27,663
Customer deposits	3,439	(523)
Deferred revenue	3,715	(2,273)
	(5,219)	(24,393)
Regulatory balances	1,067	(8,908)
Contributions received from customers	14,628	8,993
Income tax paid	(9,836)	(4,441)
Income tax received	1,231	2,346
Interest paid	(13,825)	(13,403)
Interest received	1,877	947
Net cash from operating activities	84,417	18,559
Investing activities		
Purchase of property, plant and equipment	(40,292)	(35,718)
Proceeds on disposal of property, plant and equipment	4,063	361
Purchase of intangible assets	(386)	(501)
Net cash used by investing activities	(36,615)	(35,858)
Financing activities		
Dividends paid	(6,100)	(6,100)
Proceeds from long-term debt	9,315	52,386
Repayment of long-term debt	(24,788)	(60,502)
Repayment of finance lease	(5,025)	(3,074)
Share issuance costs	–	(925)
Proceeds from issuance of share capital	–	47,500
Net cash from financing activities	(26,598)	29,285
Change in cash and cash equivalents	21,204	11,986
Cash and cash equivalents, beginning of year	33,698	21,712
Cash and cash equivalents, end of year	$ 54,902	$ 33,698
Non-cash additions to property, plant and equipment	$ (3,901)	$ (1,055)
Non-cash contributions from customers	3,901	1,055

See accompanying notes to the consolidated financial statements.

1. Reporting entity:

Oakville Enterprises Corporation (the "Corporation") is a holding company which was incorporated on January 28, 2000 under the *Business Corporations Act* (Ontario), in accordance with the *Electricity Act.* The Corporation is owned by The Corporation of the Town of Oakville and Enbridge Sustainable Energy Solutions Inc. and is located in the Town of Oakville. The address of the Corporation's registered office is 861 Redwood Square, Oakville, Ontario L6L 6R6.

The Corporation, through its wholly and jointly owned subsidiaries, delivers electricity within the Town of Oakville and provides energy and infrastructure services to residential and commercial customers primarily within Ontario. The Corporation's subsidiaries include:

- Oakville Hydro Electricity Distribution Inc.
    - Distribution of electricity within the Town of Oakville under license and regulations issued by the Ontario Energy Board ("OEB"). Changes to rates and terms of operations require OEB approval. The Corporation and all its subsidiaries are considered affiliates of Oakville Hydro Electricity Distribution Inc. and must adhere to the Affiliate Relationships Code issued by the OEB.
- El-Con Construction Inc.
    - Utility related construction and streetlight maintenance business in the greater Toronto and Hamilton area.
- Teraflex Limited
    - Municipal and utility construction business in the Ottawa area.
- Trans Power Utility Contractors Inc.
    - Integrated utility distribution infrastructure construction services.
- PVS Contractors Inc.
    - Underground utility locating operating in Niagara, southern Ontario and Edmonton area of Alberta.
- G-Tel Engineering Inc.
    - Underground utility locating and gas leak detection and meter reading, primarily in Ontario.
- UTS Consultants Inc.
    - Engineering utility solutions for municipalities, telecommunication and power utility network owners and operators located in Fergus, Ontario.
- Planview Utility Services Limited
    - Provides an integrated approach to managing utility infrastructure through utility engineering, GIS services and sub-surface utility engineering in Canada.

1. Reporting entity (continued):

- QSP Geographics Inc.
    - Provides strategic insights in various geospatial, field collection and CAD disciplines.
- EMB Management Ltd.
    - Engineering, project management and construction related services to gas utilities in western Canada.
- DPM Energy Inc.
    - Utility engineering services in Ontario.
- 2590550 Ontario Inc. – Holding company
    - 1981104 Ontario Inc. - Holding company
        - 1247902 Ontario Inc. – General Partner
        - Carlisle LP
            - Run-of-the-river hydro power generating facility located in Powassan, Ontario.
- OEC Services Inc.
    - Provides administrative and fleet management services for the Corporation and affiliated businesses, including the purchase and maintenance of fleet assets for use within the consolidated group.
- Oakville Hydro Energy Services Inc.
    - Green energy power generation within the Region of Halton, including rooftop solar, and other services such as water billing services within the Town of Oakville. In 2005, Oakville Hydro Energy Services Inc., obtained an Electricity Generation License from the OEB to allow it to generate electricity.
        - Golden Horseshoe Metering Systems Inc.
            - Retro-fit and new installations of multi-residential buildings to individually metered units and utility billing services within the province of Ontario.
        - OEC Energy Solutions Inc.
            - Holding company
        - 2357118 Ontario Inc.
            - Holding company
        - Sunny Shores Finance Co. Inc. and Sunny Shores LP
            - Operation of a 14 MW solar farm located in Picton, Ontario
        - OEC Generation Inc.
            - Holding company for electricity generation projects.

1. Reporting entity (continued):

- OEC Kagawong Inc.
  - Run-of-the-river hydro power generating facility located on Manatoulin Island, Ontario.
- OEC FIT 3 GP Inc. and OEC FIT 3 LP (49%)
  - Rooftop solar generation projects within the Town of Oakville.
- OEC Geo-Exchange Inc.
  - Holding company for geo-exchange energy projects
- OEC Geo-Exchange Seasons GP Inc. and OEC Geo-Exchange Seasons LP
  - Geo-exchange for former project, held for future projects.
- OEC Geo-Exchange Eddy GP Inc. and OEC Geo-Exchange Eddy LP
  - Geo-exchange for former project, held for future projects.
- OEC Geo-Exchange Union Lofts GP Inc. and OEC Geo-Exchange Union Lofts LP
  - Geo-exchange project for the “Union Lofts” condo in Ontario.
- OEC Geo-Exchange Ironstone GP Inc. and OEC Geo-Exchange Ironstone LP
  - Geo-exchange project for the “Ironstone” condo in Ontario.
- G O Stella Geo-Exchange GP Inc. and G O Stella Geo-Exchange LP (50%)
  - Geo-exchange project for the “Stella” condominium in Ontario.
- G O Nordic Geo-Exchange GP Inc. and G O Nordic Geo-Exchange LP (50%)
  - Geo-exchange project for the “Nordic” condominium in Ontario.
- G O Green Geo-Exchange GP Inc. and G O Green Geo-Exchange LP (50%)
  - Geo-exchange project for the “Green” condominium in Ontario.
- G O Management Inc. (50%)
  - Joint venture entity supporting geo-exchange projects.

The financial statements are for the Corporation and its subsidiaries as at and for the year ended December 31, 2023.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors on April 12, 2024.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

(i) Assumptions and estimation uncertainty:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Notes 3 (f), (g), (h), (m), 7, 8, 9 – estimation of useful lives of its property, plant and equipment, intangible assets and right-of-use assets and impairment tests for long-lived assets
(ii) Notes 3 (h) – impairment test on intangible assets and goodwill; key assumptions underlying recoverable amounts, including the recoverability of development costs
(iii) Notes 3 (k), 12 – recognition and measurement of regulatory balances
(iv) Notes 3 (d), 19 – estimate of contract revenue and costs in construction contracts
(v) Notes 3 (l), 15 – measurement of defined benefit obligations: key actuarial assumptions
(vi) Notes 3 (m), 7 – measurement of leases: discount rate
(vii) Notes 3 (j), 27 – recognition and measurement of provisions and contingencies
(viii) Notes 14, 27 – determining the fair value of the promissory note on the basis of significant unobservable inputs

2. Basis of presentation (continued):

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

(i) Assumptions and estimation uncertainty (continued):

(ix) Notes 17, 27 – determining the fair value of the put option liability on the basis of significant unobservable inputs

(ii) Judgments:

Information about judgments made in applying accounting policies that have the most material effects on the amounts recognized in the financial statements is included in the following notes:

(i) Notes 3 (m), 7 – leases: whether an arrangement contains a lease
(ii) Note 3 (m) – leases: lease term, underlying leased asset value
(iii) Note 3 (d) – determination of the performance obligation for contributions from customers and the related amortization period
(iv) Notes 3 (k), 12 – recognition of regulatory balances
(v) Note 3 (a) – determining the type of joint arrangement with unrelated third parties

(iii) Measurement of fair value:

Certain of the Corporation's accounting policies and disclosures require the measurement of fair values, specifically the Corporation's promissory note under the Trans Power Utility Contractors Inc. acquisition (see note 14) and put option liability (see note 17). When measuring the fair value of a financial liability, the Corporation uses observable market data where possible. The Corporation regularly reviews unobservable inputs and valuation adjustments.

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

- Level 1: quoted prices in active markets for identical liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the liabilities, either directly or indirectly.
- Level 3: inputs for the liability that are not based on observable market data

If inputs used to measure the fair value of the assets or liabilities fall into different levels of the fair value hierarchy, then the fair value measurement is categorized entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Further information about the assumptions made in measuring fair values is included in note 27.

2. Basis of presentation (continued):

(e) Rate regulation:

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

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year.

