Consolidated Financial Statements of
ELEXICON CORPORATION
And Independent Auditor's Report thereon

Year ended December 31, 2024

elexicon
CORP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Elexicon Corporation

Opinion

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

- the consolidated balance sheet as at December 31, 2024
- the consolidated statement of income and 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 policy information

(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, 2024, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Management's Discussion and Analysis as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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

Toronto, Canada

March 27, 2025

(In thousands of dollars)

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

	Notes	2024	2023
Assets			
Current assets:			
Cash		$ 4,196	$ 3,806
Accounts receivable	4, 13, 24(c)	106,439	97,658
Materials and supplies		10,800	12,403
Income taxes recoverable		175	362
Prepaid expenses		2,704	2,425
Total current assets		124,314	116,654
Non-current assets:			
Property, plant and equipment	5, 23	702,819	648,000
Intangible assets	6, 23	18,874	8,379
Goodwill	3(g), 6	64,348	64,348
Other assets		701	708
Total non-current assets		786,742	721,435
Total assets		911,056	838,089
Regulatory balances	7	53,757	56,310
Total assets and regulatory balances		$964,813	$894,399
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	9	$ 77,928	$ 60,967
Short-term debt	10	94,332	89,132
Deferred revenue	11	3,397	5,179
Deferred contributions	15	4,441	3,836
Deposits and developer obligations	12	13,458	16,702
Long-term debt	14	2	2
Other liabilities	20	95	124
Total current liabilities		193,653	175,942
Non-current liabilities:			
Long-term debt	10, 14	283,463	253,465
Deferred contributions	15	180,677	159,354
Employee future benefits	16	6,389	6,355

(In thousands of dollars)

Unrealized loss on interest rate swap derivatives	24(e)	12,289	11,081
Deferred tax liabilities	8	19,085	19,842
Other liabilities	20	115	210
Total non-current liabilities		502,018	450,307
Total liabilities		695,671	626,249
Shareholders' equity:			
Share capital	17	97,692	97,692
Contributed capital		25	25
Contributed surplus		79,301	79,301
Accumulated other comprehensive income		2,420	2,511
Retained earnings		75,025	77,239
Total shareholders' equity		254,463	256,768
Total liabilities and shareholders' equity		950,134	883,017
Regulatory balances	7	14,679	11,382
Total liabilities, shareholder's equity and regulatory balances		$964,813	$894,399

Commitments and contingencies (Notes 10, 18, 19)

Subsequent events (Note 13(c))

On behalf of the Board:

Chair, Board of Directors

Chair, Audit and Risk Management Committee

(In thousands of dollars)

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

	Notes	2024	2023
Revenues:			
Commodity revenue	21	$ 464,462	$ 421,522
Distribution revenue	21	100,500	97,459
Other income	21	10,929	9,945
		575,891	528,926
Expenses:			
Commodity cost		454,320	412,905
Operating and maintenance	22	22,802	17,726
Administration	22	43,905	39,751
Depreciation and amortization		27,337	26,021
		548,364	496,403
Finance costs	14	(15,294)	(15,375)
Unrealized loss on interest rate swap derivatives		(1,208)	(11,081)
		(16,502)	(26,456)
Income before income taxes		11,025	6,067
Income tax recovery (expense)	8	458	(1,828)
Net income		11,483	4,239
Net movements in regulatory balances, net of tax:	7		
Net movements in regulatory balances		(3,409)	(9,088)
Income tax on net movements in regulatory balances		(2,441)	5,473
		(5,850)	(3,615)
Net income after net movements in regulatory balances		5,633	624
Other comprehensive loss, net of tax:			
Remeasurements of employee future benefits		(91)	(619)
Total comprehensive income		$ 5,542	$ 5

See accompanying notes to the consolidated financial statements.