Rate setting

(i) Distribution rates:

LDCs are required to file a "Cost of Service" ("COS") rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating costs, including amortization and income taxes, of providing the regulated electricity distribution service and providing a fair return on the Corporation's rate base. The Corporation estimates electricity usage and the costs to service each customer class in order to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In 2021, the Corporation moved to the OEB's Annual Incentive Rate-setting Index method ("Annual IR") for requesting approval of rates after deferring the Corporation's COS application for a period of three years, consistent with OEB guidance. Under the Annual IR method, the Corporation is not required to periodically set base rates using a COS mechanism, rather the Corporation requests adjustments to rates consistent with that of the Price Cap Incentive Rate-setting approach.

Each year, the Corporation files an Incentive Regulation Mechanism application ("IRM") under the Annual IR method described above. An IRM Application results in a formulaic adjustment to distribution rates using an industry-specific inflation factor and two productivity factors. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor set by the OEB and a "stretch factor". LDCs filing under the Annual IR method are assigned as a stretch factor of 0.6% by the OEB.

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates (continued):

On October 1, 2013, the Corporation submitted a COS rate application to the OEB to change distribution rates effective May 1, 2014. The application was approved by the OEB on May 1, 2014.

On August 18, 2021, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2022. The IRM Application, which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on December 10, 2021. The GDP IPI-FDD for 2022 is 3.3%, the Corporation's stretch factor is 0.6% and the productivity factor determined by the OEB is 0%, resulting in a net adjustment of 2.7% to the previous year's rates.

On August 3, 2022, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2023. The IRM Application, which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on December 8, 2022. The GDP IPI-FDD for 2023 is 3.7%, the Corporation's stretch factor is 0.6% and the productivity factor determined by the OEB is 0%, resulting in a net adjustment of 3.1% to the previous year's rates.

(ii) Electricity rates:

The OEB developed an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. The Regulated Price Plan (RPP) has been in place since 2005. RPP prices are set based on a forecast of how much it will cost to supply electricity to RPP consumers over the subsequent 12 month period. The OEB sets RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*.

Throughout 2020 and into January 2022, the OEB adjusted RPP prices in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act* to assist Ontarians who were forced to stay home due to the COVID-19 pandemic, including forgoing the RPP semi-annual price increase for November 1, 2021. Effective January 1, 2022, the OEB implemented an annual RPP price increase effective November 1st of each year. This directive replaced the previous semi-annual price increase structure of May 1st and November 1st. RPP prices were amended for all customers under RPP pricing effective November 1, 2023.

All remaining consumers pay the market price for electricity.

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

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(iii) Retail transmission rates:

These are the costs of delivering electricity from generating stations across the Province to local distribution networks. These charges include the costs to build and maintain the transmission lines, towers and poles and operate provincial transmission systems. Retail transmission rates are passed through to the operators of transmission networks and facilities.

(iv) Wholesale market service rates:

These are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy conservation and renewable energy programs. The Corporation is billed for the cost of the wholesale electricity system by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

3. Material accounting policies:

These consolidated financial statements have been prepared on a going concern basis. The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented.

The Corporation adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective January 1, 2023. These amendments require disclosure of material rather than significant accounting policies. The amendments provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information.

The amendments did not have a material impact on the Corporation’s consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the following corporations:

- Oakville Hydro Electricity Distribution Inc. (100%)
- Oakville Hydro Energy Services Inc. (100%)
  - Golden Horseshoe Metering Systems Inc. (100%)
  - Oakville Hydro Energy Solutions Inc. (100%)
  - Sunny Shores Finance Co. Inc. (100%)
    - Sunny Shores GP Inc. (100%)
    - Sunny Shores LP (100%)

3. Material accounting policies (continued):

(a) Basis of consolidation (continued):

- OEC Geo-Exchange Inc. (100%)
    - OEC Geo-Exchange Seasons GP Inc. (100%)
    - OEC Geo-Exchange Seasons LP (100%)
    - OEC Geo-Exchange Eddy GP Inc. (100%)
    - OEC Geo-Exchange Eddy LP (100%)
    - OEC Geo-Exchange Union Lofts GP Inc. (100%)
    - OEC Geo-Exchange Union Lofts LP (100%)
    - OEC Geo-Exchange Ironstone GP Inc. (100%)
    - OEC Geo-Exchange Ironstone LP (100%)
    - G O Stella Geo-Exchange GP Inc. (100%)
    - G O Stella Geo-Exchange LP (50%)
    - G O Nordic Geo-Exchange GP (50%)
    - G O Nordic Geo-Exchange LP (50%)
    - G O Green Geo-Exchange GP (50%)
    - G O Green Geo-Exchange LP (50%)
    - G O Management Inc. (50%)
- OEC Generation Inc. (100%)
    - OEC Kagawong Inc. (100%)
    - OEC FIT 3 GP Inc. (100%)
    - OEC FIT 3 LP (100%)

- El-Con Construction Inc. (100%)
- OEC Services Inc. (100%)
- PVS Contractors Inc. (100%)
- G-Tel Engineering Inc. (100%)
    - 2590550 Ontario Inc. (100%)
    - 1981104 Ontario Inc. (100%)
    - 1247902 Ontario Inc. (100%)
    - Carlisle LP (100%)
- UTS Consultants Inc. (100%)
- Planview Utility Services Ltd. (100%)
- Teraflex Ltd. (100%)
- QSP Geographics Inc. (100%)
- DPM Energy Inc. (100%)
- EMB Management Ltd. (100%)
- Trans Power Utility Contractors Inc. (100%)

3. Material accounting policies (continued):

(a) Basis of consolidation (continued):

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. OEC FIT 3 LP is 49% owned by the Corporation and 51% owned by the Town of Oakville. The assets are roof top solar installations on Town of Oakville owned properties. Because control over the operation of OEC FIT 3 LP is through OEC FIT 3 GP Inc. which is 100% owned by the Corporation it is proportionately consolidated in the financial statements of the Corporation.

G O Stella Geo-Exchange, G O Green Geo-Exchange, G O Nordic Geo-Exchange limited partnerships and general partnerships, along with G O Management Services Inc., are a joint arrangement formed with an unrelated party to advance geo-exchange developments throughout the Province of Ontario. Although these entities are legally separated from the parties, the Corporation has classified them as a joint operation. This is on the basis that the partners are legally obliged to take the entire output produced from the operations and will be the only source of funding to settle its liabilities. As such, the Corporation consolidates it share of the assets, liabilities, revenues, and expenses of these operations.

All inter-company accounts and transactions have been eliminated.

(b) Business combinations:

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(c) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, with the exception of the vendor promissory note (note 15) and put option liability, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(h). The vendor promissory note and put option liability are measured at fair value.

3. Material accounting policies (continued):

(c) Financial instruments (continued):

Adjustments which results from changes in fair value of contingent consideration are recognized as other income in the year when they are not considered measurement period adjustments in accordance with IFRS 3 Business Combinations.

The Corporation holds derivative financial instruments (interest rate swaps) to hedge its interest rate risk exposure on the term loan of its subsidiary Trans Power Utility Contractors Inc. and at the holding corporation level of Oakville Enterprises Corporation.

On initial designation of the hedge, the Corporation formally documented the relationship between the interest rate swap and term loan, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as the ongoing basis, whether the interest rate swap is expected to be “highly effective” in offsetting the changes in the cash flows of the term loan during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized liability, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the interest rate swap no longer meets the criteria of hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

3. Material accounting policies (continued):

(d) Revenue recognition:

Sale and distribution of electricity

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

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

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

Capital contributions

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

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

Other revenue

Certain of the Corporation's performance obligations for the provision of services is recognized over time using an input method based on labour hours and resources consumed to measure the satisfaction of the performance obligation. The value of services transferred to the customer is determined based on the agreed-upon price with the customer and represents the amount that the Corporation has the right to bill for services completed to date.

3. Material accounting policies (continued):

(d) Revenue recognition (continued):

Other revenue (continued)

Certain of the Corporation's performance obligations are recognized over time using an output method based on delivery of services to measure the satisfaction of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimate costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionately as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor, equipment costs and other direct costs as well as an allocation of indirect costs. The value of services transferred to the customer is determined based on the agreed-upon price with the customer and represents the amount that the Corporation has the right to bill for services completed to the date of billing. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Unbilled revenue typically results from sales under construction contracts when the cost-to-cost method of revenue recognize is utilized and revenue recognized exceeds the amount billed to the customer. Unbilled revenue amounts are adjusted for expected credit losses. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts. Where advance payments are received from customers, the Corporation recognizes these amounts as liabilities and includes them in deferred revenue. Unbilled revenue and deferred revenue are accounted for on a contract by contract basis at the end of each reporting period.

Generally, construction contracts include warranty periods following the completion of a project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total cost of the contracts. Where required, amounts are recognized according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Some contracts offer prospective price discounts after a specified volume has been purchased. The Corporation evaluates these options to determine whether they provide a material right to the customer, representing a separate performance obligation. If the option provides a material right to the customer, revenue is allocated to these rights and deferred; subsequently the revenue is recognized when those future goods or services are transferred, or when the option expires. Some contracts offer volume based rebates or discounts on optional purchases that are applied retrospectively and evaluates these options to determine if they are considered variable consideration because the final transaction price is unknown until the Company completes (or fails to complete) the specified volume of purchases.