(In thousands of dollars)

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

	Balance, December 31, 2023	Net income after net movements in regulatory balances	Other comprehensive loss	Dividends paid	Balance, December 31, 2024
Share capital	$ 97,692	$ –	$ –	$ –	$ 97,692
Contributed capital	25	–	–	–	25
Contributed surplus	79,301	–	–	–	79,301
Accumulated other comprehensive income (loss)	2,511	–	(91)	–	2,420
Retained earnings	122,437	5,633	–	–	128,070
Dividends	(45,198)	–	–	(7,847)	(53,045)
Total equity	$ 256,768	$ 5,633	$ (91)	$ (7,847)	$ 254,463

	Balance, December 31, 2022	Net income after net movements in regulatory balances	Other comprehensive loss	Dividends paid	Balance, December 31, 2023
Share capital	$ 97,692	$ –	$ –	$ –	$ 97,692
Contributed capital	25	–	–	–	25
Contributed surplus	79,301	–	–	–	79,301
Accumulated other comprehensive income (loss)	3,130	–	(619)	–	2,511
Retained earnings	121,813	624	–	–	122,437
Dividends	(39,083)	–	–	(6,115)	(45,198)
Total equity	$ 262,878	$ 624	$ (619)	$ (6,115)	$ 256,768

See accompanying notes to the consolidated financial statements.

(In thousands of dollars)

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

	Notes	2024	2023
Cash provided by (used in):			
Operating activities:			
Net income after net movements in regulatory balances		$ 5,633	$ 624
Net movements in regulatory balances		5,850	3,615
Adjustments:			
Depreciation and amortization		27,337	26,021
Amortization of deferred contributions		(3,400)	(2,936)
Loss on disposal/retirement of property, plant and equipment		1,950	3,255
Employee future benefits		(57)	(79)
Unrealized loss on interest rate swap derivatives		1,208	11,081
Realized gain on interest rate swap derivatives		–	(694)
Finance income		(520)	(397)
Finance costs		15,814	15,772
Income tax expense		(458)	1,828
Other		(879)	54
Capital contributions received		25,445	39,846
Deposits and developer obligations	12	(3,244)	(1,799)
Income taxes paid		(473)	(839)
Income taxes recovered		362	–
		74,568	95,352
Changes in operating working capital	23	(4,015)	(14,016)
Net cash provided by operating activities		70,553	81,336
Financing activities:			
Interest received		520	397
Repayment of short-term debt		–	(22,500)
Repayment of long-term debt		(2)	(927)
Proceeds from short-term debt		5,200	–
Proceeds from long-term debt		30,000	53,000
Proceeds from settlement on interest rate swap derivatives		–	3,529
Dividends paid	18	(7,847)	(6,115)
Interest paid		(15,814)	(15,772)
Net cash provided by financing activities		12,057	11,612
Investing activities:			
Additions to property, plant and equipment	23	(77,364)	(89,444)
Additions to intangible assets	23	(5,043)	(3,839)

(In thousands of dollars)

Proceeds from disposal of property, plant and equipment		177	428
Investment in joint venture	13(a)	10	10
Net cash used in investing activities		(82,220)	(92,845)
Increase in cash		390	103
Cash, beginning of year		3,806	3,703
Cash, end of year		$ 4,196	$ 3,806

See accompanying notes to the consolidated financial statements.

Elexicon Corporation (the "Corporation") was incorporated on April 1, 2019 under the Business Corporations Act (Ontario) by amalgamation of the former entities: Veridian Corporation ("Veridian") and Whitby Hydro Energy Corporation ("Whitby Hydro"). The Corporation was formed to conduct electricity distribution and non-regulated utility service ventures through its subsidiaries. The Corporation's non-regulated ventures include: solar electricity generation facilities and systems, energy management and procurement consulting services, as well as combined heat and power solutions. The Corporation's registered office is located at 55 Taunton Road East, Ajax, Ontario L1T 3V3.

1. Basis of preparation:

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the accounts of the Corporation and its subsidiaries, Elexicon Energy Inc. ("EE") and Elexicon Group Inc. ("EG") from the date that control commences until the date that control ceases. The Corporation controls a subsidiary if it is exposed, or has rights, to variable returns from its investment in the subsidiary and has the ability to affect those returns through its power over the subsidiary.