Other income

Other income includes amounts recognized from time to time related to acquisitions of the Corporation, including adjustments to vendor promissory notes for contingent consideration.

3. Material accounting policies (continued):

(e) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(f) Property, plant and equipment:

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

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

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation’s borrowings. Qualifying assets are considered to be those that take in excess of nine months to construct.

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

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

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

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

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use. Certain of the Corporation’s subsidiaries calculate depreciation using the diminishing balance method.

3. Material accounting policies (continued):

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

The estimated useful lives are as follows:

	Years
Buildings and leasehold improvements	5 - 60
Distribution equipment	15 - 60
Other fixed assets	2 - 20

(g) Intangible assets and goodwill:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated 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. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are:

	Years
Computer software	3 - 7
Customer contracts	5 -25
Contract backlog	1 - 3
Brand	indefinite

Goodwill arising on the acquisition of subsidiaries is subsequently measured at cost less accumulated impairment losses as described in note 3(h)(ii).

(h) Impairment:

(i) Financial assets measured at amortized cost:

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

3. Material accounting policies (continued):

(h) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, irrespective of whether there is any indication of impairment, the Corporation is required to test intangible assets with an indefinite life and goodwill for impairment at least annually.

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

For the regulated business, the carrying costs of most of the Corporation's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding construction in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

3. Material accounting policies (continued):

(i) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on certain customer deposits. Deposits are also received for planned chargeable work. No interest is paid on these deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(j) Provisions:

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

(k) Regulatory balances:

The Corporation elected to apply the requirements of IFRS 14, effective December 31, 2015.

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the amounts are returned to the customer at rates approved by the OEB the amounts are recognized as a reduction of revenue.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

3. Material accounting policies (continued):

(l) Post-employment benefits:

(i) Pension plan:

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

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

The Corporation provides a defined contribution pension plan for its full time employees who are not a part of OMERS. Obligations for contributions to this defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due.

(ii) The Corporation provides a defined contribution pension plan for all eligible employees of certain subsidiaries through a plan administrator. The plan is financed by equal contributions from the subsidiary and its employees, and by the investment earnings of the plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due. All contributions are settled within twelve months of the reporting date.

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

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

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management’s best estimate of certain underlying assumptions. Re-measurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

3. Material accounting policies (continued):

(m) Leased assets:

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation’s incremental borrowing rate.

The lease liability is 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 Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

3. Material accounting policies (continued):

(n) Finance income and finance costs:

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

Finance costs comprise interest expense on borrowings, finance lease obligations and net interest expense on post-employment benefits and interest on customer deposits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(o) Assets held-for-sale:

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

(p) Share capital:

Incremental costs directly attributable to the issuance of ordinary shares are recognized as a reduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12, which permits the Corporation to recognize the related tax impact of share issuance costs also within equity.

(q) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk. The Corporation’s promissory note payable requires the measurement of fair value (see note 2(d)(iii)). When one is available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(in thousands of dollars)

3. Material accounting policies (continued):

(r) Income taxes:

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

The Corporation and some of its subsidiaries are exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the “Tax Acts”). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (“OEFC”). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Payments in lieu of taxes and payments under the Tax Acts are collectively referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. Cash and cash equivalents:

	2023	2022
Bank balances	$ 58,369	$ 42,288
Bank overdrafts used for cash management purposes	(3,467)	(8,590)
Cash and cash equivalents	$ 54,902	$ 33,698

(in thousands of dollars)

5. Accounts receivable:

	2023	2022
Trade receivables	$ 105,122	$ 82,502
Billed energy receivable	18,441	16,095
Unbilled revenue	68,802	77,111
HST receivable	807	984
Less: loss allowance	(7,372)	(4,889)
	$ 185,800	$ 171,803

6. Materials and supplies:

The amount written down due to obsolescence in 2023 was $494 (2022 - $917). The amount of inventories consumed by the Corporation and recognized as an expense during 2023 was $68,895 (2022 - $73,622) and is included in operating expenses.

(in thousands of dollars)

7. Finance leases:

	Land and buildings	Equipment	Total
Right-of-use assets			
Cost			
Balance at January 1, 2023	$ 25,237	$ 3,900	$ 29,137
Additions	3,323	5,129	8,452
Remeasurements	1,038	–	1,038
Disposals/retirements	(123)	(44)	(167)
Balance at December 31, 2023	$ 29,475	$ 8,985	$ 38,460
Right-of-use assets			
Cost			
Balance at January 1, 2022	$ 25,388	$ 2,510	$ 27,898
Additions	866	1,390	2,256
Remeasurements	806	–	806
Disposals/retirements	(1,823)	–	(1,823)
Balance at December 31, 2022	$ 25,237	$ 3,900	$ 29,137
Accumulated depreciation			
Balance at January 1, 2023	$ 6,032	$ 654	$ 6,686
Depreciation	2,269	1,831	4,100
Disposals/retirements	(71)	(32)	(103)
Balance at December 31, 2023	$ 8,230	$ 2,453	$ 10,683
Accumulated depreciation			
Balance at January 1, 2022	$ 4,785	$ 187	$ 4,972
Depreciation	2,242	467	2,709
Disposals/retirements	(995)	–	(995)
Balance at December 31, 2022	$ 6,032	$ 654	$ 6,686
Carrying amounts			
At December 31, 2023	$ 21,245	$ 6,532	$ 27,777
At December 31, 2022	$ 19,205	$ 3,246	$ 22,451
Finance lease liability			
Balance at January 1, 2023	$ 26,457	$ 2,332	$ 28,789
Additions	3,323	5,129	8,452
Remeasurement	1,038	–	1,038
Interest	1,355	218	1,573
Disposals/retirements	(3,481)	(3,166)	(6,647)
Balance at December 31, 2023	$ 28,692	$ 4,513	$ 33,205

(in thousands of dollars)

7. Finance leases (continued):

	Land and buildings	Equipment	Total
Balance at January 1, 2022	$ 27,471	$ 2,189	$ 29,660
Additions	866	1,390	2,256
Remeasurement	806	–	806
Interest	1,335	87	1,422
Disposals/retirements	(4,021)	(1,334)	(5,355)
Balance at December 31, 2022	$ 26,457	$ 2,332	$ 28,789

	Land and buildings	Equipment	Total
Carrying amounts			
At December 31, 2023	$ 28,692	$ 4,513	$ 33,205
At December 31, 2022	$ 26,457	$ 2,332	$ 28,789

Total cash outflows with respect to leasing arrangements during the year was $6,598 (2022 - $4,496) consisting of principal and interest of $5,025 and $1,573, respectively (2022 - $3,074 and $1,422).

The Corporation has lease commitments that expire within 12 months of the commencement date and are considered short-term in nature and thus not recognized as a right-of-use asset and corresponding finance lease liability. During the year, the Corporation expensed $4,111 (2022 - $3,283) in profit or loss.

The Corporation has several lease commitments for which the underlying asset value has been determined by the Corporation to be less than $5,000 USD. These assets have not been accounted for under IFRS 16 *Leases* due to their low value. As such, the Corporation has expensed $125 (2022 - $118) in profit or loss during the year for these leases.

Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for all contracts based on all available information as at the reporting date.

(in thousands of dollars)

8. Property, plant, and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2023	$ 19,893	$ 294,909	$110,825	$ 11,906	$ 437,533
Additions	768	33,036	8,954	1,435	44,193
Transfers	–	–	1,193	(1,193)	–
Disposals/retirements	–	(777)	(3,382)	(36)	(4,195)
Balance at December 31, 2023	$ 20,661	$ 327,168	$117,590	$ 12,112	$ 477,531

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Balance at January 1, 2022	$ 19,328	$ 275,955	$105,563	$ 7,738	$ 408,584
Additions	565	19,172	10,891	6,145	36,773
Transfers	–	–	503	(503)	–
Transfers to assets held-for-sale	–	–	(682)	(1,474)	(2,156)
Disposals/retirements	–	(218)	(1,445)	–	(1,663)
Impairment	–	–	(4,005)	–	(4,005)
Balance at December 31, 2022	$ 19,893	$ 294,909	$110,825	$ 11,906	$ 437,533

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Accumulated depreciation					
Balance at January 1, 2023	$ 4,547	$ 64,510	$ 52,721	$ –	$ 121,778
Depreciation	555	8,740	8,994	–	18,289
Disposals/retirements	–	(322)	(2,942)	–	(3,264)
Balance at December 31, 2023	$ 5,102	$ 72,928	$ 58,773	$ –	$ 136,803
Balance at January 1, 2022	$ 4,041	$ 56,002	$ 47,322	$ –	$ 107,365
Depreciation	506	8,602	9,063	–	18,171
Transfers to assets held-for-sale	–	–	(170)	–	(170)
Disposals/retirements	–	(94)	(660)	–	(754)
Impairment	–	–	(2,834)	–	(2,834)
Balance at December 31, 2022	$ 4,547	$ 64,510	$ 52,721	$ –	$ 121,778
Carrying amounts					
At December 31, 2023	$ 15,559	$ 254,240	$ 58,817	$ 12,112	$ 340,728
At December 31, 2022	$ 15,346	$ 230,399	$ 58,104	$ 11,906	$ 315,755

At December 31, 2023, PP&E with a carrying amount of $340,728 (2022 - $315,755) are subject to general security agreements within the operating entities.

During the year, no borrowing costs were capitalized as part of the cost of PP&E.

(in thousands of dollars)

8. Property, plant, and equipment (continued):

In 2022, management of the Corporation committed to a plan to sell two separate generation assets, one currently owned and in production and one currently in development. Accordingly, the generation assets have been presented separately as assets held for sale in the consolidated statement of financial position. The amount transferred to assets held for sale in 2022 is $1,986. The assets were sold in 2023 for a gain of $219.

In 2022, the Corporation recognized an impairment loss of $1,171 related to the write down of an unproductive landfill gas facility representing the fair value less costs to sell for components of the asset that are to be sold to a third party. The Corporation has recognized an estimated remediation obligation in the amount of $250.

9. Intangible assets:

	Contract backlog	Computer software	Customer contracts	Brand	Total
Cost or deemed cost					
Balance at January 1, 2023	$ 7,000	$ 9,233	$ 97,840	$ 18,713	$ 132,786
Additions	–	386	–	–	386
Balance at December 31, 2023	$ 7,000	$ 9,619	$ 97,840	$ 18,713	$ 133,172
Balance at January 1, 2022	$ 7,000	$ 8,732	$ 97,840	$ 18,713	$ 132,285
Additions	–	501	–	–	501
Acquired assets (note 4)	–	–	–	–	–
Balance at December 31, 2022	$ 7,000	$ 9,233	$ 97,840	$ 18,713	$ 132,786
Accumulated amortization					
Balance at January 1, 2023	$ 5,418	$ 8,137	$ 29,423	$ –	$ 42,978
Amortization	1,582	426	8,361	–	10,369
Balance at December 31, 2023	$ 7,000	$ 8,563	$ 37,784	$ –	$ 53,347
Balance at January 1, 2022	$ 1,692	$ 7,296	$ 20,866	$ –	$ 29,854
Amortization	3,726	841	8,557	–	13,124
Balance at December 31, 2022	$ 5,418	$ 8,137	$ 29,423	$ –	$ 42,978
Carrying amounts					
At December 31, 2023	$ –	$ 1,056	$ 60,056	$ 18,713	$ 79,825
At December 31, 2022	$ 1,582	$ 1,096	$ 68,417	$ 18,713	$ 89,808

During the year, an impairment loss of $3,723 (2022 - $nil) was recognized in profit and loss and recorded against goodwill of one CGU. The impairment analysis was based on a value in use premise using a discounted cash flow model. The factors giving rise to the impairment loss relate to lower than anticipated revenues from contracts when compared to the acquisition assumptions.

(in thousands of dollars)

10. Deferred revenue:

	Distribution assets	Construction in-Progress	Other	Total
Cost or deemed cost				
Balance at January 1, 2023	$ 60,936	$ 6,848	$ 3,476	$ 71,260
Additions	18,619	220	3,405	22,244
Disposals/retirements	–	–	–	–
Balance at December 31, 2023	$ 79,555	$ 7,068	$ 6,881	$ 93,504
Balance at January 1, 2022	$ 54,501	$ 3,235	$ 5,749	$ 63,485
Additions	6,435	3,613	3,444	13,492
Disposals/retirements	–	–	(5,717)	(5,717)
Balance at December 31, 2022	$ 60,936	$ 6,848	$ 3,476	$ 71,260
Accumulated depreciation				
Balance at January 1, 2023	$ 5,980	$ –	$ –	$ 5,980
Amortization	1,637	–	–	1,637
Disposals/retirements	–	–	–	–
Balance at December 31, 2023	$ 7,617	$ –	$ –	$ 7,617
Balance at January 1, 2022	$ 4,616	$ –	$ –	$ 4,616
Amortization	1,364	–	–	1,364
Disposals/retirements	–	–	–	–
Balance at December 31, 2022	$ 5,980	$ –	$ –	$ 5,980
Carrying amounts				
At December 31, 2023	$ 71,938	$ 7,068	$ 6,881	$ 85,887
At December 31, 2022	$ 54,956	$ 6,848	$ 3,476	$ 65,280

Deferred revenue relates mainly to capital contributions received from customers and others. The amount of deferred revenue received from customers during the year is $14,628 (2022 - $8,993). Deferred revenue is recognized as revenue on a straight-line basis over the life of the related asset for which the contribution was received. During the year, the Corporation also recognized non-cash contributions in the amount of $3,901 (2022 - $1,055).

11. Income tax expense (recovery):

Current tax expense

	2023	2022
Current year	$ 12,562	$ 2,330
Adjustment for prior years	330	(38)
	$ 12,892	$ 2,292

(in thousands of dollars)

11. Income tax expense (recovery) (continued):

Deferred tax expense (recovery)

	2023	2022
Origination and reversal of temporary differences	$ 1,494	$ (2,023)
Recognition of previously unrecognized tax losses	–	(103)
	$ 1,494	$ (2,126)

Income tax recovery of $181 (2022 – expense of $2,694) has been recognized in other comprehensive income at the Corporation's statutory income tax rate related to remeasurement of the Corporation's cash flow hedges and post-employment benefits.

Reconciliation of effective tax rate

	2023	2022
Income before taxes	$ 46,235	$ 7,810
Canada and Ontario statutory income tax rates		26.5%
		26.5%
Expected tax provision on income at statutory rates	12,252	2,070
Increase (decrease) in income taxes resulting from:		
Permanent differences	302	233
Prior year adjustments	(10)	(50)
Recognition of previously unrecognized tax losses	–	(103)
Promissory note	(1,697)	(1,885)
Remeasurement of put liability	2,650	–
Impairment of goodwill	987	–
Other	(98)	(99)
Income tax expense	$ 14,386	$ 166

Loss carry forwards of $3,826 (2022 - $8,786) expire in years 2032 to 2043.

(in thousands of dollars)

11. Income tax expense (recovery) (continued):

Components of the Corporation's deferred tax balances

	2023	2022
Deferred tax liabilities:		
Property, plant and equipment and intangibles	$ (42,561)	$ (41,771)
Unbilled revenue	(9,910)	(11,913)
Promissory note	(156)	(370)
Derivative assets	(1,345)	(1,995)
Other tax reserves	(222)	(238)
	$ (54,194)	$ (56,287)
Deferred tax assets:		
Property, plant and equipment and intangibles	$ 180	$ 150
Post-employment benefits	1,950	2,401
Loss carry forward	3,826	8,786
Minimum tax carry forward	737	1,340
Other tax reserves	2,448	1,096
Finance lease obligation	8,912	7,735
	$ 18,053	$ 21,508

12. Regulatory balances:

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for regulatory accounting treatment in accordance with IFRS 14 and the OEB's prescribed accounting procedures for electricity distributors.

The regulatory balances are comprised of regulatory debit variances of $15,182 (2022 - $20,232) and regulatory credit balances for $7,627 (2022 - $11,610) for a net regulatory asset of $7,555 (2022 – net regulatory asset of $8,622).

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points, with the exception of the tax balances. In 2023, the rate was 4.73% for the period January to March, 4.98% for the period April to June, 4.98% for the period July to September and 5.49% for the period October to December.

The regulatory balances for the Corporation consist of the following:

(a) Settlement variance:

These accounts includes the variances between amounts charged by the Corporation, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs incurred by the Corporation such as commodity charges, retail transmission rates and wholesale market services charges. The Corporation has deferred the variances and related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. This account also includes variances between the amounts approved for disposition by the OEB and the amounts collected or paid through OEB approved rate riders.

12. Regulatory balances (continued):

(a) Settlement variance (continued):

Settlement variances are reviewed annually as part of a COS or IRM Application submitted to the OEB and a request for disposition is made if the aggregate of the settlement accounts exceeds the OEB's prescribed materiality level.

In the Corporation's 2023 IRM application, submitted in August 2022, the Corporation requested and received OEB approval for the disposition of the 2021 audited balances including projected interest to December 31, 2022 in the amount of $4,760.

(b) Stranded meters:

The stranded meter account relates to the provincial government's directive to install smart meters for all Ontario customers by December 2010. In its 2014 cost of service application, the Corporation received approval from the OEB for the recovery of the stranded meter costs associated with the Province's smart meter initiative over a five-year period beginning on May 1, 2014 and ending on April 30, 2019.

Over the five-year period, Oakville Hydro collected $210 more than that approved by the OEB. This amount will remain in a variance account until the OEB approves the disposition of the balance at which time it will be returned to customers.