All intercompany accounts and transactions have been eliminated on consolidation.

The Corporation has evaluated the events and transactions after the consolidated balance sheet date through March 27, 2025 when the Corporation's consolidated financial statements were authorized for issuance by the Corporation's Board of Directors and identified the events and transactions which required recognition in the consolidated financial statements and/or disclosure in these notes to the consolidated financial statements (note 18).

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for employee future benefits and certain financial instruments that are measured at fair value.

1. Basis of preparation (continued):

(d) Use of judgements and estimates:

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions: within reasonable limits of materiality and within the framework of the material accounting policies, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Due to inherent uncertainty involved in making such estimates, actual results reported in future years could differ from those estimates recorded in preparing these consolidated financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following financial notes:

(i) Note 3(b)(i) - recognition and measurement of unbilled revenue; and

(ii) Note 3(b)(i) and note 24(c) - expected credit losses.

Management is required to make significant judgments in the area of:

(i) Note 3(e), (f) - determination of useful lives of property, plant and equipment (PP&E) and intangible assets;

(ii) Note 2, 3(b)(i) and note 7 - recognition and measurement of regulatory balances;

(iii) Note 3(k)(ii), (iii) and note 16 - measurement of employee future benefits: key actuarial assumptions;

(iv) Note 3(m) - recognition and measurement of provisions and contingencies; and

(v) Note 3(l) and note 8 - recognition of deferred tax assets - availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used.

Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors that are considered to be relevant.

2. Regulated environment:

EE is an electricity distributor licensed by the OEB. It is regulated by the OEB under authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or setting rates for the distribution of electricity and the responsibility of ensuring that distribution companies fulfill obligations to connect and service customers.

Electricity distribution rates:

Electricity distribution rates include both fixed monthly rates per customer and variable rates per kWh usage or kW demand. These distribution rates are subject to regulation by the OEB.

The OEB's regulatory framework for electricity distributors is designed to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

Revenue requirement is typically established during a Cost of Service ("COS") rate application. Due to the merger between Veridian Connections and Whitby Hydro on April 1, 2019, Elexicon is currently in a 10-year deferred rebasing period.

Between COS applications, the OEB regulates electricity rates for distributors through two different rate setting options: Price Cap Incentive Rate-setting ("Price Cap IR") and Annual IR Index. These incentive rate-setting mechanisms establish rates for a given year by mechanistically adjusting the prior year's rates to account for inflationary changes reduced by an amount to incent productivity. EE has two distinct rate zones for Veridian and Whitby with the rate year effective January 1 and follows the Price Cap IR rate setting option.

Prior to the merger, Veridian Connections Inc. filed a COS application in October 2013 for rates effective May 1, 2014. Whitby Hydro Electric Corporation filed a COS in January 2010 for rates effective May 1, 2010, and, through settlement, received approval for rates effective January 1, 2011. Pursuant to the completion of amalgamation on April 1, 2019 after receiving OEB approval, the Corporation intends to defer a COS rate application for a period of up to 10 years from the date of the merger closing.

2. Regulated environment (continued):

In December 2022, the OEB approved annual IRM rate applications under the Price Cap IR process for both Veridian and Whitby rate zones for changes to distribution rates effective January 1, 2023. EE had also applied for Incremental Capital Module ("ICM") funding for its Whitby Smart Grid ("Smart Grid") Project and Sustainable Brooklin Project.
In June 2023, the OEB approved recovery of $4,100 in restoration costs associated with a major windstorm that occurred within EE's service territory on May 21, 2022.
In July 2023, the OEB approved $8,800 in ICM funding for 2025 for the proposed Smart Grid Project. The OEB's funding approval is contingent on Natural Resources Canada funding of $4,000 which in turn requires project completion by March 31, 2025.
In December 2024, the OEB approved annual IRM applications under the Price Cap IR process for both rate zones for changes to distribution rates effective January 1, 2025.

3. Material accounting policies:

(a) Regulatory balances:

On January 30, 2014, the IASB issued an interim standard, IFRS 14, Regulatory Deferral Accounts ("IFRS 14") to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. IFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the prices that an entity can charge to customers for rate regulated goods or services.

These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Corporation's balance sheet, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

The Corporation regulatory debit balances represent certain amounts receivable from customers or future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Corporation has recorded regulatory credit balances, which represent obligations that are expected to be refunded to customers or future customers.

3. Material accounting policies (continued):

(b) Revenue recognition:

(i) Electricity distribution and sale:

Revenue from the sale of electricity is recognized over time as the performance obligations are satisfied as the electricity is transferred to the customer. The value is determined on the basis of cyclical meter readings plus the estimated customer usage since the last meter reading date to the end of the year.

Revenue from the sale of electricity includes an estimate of unbilled revenue accrued in respect of electricity delivered but not yet billed at year end. Unbilled revenue is calculated based on OEB-approved rates for electricity consumption and electricity demand driven by number of days between a customer's last meter reading in the year and December 31. Actual billed revenue could differ from estimates due to energy demand, weather, line losses and changes in the composition of customer classes.

The difference between the amounts charged to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO, is recorded as a settlement variance. In accordance with IFRS 14, the settlement variance represents future amounts to be recovered from or refunded to customers through future billing rates approved by the OEB and is presented within regulatory balances on the balance sheet and within net movements in regulatory balances, net of tax on the statement of income and comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by the Corporation in delivering electricity to customers. There is also a fixed rate component to distribution revenue which is a fixed monthly charge per customer. Distribution revenue also includes revenue related to collection of specific OEB-approved rate riders.

The carrying amount of accounts receivable, including unbilled revenue is measured at amortized cost and reduced through an allowance for doubtful accounts equal to the lifetime expected credit losses to be recognized at the reporting date.

3. Material accounting policies (continued):

(ii) Other income:

Other income, which includes revenue from electricity distribution-related services, is recognized as services are rendered. Capital contributions received from electricity customers to construct or acquire property, plant and equipment ("PP&E") for the purpose of connecting a customer to a network fall within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the term of the contract with the customer.

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. Cash contributions, received from developers are recorded as deferred contributions. 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 contributions. The deferred contributions, which represents the Corporation's obligation to continue to provide the future customers access to the supply of electricity, is amortized to income on a straight-line basis over the term of the contract with the customer.

Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as income in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received. Revenues and costs associated with CDM programs are presented using the net basis of accounting and recorded in other income.

(iii) Deferred revenue:

Amounts received in advance but not yet earned in relation to the IESO supported CDM initiatives and other unearned revenue are presented as deferred revenue (note 11).

The Corporation, through its unregulated subsidiary, EG, may promise to provide distinct goods or services within a contract, in which case the contract is separated into the associated performance obligations as assessed from the customer's perspective.

3. Material accounting policies (continued):

If a contract contains multiple performance obligations, the Corporation allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. When the Corporation is contracted to construct projects, the budgets and overall transaction prices are built up using the Corporation's best estimate of costs associated to complete the project using the appropriate overhead and subcontractor rates for a given project and location. This approach to estimate the overall costs and associated revenue is considered the most appropriate assessment of the standalone selling price for the associated performance obligations. Where costs are determined to be greater than total revenue, losses from any construction contracts are recognized in full in the income statement in the year the loss becomes known.

Contract revenue is recognized in the consolidated statement of income and comprehensive income as the Corporation satisfies the performance obligations under contract. This satisfaction occurs when control of good or service transfer to the customer.

For each performance obligation satisfied over time, the Corporation recognizes revenue by measuring progress towards complete satisfaction of that performance obligation. Using output or input methods based on the type of contract, the Corporation recognizes revenue based on progress towards complete satisfaction of the transfer of control of the promised goods or services to the customer. Revenue from fixed price and cost-plus contracts is recognized using the input method with reference to costs incurred. For agency relationships, such as construction management contracts, where the Corporation acts as an agent for its customers, fee revenue only is recognized, generally in accordance with the contract terms. Some contracts, particularly maintenance and service contracts, do not specify the amount of fixed consideration at contract inception, but will have a transaction price assigned to it once a work order is issued.