(c) Customer liability for deferred taxes:

The customer liability for deferred taxes variance account relates to the expected regulatory liability relating to deferred taxes arising from timing differences in the determination of income taxes.

(d) Lost revenue adjustment mechanism:

This deferral account includes the lost revenue adjustment variances in relation to the conservation and demand management ("CDM") programs or activities undertaken by the Corporation in accordance with OEB prescribed requirements (e.g. licence, codes and guidelines).

(e) Other:

These deferral accounts include the allowable costs associated with the OEB's Green Button initiative, the transition to IFRS, the installation of interval meters for General Service greater than 50 kilowatts, as directed by the OEB, the transition to monthly billing and other miscellaneous regulatory accounts.

(in thousands of dollars)

12. Regulatory balances (continued):

(e) Other (continued):

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	$ 15,407	$ (6,316)	$ 11	$ 9,102	1-3
Lost revenue adjustment mechanism	761	(761)	–	–	2
Other regulatory accounts	3,271	(396)	–	2,875	2
Customer liability for deferred taxes	793	2,412	–	3,205	*Note 1*
	$ 20,232	$ (5,061)	$ 11	$ 15,182	

Regulatory deferral account debit balances	January 1, 2022	Additions/ transfers	Recovery/ reversal	December 31, 2022	Remaining years
Settlement variances	$ 8,272	$ 8,060	$ (925)	$ 15,407	1-3
Lost revenue adjustment mechanism	309	975	(523)	761	2
Other regulatory accounts	2,958	313	–	3,271	2
Income tax	28	(28)	–	–	*Note 1*
Customer liability for deferred taxes	–	793	–	793	*Note 1*
	$ 11,567	$ 10,113	$ (1,448)	$ 20,232	

Regulatory deferral account credit balances	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	$ (4,992)	$ 2,859	$ 274	$ (1,859)	1-3
Stranded meters	–	761	(935)	(174)	–
Other regulatory liabilities	(210)	–	–	(210)	2
Income tax	(3,225)	640	–	(2,585)	*Note 1*
Customer liability for deferred taxes	(3,183)	384	–	(2,799)	*Note 1*
	$ (11,610)	$ 4,644	$ (661)	$ (7,627)	

Regulatory deferral account credit balances	January 1, 2022	Additions/ transfers	Recovery/ reversal	December 31, 2022	Remaining years
Settlement variances	$ (6,096)	$ 805	$ 299	$ (4,992)	1-3
Stranded meters	(210)	–	–	(210)	–
Other regulatory liabilities	(3,139)	(86)	–	(3,225)	2
Income tax	–	(3,183)	–	(3,183)	*Note 1*
Customer liability for deferred taxes	(2,408)	2,408	–	–	*Note 1*
	$ (11,853)	$ (56)	$ 299	$ (11,610)	

1. These balances will be recovered over the life of the related capital assets.

The "Additions/Transfers" column consists of new additions to regulatory balances (for both debits and credits). The "Recovery/Reversal" column consists of amounts collected or paid through rate riders or transactions reversing an existing regulatory balance. Recoveries and reversals occur as a result of the approval of an application. There were no reversals of regulatory balances for the year ended December 31, 2023.

(in thousands of dollars)

13. Accounts payable and accrued liabilities:

		2023		2022
Accounts payable – energy purchases	$	14,443	$	16,712
Trade payables		45,206		50,770
Rebate payable		2,440		328
Payroll payable		19,319		15,228
Interest payable		6,474		5,160
Water billing		7,488		6,871
HST payable		6,691		4,254
Other		5,223		5,837
	$	107,284	$	105,160

14. Long-term debt:

		2023		2022
Promissory notes – Town of Oakville	$	77,029	$	77,029
Promissory notes – Enbridge Sustainable Energy Solutions		23,750		–
Promissory notes – acquisitions		14,041		29,872
Secured bank loans		143,496		150,814
	$	258,316	$	257,715

(a) Promissory notes - Town of Oakville:

The Corporation has unsecured promissory notes held by The Corporation of the Town of Oakville in the amount of $77,029 (2022 - $77,029). The promissory notes were renewed effective February 2020, for a 10-year term and bear interest at a rate of 6% (2022 – 6%), payable annually no later than 30 days after the end of the fiscal year. Interest rates are reviewed annually. The Corporation of the Town of Oakville has the option to change the terms of the promissory notes with one year notice. The Corporation of the Town of Oakville and the Corporation have set the interest rates for 2024 at 6%.

(b) Promissory note - Enbridge Sustainable Energy Solutions Inc.:

The Corporation has an unsecured convertible promissory note held by Enbridge Sustainable Energy Solutions Inc. in the amount of $23,750. The promissory note was issued in December 2023 for a 38-year term, bears interest at a rate of 4.60% and is subordinated in favour of the Corporation's lender of the credit facilities entered into in June 2021 described below. The interest rate is to be reviewed July 2026 and every 5 years thereafter. The interest is payable annually. There are no repayment terms for the principle of the convertible promissory note. The promissory note is convertible at the option of the holder or the Corporation if certain conditions are met into 111 Class B common shares.

14. Long-term debt (continued)

(c) Promissory notes - acquisitions:

(i) As part of the acquisition of QSP Geographics Inc., the Corporation issued a vendor promissory note to the vendors in the amount of $3,750 less any adjustments to the purchase price. Beginning in 2022, the promissory note is repayable in three annual payments of $1,250 and bears interest at 4% per annum. The annual repayment amount is subject to a reduction if an EBITDA threshold is not achieved in the year of the required payment. As at December 31, 2023, the amount of the promissory note was $1,400 (2022 - $2,700), which includes interest payable in the amount of $150 (2022 - $200). The promissory note is secured by a guarantee from the Corporation and G-Tel Engineering Inc. and a General Security Agreement over the assets of the Corporation, subordinated to the bank. During the year, the Corporation made a payment of principal and interest in the amount of $1,350 (2022 - $1,300).

(ii) As part of the acquisition of EMB Management Ltd., the Corporation issued a vendor promissory note to the vendors in the amount of $1,400. The promissory note is repayable in two annual payments of $700 and bears interest at 4% per annum. The annual repayment amount is subject to a reduction if an EBITDA threshold is not achieved in the year of the required payment. During the year, the Corporation recognized a reduction in the promissory note in the amount of $700 (2022 - $70) as a result of the second annual EBITDA threshold adjustment, which is recorded in other income in the consolidated statement of comprehensive income. As at December 31, 2023, the amount of the promissory note was $nil (2022 - $750) which includes interest payable in the amount of $nil (2022 - $50). The promissory note is secured by a General Security Agreement over the assets of EMB Management Ltd., subordinated to the bank, and a guarantee by the Corporation. During the year, the Corporation made a payment of principal and interest in the amount of $nil (2022 - $655).

(iii) As part of the acquisition of DPM Energy Inc., the Corporation issued a vendor promissory note to the vendors in the amount of $4,500. The promissory note is repayable in three annual payments of $1,500 and bears interest at 5% per annum. The annual repayment amount is subject to a reduction if an EBITDA threshold is not achieved in the year of the required payment. During the year, the Corporation recognized a reduction in the promissory note in the amount of $2,500 (2022 - $938) as a result of the second annual EBITDA threshold adjustment, which is recorded in other income in the consolidated statement of comprehensive income. As at December 31, 2023, the amount of the promissory note was $878 (2022 - $3,526) which includes interest payable in the amount of $98 (2022 - $246). The promissory note is secured by a General Security Agreement over the assets of DPM Energy Inc., subordinated to the bank, and a guarantee by the Corporation. During the year, the Corporation made a payment of principal and interest in the amount of $nil (2022 - $295).

14. Long-term debt (continued)

(c) Promissory notes - acquisitions (continued):

(iv) As part of the acquisition of Trans Power Utility Contractors Inc., the Corporation issued a promissory note to the vendors in the amount of $30,000 repayable in three annual payments of $10,000 and bears interest at 5% per annum. The annual repayment amount is subject to a reduction if an EBITDA threshold, as defined in the share purchase agreement, is not achieved in the year of the required payment. The promissory note further provides for catch-up performance targets in year two and year three subject to EBITDA results. The annual promissory note entitlement, provided EBITDA targets are achieved, is due 15 days after agreement on the EBITDA threshold adjustment. As at December 31, 2023, the fair value of the promissory note was $12,011 (2022 - $21,790) plus interest of $1,524 (2022 - $1,602), which reflects the Corporation's determination of fair value as at December 31, 2023. During the year, the Corporation recognized a reduction in the promissory note in the amount of $3,061 (2022 - $5,710) as a result of the second annual EBITDA threshold adjustment, which is recorded in other income in the statement of comprehensive income. The promissory note is subject to a General Security Agreement, postponed and subordinated to the Corporation's term loan described below. The Corporation recognized accretion on the promissory note in the amount of $801 (2022 - $1,042) net of a recovery of accretion of $199 (2022 - $190) which is included in finance costs in the statement of comprehensive income. During the year, the Corporation made a payment of principal and interest in the amount of $7,596 (2022 - $nil).