For the purpose of revenue recognition and disclosure, only the transaction price of secured work, as evidenced by work orders, would be included in revenue.

Revenue from contract modifications, commonly referred to as change orders and claims, is recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably.

3. Material accounting policies (continued):

(c) Cash and bank indebtedness:

Cash is defined as cash in bank and bank indebtedness defined as obligations paid by the Corporation and outstanding as at year end.

(d) Materials and supplies:

Materials and supplies, which consists of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

Any write-downs taken on materials and supplies are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of PP&E and depreciated once they are available for use.

An amount of $nil (2023 - $292) was written down due to obsolescence in the year.

(e) Property, plant and equipment:

PP&E purchased or constructed by the Corporation are recorded at cost less accumulated depreciation. Costs include contracted services, materials, labour, engineering costs, directly attributable overheads and capitalized borrowing costs during construction when applied. Subsequent costs are capitalized only when it is probable that the future economic benefits associated with the costs will flow to the Corporation and the costs can be measured reliably.

Depreciation of PP&E is charged to net income on a straight-line basis over their estimated service lives at the following annual rates:

(In thousands of dollars)

3. Material accounting policies (continued):

Land rights with fixed term	2.0%
Buildings	2.0% - 6.7%
Distribution station equipment	1.7% - 4.0%
Distribution system	1.7% - 10.0%
Meters	4.0% - 6.7%
Office equipment	10.0%
Computer hardware	20.0% - 33.3%
Vehicle fleet	6.7% - 16.7%
Renewable power generation	4.0%

The depreciation method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

Assets are derecognized at their carrying value upon retirement or when no remaining economic benefits are expected from its use. The related gain or loss arising on the disposal or retirement is determined as the difference between the proceeds from sale and the carrying value of the asset and is included in net income for the related fiscal year. The cost of replacing a part of an item of PP&E is recognized as an addition to the carrying amount of the asset and the carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of PP&E assets is recognized in net income as incurred.

(f) Intangible assets:

Intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is provided on a straight-line basis over the estimated service lives at the following annual rates:

Application software and intellectual property	33.3%
Internally generated software	20.0%

3. Material accounting policies (continued):

Software in development is not subject to amortization. The above-noted amortization rates apply to assets held within the application software and other intangible asset grouping (note 6). The amortization method, useful lives, and residual values are reviewed each financial year-end with the effect of any changes in estimate being accounted for on a prospective basis. Estimated useful lives reflect the best estimate and actual lives of assets may vary from estimated useful lives.

(g) Goodwill:

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. It is allocated from the acquisition date to the Corporation's rate regulated cash generating unit ("CGU") that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill is measured at cost less accumulated impairment losses, if any, and not amortized. Impairment testing for goodwill is carried out at each reporting date in the context of the CGU by comparing carrying amount with its recoverable amount. The recoverable amount of an asset or CGU is the greater of an asset's or CGU's fair value less costs of disposal and its value in use.

Impairment losses are recognized in net income. Impairment losses relating to the CGU 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 pro rata basis. An impairment loss in respect of goodwill is not reversed.

(h) Financial assets/liabilities measured at amortized cost:

Accounts receivable (including unbilled revenue), cash, customer deposits, accounts payable, credit facilities, long-term debt and leases are 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):

(i) Impairment of non-financial assets:

The carrying costs of non-financial assets: PP&E and finite lives intangible assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment, in which case, the asset's recoverable amount is estimated.

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset or CGU may be below their carrying value. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU, a suitable discount rate in order to calculate a present value as a basis for determining impairment and an estimated terminal value calculated by discounting the final year in perpetuity.

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 work 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 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.

Impairment is tested at the CGU level, which is the smallest identifiable group of assets that generates independent cash flows. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount and is recognized in net income.

(j) Customer deposits and advance payments:

Customer deposits are cash collections from customers to secure electricity or other services. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution services.

The Corporation receives advance payments from customers in relation to construction projects and recognizes them as a liability until the projects are completed.

3. Material accounting policies (continued):

(k) Employee benefits:

(i) Short-term employee benefits:

The Corporation provides short-term employee benefits, such as: salaries, employment insurance, short-term compensated absences, health and dental care. These benefits are recognized as the related service is rendered and is measured on an undiscounted basis. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of the cost of an item of materials and supplies, PP&E, intangible assets or recoverable projects. A liability is recognized in respect of any unpaid short-term employee benefits for services rendered in the reporting year.

The Corporation recognizes a current liability for the expected cost of accumulated non-vested sick leave benefits at the end of the reporting year. The assumptions used for estimating the amount of the liability are analogous to those used in the valuation of employee future benefits.

(ii) Multi-employer pension plan:

The Corporation accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

OMERS plan is a multi-employer defined benefit plan providing pension to employees of municipalities, local boards, public utilities and school boards. It is funded by equal contributions from participating employers and employees, as well as by investment earnings of the plan. OMERS does not track its investments by employer and actuarial assumptions are developed based on the entire plan membership on a commingled basis and, therefore, information for individual plans cannot be determined. As a result, the Corporation accounts for the OMERS plan as a defined contribution plan and contributions to the plan are recognized as an employee benefit expense.

(iii) Employee future benefits:

The Corporation provides all employees with life insurance benefits, as well as pays certain medical benefits on behalf of some of its retired employees.

3. Material accounting policies (continued):

The Corporation actuarially determines the cost of employee future benefits offered to employees. These unfunded plans are accounted for as defined benefit obligations. The Corporation applies the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected employee future benefits is deemed to be earned on a pro rata basis over the years of service in the attribution year commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

Remeasurements of the net benefit liability comprise actuarial gains or losses that are recognized in the consolidated balance sheet with a credit or charge to other comprehensive income or loss. Current service costs are allocated to operating, maintenance and administration expenses and to capital recognized on the consolidated balance sheet.

(l) Income taxes:

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario). Under the *Electricity Act, 1998*, the Corporation and EE are required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the *Electricity Act, 1998*, and related regulations. References in these consolidated financial statements to income taxes are with respect to PILs for the Corporation and EE.

The Corporation uses the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax bases of the Corporation's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Corporation's income taxes payable in the year or a later year.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income and comprehensive income in the year that includes the date of enactment or substantive enactment.

3. Material accounting policies (continued):

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that the related tax benefits will be realized. Previously unrecognized deferred tax assets are reassessed at each consolidated balance sheet date and are recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. A valuation allowance is recorded against a deferred tax asset to the extent that the Corporation determines that it is probable that a deferred income tax asset will not be realized in the future.

Where the Corporation expects the deferred taxes to be recovered from or refunded to customers as part of the rate setting process, the deferred income tax assets and liabilities result in regulatory deferral debit balances or credit balances, respectively. Deferred tax assets that are not included in the rate-setting process result in a deferred tax provision that is charged or credited to the consolidated statement of income and comprehensive income.

(m) Provisions and contingencies:

A provision is recognized in the financial statements when the Corporation has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

A contingent liability is disclosed when the Corporation has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events, not wholly within the control of the Corporation; or when the Corporation has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

3. Material accounting policies (continued):

(n) Non-derivative financial instruments:

All non-derivative financial assets are classified as loans and receivables and all non-derivative liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized costs using the effective interest method less any impairment for the financial assets, as described in notes 3(h) and 24(c).

(o) Derivative financial instruments:

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date.

The Corporation has not elected to apply hedge accounting for its interest rate swap derivative contracts and does not enter into derivative agreements for speculative purposes. Changes in the fair value of the derivatives are recorded each year in the consolidated statement of income and comprehensive income, as described in note 24(e).

(p) Capital disclosures:

The Corporation's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis, at reasonable rates, and to deliver the appropriate financial returns. The Corporation's definition of capital includes shareholders' equity, short-term debt, bank indebtedness and long-term debt, less cash.

During the year, there have been no changes to how the Corporation assesses its capital structure.

(q) Changes in accounting policies:

(i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")):

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted.