(v) The Corporation, through its wholly owned subsidiary EMB Management Ltd., entered into a non-revolving six-year term loan in July 2019 in the amount of $68 bearing interest at 1.99% per annum. The outstanding balance at December 31, 2023 is $15 (2022 - $28). Repayment of the loan is monthly installments of $1 of principal and interest. The final installment of the loan is June 2025. The term loan is secured by way of collateral over the related vehicle asset for which financing was provided.

(d) Secured bank loans:

The Corporation, through its wholly owned subsidiary Trans Power Utility Contractors Inc. ("Trans Power"), entered into a five-year lending agreement in September 2021, that contained two facilities. The first facility is a revolving credit facility for general corporate purposes in the amount of $10,000. The terms of the revolving credit facility are further described in Note 27. The second facility is a non-revolving facility up to $40,000 that was executed to assist in the acquisition.

14. Long-term debt (continued)

(d) Secured bank loans (continued):

The terms of non-revolving facility are further described below.

Trans Power issued a term loan in September 2021 under the non-revolving facility by way of Banker's Acceptance ("BA") bearing interest at the BA rate plus an applicable spread. The BA rate is indexed to the Canadian Dollar Offered Rate ("CDOR") and the applicable spread is based on a sliding scale dependent on Trans Power's quarterly financial covenant. The outstanding balance as at December 31, 2023 is $26,666 (2022 - $32,381). The remaining amortization period of the loan is five years, amortized to August 2028. Trans Power elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. The remaining amortization period of the swap contract is five years which is equal to the remaining amortization period of the loan. Under the terms of the loan and swap contract, Trans Power Utility Contractors Inc. has contracted to pay interest at a fixed rate of 1.60% per annum while receiving a variable rate equivalent to the one-month CDOR plus the applicable spread. Repayment of the loan is in monthly installments of $476 of principal plus interest, maturing September 2026. The swap contract is recorded at fair value and is in a net favorable position of $1,339 (2022 - $2,031). The loan is secured by a General Security Agreement over the assets of Trans Power Utility and a limited guarantee provided by the Corporation.

The Corporation, through its wholly owned subsidiary Oakville Hydro Electricity Distribution Inc., entered into a non-revolving five-year term loan in November 2022, in the amount of $18,300, bearing interest at the BA rate plus a spread of 0.60%, whereby the BA rate is indexed to the CDOR. The outstanding balance at December 31, 2023 is $17,568 (2022 - $18,300). The remaining amortization period of the loan is 24 years, amortized to November 2047. Repayment of the loan is in monthly installments of $61 of principal plus interest, maturing November 2027. The lending agreement is secured by a General Security Agreement over the assets of Oakville Hydro Electricity Distribution Inc.

The Corporation, through its wholly owned subsidiary Sunny Shores Finance Co. Inc., entered into a non-revolving, three-year term loan in November 2022, in the amount of $25,900, bearing interest at the BA rate plus a spread of 1.23%, whereby the BA rate is indexed to the CDOR. The outstanding balance at December 31, 2023 is $23,478 (2022 - $25,714). The remaining amortization period of the loan is 11 years, amortized to June 2035. Repayment of the loan is in monthly installments of $186 of principal plus interest, maturing November 2025. The lending agreement is secured by a General Security Agreement over the assets and share capital of Sunny Shores Finance Co. Inc.

The Corporation, through its wholly owned subsidiary OEC Services Inc., entered into a non-revolving five-year term loan in December 2022, in the amount of $2,836 bearing interest at 5.70% per annum. The outstanding balance at December 31, 2023 is $2,311 (2022 - $2,836). Repayment of the loan is monthly installments of $54 of principal and interest, maturing December 2027. The term loan is secured by way of collateral over the related vehicle assets for which financing was provided.

14. Long-term debt (continued)

(d) Secured bank loans (continued):

The Corporation, through its wholly owned subsidiary OEC Services Inc., entered into a non-revolving five-year term loan in December 2023, in the amount of $1,715 bearing interest at 6.14% per annum. The outstanding balance at December 31, 2023 is $1,715. Repayment of the loan is monthly installments of $33 of principal and interest, maturing December 2028. The term loan is secured by way of collateral over the related vehicle assets for which financing was provided.

The Corporation entered into a three-year lending agreement in June 2021 that contained two facilities (collectively, the “credit facility”). The credit facility is secured by a General Security Agreement over the assets of the Corporation.

The first facility is a non-revolving facility up to $6,900 that was executed to extinguish the debt of two of its subsidiaries in favour of a consolidated lending agreement. The outstanding debt was transferred to the Corporation for the duration of the term of the subsidiaries’ loans remaining at June 23, 2021. As part of this facility, the Corporation executed two Novation confirmations with the lender. The first Novation confirmation was executed in June 2021, in the amount of $4,059 to recognize the transfer of debt previously held by the Corporation’s subsidiary 2590550 Ontario Inc. The second Novation confirmation was executed in June 2021, in the amount of $1,653 to recognize the transfer of debt previously held by the Corporation’s subsidiarity Teraflex Limited. The terms of transactions are further described below.

Loans issued under the non-revolving facility are as follows:

(i) The Corporation issued a term loan in June 2021, in the amount of $1,653, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $799 (2022 - $1,149). The remaining amortization period of the loan is three years, amortized to February 2026. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 3.19% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $32 of principal and interest, maturing June 2024. Amounts due at maturity have been reclassified a long-term debt under renewal in current liabilities as the Corporation intends to renew the financing agreement. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $15 (2022 – $31).

14. Long-term debt (continued)

(d) Secured bank loans (continued):

(ii) The Corporation issued a term loan in June 2021, in the amount of $4,059, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $3,542 (2022 - $3,755). The remaining amortization period of the loan is 13 years, amortized to December 2036. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 3.42% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $28 of principal and interest, June 2024. Amounts due at maturity have been reclassified a long-term debt under renewal in current liabilities as the Corporation intends to renew the financing agreement. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $165 (2022 – $267).

The second facility is a revolving credit facility for acquisitions and general corporate purposes in the amount of $50,000. The Corporation is now party to nine (2022 – eight) term loans with varying amortization periods. Eight of the Corporation's loans were drawn down on the revolving facility by way of a BA and bear interest at the BA rate plus a spread of 0.85%, whereby the BA rate is indexed to the CDOR. One of the Corporation's loans was drawn down on the revolving facility by way of a Benchmark Loan and bears interest at the Benchmark Loan rate plus a spread of 1.15%, whereby the Benchmark Loan rate is indexed to the Canadian Overnight Repo Rate Average ("CORRA"). Six (2022 – five) of the Corporation's newly issued term loans are subject to an interest rate swap agreement. The term of all swap contracts is equal to the term of the loan.

Subsequent to the Corporation's execution of the lending agreement described above, the Corporation executed a first amending agreement to increase the revolving facility from $50,000 to $100,000.

The loans outstanding as at December 31, 2023 total $67,401 (2022 - $66,651) and are held with a Canadian chartered bank with amortization dates between June 2024 and December 2033. The credit facility matures June 2024 and as such all amounts due at maturity have been reclassified a long-term debt under renewal in current liabilities as the Corporation intends to renew the financing agreement.

(iii) The Corporation issued a term loan in June 2021, in the amount of $7,500, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $5,800 (2022 - $6,493). The remaining amortization period of the loan is 8 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the term loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 2.54% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $71 of principal and interest, amortized to June 2031. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $358 (2022 - $511).

14. Long-term debt (continued)

(d) Secured bank loans (continued):

(iv) The Corporation issued a term loan in September 2021, in the amount of $53,225, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $41,997 (2022 - $46,925). The remaining amortization period of the loan is 8 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the term loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 2.41% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $500 of principal and interest, amortized to August 2031. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $2,821 (2022 - $4,002).

(v) The Corporation issued a term loan in September 2021, in the amount of $4,750, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $3,780 (2022 - $4,218). The remaining amortization period of the loan is 8 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the term loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 2.46% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $45 of principal and interest, amortized to September 2031. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $252 (2022 - $355).

(vi) The Corporation issued a term loan in September 2021, in the amount of $2,800, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $2,228 (2022 - $2,487). The remaining amortization period of the loan is 8 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the term loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 2.46% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $26 of principal and interest, amortized to September 2031. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $148 (2022 - $209).

(vii) The Corporation issued a term loan in September 2021, in the amount of $1,600, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $1,273 (2022 - $1,421). The remaining amortization period of the loan is 8 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the term loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 2.46% per annum while receiving a variable rate equivalent to the one-month BA CDOR plus a spread of 0.85%. Repayment of the loan is in monthly installments of $15 of principal and interest, amortized to September 2031. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $85 (2022 - $120).

(in thousands of dollars)

14. Long-term debt (continued)

(d) Secured bank loans (continued):

(viii) The Corporation issued a term loan in April 2022, in the amount of $1,000 bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $650 (2022 - $850). The remaining amortization period of the loan is 4 years. Repayment of the loan is in quarterly installments of $50 of principal plus interest charged monthly, amortized to March 2027.