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

The Corporation has adopted the new amendment, and it does not have a significant impact on the Corporation's financial statements.

(r) New standards and interpretations not yet adopted:

The IASB issues new standards, amendments and interpretations which do not have to be adopted in the current year. The Corporation is currently assessing the financial statement impact of adopting the following amendments which will be effective on January 1, 2026 or later to existing accounting standards:

(i) Classification of financial assets (Amendments to IFRS 9 (“Financial instruments”) and IFRS 7 (“Financial Instruments: Disclosure”)):

The IASB has now amended IFRS 9 following its post-implementation review of the classification and measurement requirements. The amendments include guidance on the classification of financial assets, including those with contingent features.

The IASB has also amended IFRS 7. Companies will now be required to provide additional disclosures on financial assets and financial liabilities that have certain contingent features.

(ii) Settlement by electronic payments (Amendments to IFRS 9):

Companies that recognize or derecognize financial assets or financial liabilities on the payment initiation date could see a change to their accounting following amendments to IFRS 9.

However, companies may be permitted to derecognize financial liabilities settled by an electronic payment system earlier than their settlement date, subject to certain criteria being met.

(iii) Annual improvements process (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7):

The annual improvements process aims to improve the clarity and internal consistency of IFRS Accounting Standards. In this volume of improvements, the IASB makes minor

3. Material accounting policies (continued):

amendments to IFRS 9 and to a further four accounting standards.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 ("Revenue from Contracts with Customers") over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

The amendment on trade receivables may require some companies to change their accounting policy.

(iv) Presentation and Disclosure in Financial Statements ("IFRS 18"):

In April 2024 the IASB issued IFRS 18, which replaces IAS 1 and introduces new requirements for presentation and disclosure in financial statements, effective for annual periods beginning on or after 1 January 2027, with early adoption permitted. This new standard is the result of the so-called primary financial statements project and aims at improving how entities communicate in their financial statements, primarily the following:

- the introduction of categories and defined subtotals in the statement of profit or loss that aim at additional relevant information and provide a structure for the statement of profit or loss that is more comparable between entities;
- The introduction of requirements to improve aggregation and disaggregation that aim at additional relevant information and ensure that material information is not obscured;
- The introduction of disclosures on Management-defined Performance Measures (MPMs) in the notes to the financial statements that aim at transparency and discipline in the use of such measures and disclosures in a single location; and
- The targeted improvements to Statement of Cash Flows ("IAS 7") which aims at improved comparability between entities.

In May 2024, the IASB issued IFRS 19 ("Subsidiaries without Public Accountability") which simplifies financial reporting for eligible subsidiaries by allowing them to apply IFRS Accounting Standards with reduced disclosure requirements.

(In thousands of dollars)

4. Accounts receivable:

	2024	2023
Energy revenue	$ 47,089	$ 42,562
Unbilled revenue	48,749	46,856
Project expenditures recoverable	11,826	11,544
Other	4,076	1,971
	111,740	102,933
Less: expected credit losses	5,301	5,275
	$ 106,439	$ 97,658

Accounts receivables do not contain a significant financing component, and lifetime expected credit losses ("ECLs") are recognized as the maturities are typically 12 months or less. A provision matrix is used to determine ECLs on trade receivables. The amount of credit losses recognized is based on forward looking estimates that reflect current and forecast credit conditions.

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at the year end.

5. Property, plant and equipment:

December 31, 2024

	December 31, 2023	Additions/ depreciation	Disposals/ retirements	December 31, 2024
Cost				
Land	$ 2,386	$ –	$ –	$ 2,386
Land rights	4,302	–	–	4,302
Buildings	33,032	613	–	33,645
Distribution station equipment	72,834	5,399	(1,068)	77,165
Distribution system	565,538	30,838	(1,138)	595,238
Meters	28,330	2,033	(235)	30,128
Office equipment	2,865	75	(115)	2,825
Computer hardware	12,141	1,586	–	13,727
Vehicle fleet (a)	17,269	877	(458)	17,688
Renewable power generation	2,539	–	(1,287)	1,252
Construction in progress	73,931	39,931	–	113,862
	$ 815,167	$ 81,352	$ (4,301)	$ 892,218