(ix) The Corporation issued a term loan in June 2022, in the amount of $2,500, bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $2,500 (2022 - $2,500). Payments are quarterly and interest only. The loan matures June 2024.

(x) The Corporation issued a term loan in June 2022, in the amount of $1,850 bearing interest at the BA rate plus 0.85% per annum. The outstanding balance as at December 31, 2023 is $1,573 (2022 - $1,757). The remaining amortization period of the loan is 9 years. Repayment of the loan is in monthly installments of $15 of principal plus interest, amortized to June 2032.

(xi) The Corporation issued a term loan in December 2023, in the amount of $7,600, bearing interest at the Benchmark loan rate plus 1.15% per annum. The outstanding balance as at December 31, 2023 is $7,600. The remaining amortization period of the loan is 10 years. The Corporation elected to use a cash flow hedge (swap contract) to protect from changes in interest rates. Under the terms of the loan and swap contract, the Corporation has contracted to pay interest at a fixed rate of 4.59% per annum while receiving a variable rate equivalent to the one-month CORRA plus a spread of 1.15%. Repayment of the loan is in monthly installments of $79 of principal and interest, amortized to December 2033. The interest rate swap agreement is recorded at fair value and is in a net unfavorable position of $107.

(e) Repayment of long-term debt:

Repayment of long-term debt for the years ended December 31:

2024	$	95,315
2025		28,575
2026		16,910
2027		16,349
2028		387
Thereafter		100,780
		258,316
Current portion		95,315
	$	163,001

(in thousands of dollars)

15. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for some of its full-time employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. In 2023, the Corporation made employer contributions of $1,184 to OMERS (2022 - $1,097) which has been recognized in profit or loss. The Corporation estimates that a contribution of $1,890 to OMERS will be made during the next fiscal year.

(b) The Corporation provides a defined contribution pension plan for employees of certain subsidiaries with equal contributions by the employer and its employees. In 2023, the Corporation made contributions of $2,784 (2022 - $2,323).

(c) Post-employment benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and re-measurements recognized for post-employment benefit plans.

Reconciliation of the obligation		2023		2022
Defined benefit obligation, beginning of year	$	9,061	$	12,170
Included in profit or loss				
Current service cost		93		155
Interest cost		468		370
		9,622		12,695
Included in OCI				
Actuarial (gains) losses arising from:				
Changes in demographic assumptions		(378)		67
Changes in financial assumptions		(1,389)		(3,221)
		7,855		9,541
Benefits paid		(496)		(480)
Defined benefit obligation, end of year	$	7,359	$	9,061

Actuarial assumptions	2023	2022
Discount (interest) rate	4.80%	5.30%
Salary levels	3.00%	3.00%
Medical Costs%	5.72%	5.18%
Dental Costs	4.00%	4.00%

(in thousands of dollars)

15. Post-employment benefits (continued):

(c) Post-employment benefits other than pension (continued):

Medical costs are estimated to increase at a rate which declines over time from 5.20% per annum in 2023 to 4% by 2040.

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $840. A 1% decrease in the assumed discount rate would result in an increase of $1,035 to the defined benefit obligation.

16. Share capital:

		2023		2022
Authorized				
Unlimited Class A common shares				
Unlimited Class B common shares				
Issued:				
2,000 Class A common shares	$	63,024	$	63,024
111 Class B common shares		–		–

In August, 2022, the Corporation reclassified existing common shares to Class A common shares and increased the authorized capital of the Corporation by creating an additional class, Class B, of common shares. Class B common shares were authorized with the same rights and privileges as Class A common shares.

Class B common shares are classified within total liabilities. Further information is disclosed in note 17.

As a result of the share issuance in 2022, the Corporation recognized share issuance costs in the amount of $925 directly in equity, net of tax of $179 for a net adjustment in retained earnings of $746.

In August, 2022 the Corporation's shareholder approved the issuance of 222 Class B common shares at a price of $213.96 per share for total proceeds from share issuance of $47,500.

On December 20, 2023, 222 Class B were cancelled and replaced with 111 new Class B shares and a Convertible Promissory Note in the amount of $23,750 were issued (see Note 14). The new Class B shares have the same rights and privileges as the Class A common shares other than the declaration of dividends when the Convertible Promissory Note is outstanding.

Dividends

The holders of both classes of common shares are entitled to receive dividends from time to time. Dividends declared can be different between the Class A and Class B shares when the Convertible Promissory Note is outstanding.

(in thousands of dollars)

16. Share capital (continued):

The Corporation paid aggregate dividends during the year on the Class A common shares at $3.05 per share (2022 - $3.05), which amount to total dividends paid in the year of $6,100 (2022 - $6,100).

17. Class B Common Shares:

As part of the terms of the Unanimous Shareholders Agreement, the Corporation provided the subscribed 111 Class B common shares a right to put the shares back to the Corporation in exchange for fair market value no earlier than August, 2027. This right does not expire until such time that the subscriber of the 111 Class B common shares has either increased their investment in the Corporation beyond 10% or upon delivering three put notices. As the convertible promissory note is convertible into Class B shares, the Company has evaluated the right of both financial instruments. As at December 31, 2023, the Corporation has valued the right at $57,500 (2022 - $47,500) and has recorded obligation accordingly in non-current liabilities with $33,750 in Class B common share and $23,750 in long-term debt in the consolidated statement of financial position (see note 27).

18. Accumulated other comprehensive (loss) income:

		Remeasurements of post-employment benefits		Remeasurement of cash flow hedge		Total
Balance at January 1, 2022	$	(2,081)	$	381	$	(1,700)
Remeasurement of post-employment benefits, net of tax		2,318		–		2,318
Remeasurement of cash flow hedge, net of tax		–		5,152		5,152
Balance at December 31, 2022	$	237	$	5,533	$	5,770
Balance at January 1, 2023		237		5,533		5,770
Remeasurement of post-employment benefits, net of tax		1,299		–		1,299
Remeasurement of cash flow hedge, net of tax		–		(1,801)		(1,801)
Balance at December 31, 2023	$	1,536	$	3,732	$	5,268

(in thousands of dollars)

19. Revenue from contracts with customers and other sources:

		2023		2022
Revenue from contracts with customers:				
Energy sales	$	216,309	$	203,934
Locating and leak survey		124,530		80,660
Electricity distribution		48,086		43,724
Construction and design services		283,181		246,308
Streetlight maintenance		583		300
Region water billing		2,444		2,439
Meter services		10,067		9,100
Other		2,096		1,503
		687,296		587,968
Revenue from other sources:				
Amortization of deferred revenue		1,637		1,364
Government assistance – CEWS/CERS (note 26)		–		245
Other		1,724		1,328
	$	690,657	$	590,905

The following table disaggregates revenues from contracts with customers by type of customer:

		2023		2022
Revenue from contracts with customers:				
Residential	$	107,385	$	101,126
Commercial		110,316		109,413
Large users		20,590		19,295
Other		449,005		358,134
	$	687,296	$	587,968

20. Other income:

During the year, the Corporation recognized other income in the amount of $6,261 (2022 - $7,225) related to reductions in vendor promissory notes. The reductions in vendor promissory notes are a result of annual EBITDA threshold adjustments and reduce the annual repayment amounts to vendors (see note 14). These vendor promissory notes form part of the total consideration paid by the Corporation and are treated as contingent consideration. Subsequent adjustments to contingent consideration are recognized in the year they are realized in the consolidated statement of comprehensive income.

(in thousands of dollars)

20. Other income (continued):

A summary of reductions in vendor promissory notes by acquisition is as follows:

	2023	2022
Trans Power Utility Contractors Inc.	$ 3,061	$ 5,710
DPM Energy Inc.	2,500	938
EMB Management Ltd.	700	70
	$ 6,261	$ 6,718

21. Employee salaries and benefits:

	2023	2022
Salaries, wages and benefits	$ 204,967	$ 169,625
CPP and EI remittances	8,368	8,280
Contributions to OMERS	1,184	1,097
Contribution to pension plans	2,784	2,323
Employee future benefits	93	155
	$ 217,396	$ 181,480

22. Operating expenses:

	2023	2022
Contract/consulting	$ 66,597	$ 49,618
Materials and supplies	69,593	74,153
Vehicles	16,066	16,986
Write down of material and supplies	494	917
Loss allowance	2,886	2,323
Property and occupancy	4,089	3,791
Impairment loss on PP&E	–	1,171
Air and travel	3,107	2,505
Other	7,941	6,378
	$ 170,773	$ 157,842

(in thousands of dollars)

23. Finance income and costs:

	2023	2022
Finance income		
Interest income on bank deposits	$ 1,877	$ 1,112
Interest income on regulatory	–	326
	1,877	1,438
Finance costs		
Interest expense on long-term debt	10,604	10,937
Interest expense on finance lease obligations	1,573	1,422
Administrative penalty on Infrastructure Ontario debt	–	761
Accretion expense on promissory note	800	899
Interest expense on customer deposits	168	54
Net interest expense on post-employment benefits	468	370
Interest expense on regulatory	–	274
Other	74	262
	13,687	14,979
Net finance costs recognized in profit or loss	$ 11,810	$ 13,541

24. Commitments and contingencies:

Contractual Obligations

General

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

General Liability Insurance

The Corporation and its subsidiaries are members of the Municipal Electric Association Reciprocal Insurance Exchange (“MEARIE”). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2023, no assessments have been made.

(in thousands of dollars)

25. Related party transactions:

(a) Transactions with majority shareholder:

The majority shareholder of the Corporation is The Corporation of the Town of Oakville. The Town of Oakville produces consolidated financial statements that are available for public use.

The following summarizes the Corporation's related party transactions recorded at the exchange amount and balances with the Town of Oakville for the year ended December 31:

	2023	2022
Amounts due to:		
Promissory notes	$ 77,029	$ 77,029
Finance lease	17,742	17,441
Interest on promissory notes	4,622	4,622
Accounts payable	52	341
Amounts due from:		
Energy receivable	476	503
Accounts receivable	1,023	1,334
***Transactions*:**		
Revenue:		
Energy sales	6,521	7,403
Construction/locating	1,883	1,875
Rent	158	149
Streetlight conversion and maintenance	363	114
Expenses:		
Interest on promissory notes	4,622	4,622
Interest on finance lease	1,004	985
Garage services	408	400
Property taxes	574	560
Tree trimming	489	539
Other	13	22

The Corporation delivers electricity to the Town of Oakville throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Town, including streetlight maintenance services, construction, locating and sentinel lights.

(in thousands of dollars)

25. Related party transactions (continued)

(b) Transactions with minority shareholder:

The Corporation's minority shareholder, Enbridge Sustainable Energy Solutions Inc., is a wholly owned subsidiary of Enbridge Inc. (collectively, "Enbridge"). The Corporation regularly provides services to Enbridge in the normal course of business for various services provided by the Corporation and the Corporation's subsidiaries.

The following summarizes the Corporation's related party transactions recorded at the exchange amount and balances with Enbridge for the year ended December 31:

		2023		2022
Amounts due from:				
Accounts receivable	$	11,612	$	10,428
Amounts due to:				
Accounts payable		1,223		32
***Transactions*:**				
Revenue:				
Construction		7,733		7,370
Locating services		50,031		35,814
Engineering and design		9,577		10,918
Expenses:				
Debt placement fee		384		–
Other		89		–

Enbridge also delivers natural gas services to the Corporation and its subsidiaries throughout the year for utility needs. Charges from Enbridge to the Corporation are at prices and under terms approved by the OEB.

(c) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

		2023		2022
Directors' fees	$	223	$	208
Salaries, bonuses and other short-term benefits		4,284		4,494
	$	4,507	$	4,702

26. Government assistance:

During the year, the Corporation received $nil (2022 - $957) of government assistance recognized in other income related to the Federal Government's Canada Emergency Wage Subsidy program ("CEWS program"), which provided employers with relief for wages up to a prescribed maximum amount per claim period based on decline in revenue. The CEWS program was directly related to the COVID-19 pandemic. The Corporation has determined that was an eligible entity under the criteria of the CEWS program and recognized the claim periods for which the Corporation determined it was eligible based on the decline in service revenue. As at December 31, 2023, $nil (2022 - $nil) was recognized as a receivable for claims submitted to the Federal Government not yet received.

27. Financial instruments and risk management:

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Fair value of the secured bank loans approximates their cost since they bear interest at a variable rate.

The fair value of the notes payable to the Town of Oakville held by the Corporation's regulated subsidiary of the Corporation is estimated at $72,905 (2022 - $73,000) using a discount rate of 4.75% (2022 - 4.85%). The fair value of notes payable to the Town of Oakville held by the Corporation is estimated at $9,732 (2022 - $9,700) using a discount rate of 4.9% (2022 - 4.85%).

The fair value of the notes payable as part of the acquisition of EMB Management Ltd., DPM Energy Inc. and QSP Geographics is estimated at $2,212 (2022 - $6,695) using a discount rate of 6.05% (2022 – range of 4.25% to 4.75%). These discount rates are determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

The promissory note under the Trans Power Utility Contractors Inc. acquisition requires a Level 3 measurement technique. The Corporation uses a discounted cash flow approach to value the promissory note. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. Significant unobservable inputs include the expected future cash flows and the risk-adjusted discount rate. Estimated earnout payments include projections for the Corporation's EBITDA targets in 2023 and 2024, along with interest owing to the vendors in the amount of 5% per annum, including a mechanism to provide for a cumulative catch-up adjustment over the three-year earnout period following acquisition. The fair value of the promissory note including interest is estimated at $13,535 (2022 - $23,392). The risk adjusted discount rate used in the valuation is 9.5% (2022 – 10.2%). The net change in the fair value during the year is $11,381, consisting of the year two payment of $7,600 and principal and accretion adjustments (see note 14).

27. Financial instruments and risk management (continued):

Fair value disclosure (continued)

Undiscounted future cash flows total $13,000, excluding $1,650 related to expected interest earned on payments.

The estimated payments include relevant budgets set and approved for the upcoming earnout period, as well as forecasts on anticipated results. A 10% increase (decrease) in the expected cash flows of the promissory note payable would result in a $1,261 increase (decrease) to the fair value which would be adjusted through profit or loss. A 1% increase (decrease) in the discount would result in a $107 decrease ($109 increase) to the fair value which would be adjusted through profit or loss.

The put option on the issued Class B common shares requires a Level 3 measurement technique. The Corporation uses a market approach to value the overall corporation. The regulated subsidiary has been valued using a rate-base multiple approach, while the non-regulated entities have been valued on a combined basis, using an EBITDA multiple approach. Net debt is then deducted from the resulting total enterprise value of the consolidated corporation, to arrive at a consolidated equity value. Significant unobservable inputs include the market EBITDA multiple for the non-regulated entities, and the market rate-base multiple for the regulated entity, which is based on comparable data for similar sized companies to the Corporation’s regulated and non-regulated entities.

The Corporation also considers ranges based on appropriate multiples for similar industry transactions and market knowledge. The Corporation has used a multiple on the regulated subsidiary of approximately 1.9X calculated rate base, which is an industry approved calculation for regulatory purposes. The Corporation has used a multiple on EBITDA of approximately 9.0X based on recent market data for sales and acquisitions.

Financial risks

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

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Province of Ontario. No single customer accounts for a balance in excess of 10% of total accounts receivable. The Corporation’s credit risk associated with accounts receivable is primarily related to payments from its customers for services rendered.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2023 is $7,372 (2022 - $4,889). An impairment loss of $2,886 (2022 - $2,323) was recognized during the year.

27. Financial instruments and risk management (continued):

Financial risks (continued)

(a) Credit risk (continued):

The Corporation's credit risk associated with accounts receivable through its regulated subsidiary Oakville Hydro Electricity Distribution Inc. is primarily related to payments from distribution customers. At December 31, 2023, approximately $3,018 (2022 - $3,035) is considered 60 days past due with an allowance for impairment of $2,133 (2022 - $1,207). The Corporation has over 77 thousand customers, the majority of whom are residential. Credit risk for electricity distribution is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2023, the Corporation holds security deposits in the amount of $15,130 (2022 - $11,691). Other businesses manage the credit risk through a variety of methods including credit check, active credit collection and where possible direct withdrawals from accounts. Accounts receivable relating to these businesses is $129,653 (2022 - $127,840) with an allowance for impairment of $5,239 (2022 - $3,682).

(b) Market risk:

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

Through its subsidiary, the Corporation has entered into interest rate swap arrangements (see Note 14) with its lender that exchanges the floating interest rate for a fixed interest rate for the entire term of its contract in order to hedge its exposure to interest rate risk.

(c) Liquidity risk:

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 revolving credit facility totaling $100,000 and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2023, $67,401 (2022 - $66,651) had been drawn under the Corporation's $100,000 revolving credit facility. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due.

The Corporation's wholly owned subsidiary Oakville Hydro Electricity Distribution Inc. has access to a $35,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2023, $nil (2022 - $nil) had been drawn under the Corporation's $35,000 credit facility.

27. Financial instruments and risk management (continued):

Financial risks (continued)

(c) Liquidity risk (continued):

Oakville Hydro Electricity Distribution Inc. also has a facility for $16,000 (the “LC” facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $14,921 (2022 - $14,921) has been drawn.

The Corporation, through its wholly owned subsidiary, Trans Power Utility Contractors Inc., has access to a $10,000 credit facility bearing interest at prime plus varying spreads depending on the quarterly financial covenant under the credit facility and monitors cash balances to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2023, $nil (2022 - $4,453) had been drawn under the Corporation’s credit facility.

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

(d) Capital disclosures:

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

The Corporation’s definition of capital includes shareholder’s equity, finance leases and long-term debt. As at December 31, 2023, shareholder’s equity amounts to $195,896 (2022 - $171,762) and finance leases and long-term debt amounts to $325,271 (2022 - $334,005).

28. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to profit or loss or equity as result of reclassification.