(In thousands of dollars)

5. Property, plant and equipment (continued):

	December 31, 2023	Additions/ depreciation	Disposals/ retirements	December 31, 2024
Accumulated depreciation				
Land rights	$ 116	$ 12	$ –	$ 128
Buildings	14,112	1,389	–	15,501
Distribution station equipment	15,517	2,173	(422)	17,268
Distribution system	99,625	15,754	(438)	114,941
Meters	18,464	1,183	(175)	19,472
Office equipment	2,105	153	–	2,258
Computer hardware	7,715	1,744	–	9,459
Vehicle fleet (a)	8,758	1,285	(257)	9,786
Renewable power generation	755	104	(273)	586
	$ 167,167	$ 23,797	$ (1,565)	$ 189,399
Net book value	$ 648,000	$ 57,555	$ (2,736)	$ 702,819

December 31, 2023

	December 31, 2022	Additions/ depreciation	Disposals/ retirements	December 31, 2023
Cost				
Land	$ 2,190	$ 196	$ –	$ 2,386
Land rights	4,302	–	–	4,302
Buildings	31,742	1,290	–	33,032
Distribution station equipment	67,804	5,073	(43)	72,834
Distribution system	519,334	48,121	(1,917)	565,538
Meters	26,707	1,664	(41)	28,330
Office equipment	2,728	140	(3)	2,865
Computer hardware	10,607	1,534	–	12,141
Vehicle fleet (a)	15,758	2,022	(511)	17,269
Renewable power generation	2,269	270	–	2,539
Construction in progress	50,668	25,402	(2,139)	73,931
	$ 734,109	$ 85,712	$ (4,654)	$ 815,167

(In thousands of dollars)

5. Property, plant and equipment (continued):

	December 31, 2022	Additions/ depreciation	Disposals/ retirements	December 31, 2023
Accumulated depreciation				
Land rights	$ 104	$ 12	$ –	$ 116
Buildings	12,771	1,341	–	14,112
Distribution station equipment	13,479	2,054	(16)	15,517
Distribution system	85,515	14,830	(720)	99,625
Meters	16,431	2,072	(39)	18,464
Office equipment	1,935	170	–	2,105
Computer hardware	6,169	1,546	–	7,715
Vehicle fleet (a)	7,543	1,332	(117)	8,758
Renewable power generation	597	158	–	755
	$ 144,544	$ 23,515	$ (892)	$ 167,167
Net book value	$ 589,565	$ 62,197	$ (3,762)	$ 648,000

Right-of-use assets related to the leased properties that do not meet the definition of investment property are presented as PP&E.

(a) Includes $1,658 (2023 - $1,658) vehicle right-of-use assets and $1,448 (2023 - $1,324) accumulated amortization.

During the year, borrowing costs of $974 (2023 - $887) were capitalized to PP&E and credited to finance costs. Weighted average cost of long-term borrowings in EE (note 14) is used for capitalizing borrowing costs as part of PP&E with an average rate of 4.61% (2023 - 4.66%).

Additions to construction in progress are net of transfers to other PP&E categories.

(In thousands of dollars)

6. Intangible assets and goodwill:

(a) Intangible assets:

December 31, 2024

	December 31, 2023	Additions/ amortization	Disposals/ retirements	December 31, 2024
Cost				
Application software and other	$ 25,415	$ 3,922	$ (7)	$ 29,330
Construction in progress related to application software and other	2,217	2,060	–	4,277
Capital contributions (note 19(b))	2,135	7,306	–	9,441
	$ 29,767	$ 13,288	$ (7)	$ 43,048
Accumulated amortization				
Application software and other	$ 20,813	$ 2,356	$ –	$ 23,169
Capital contributions	575	430	–	1,005
	$ 21,388	$ 2,786	$ –	$ 24,174
Net book value	$ 8,379	$ 10,502	$ (7)	$ 18,874

December 31, 2023

	December 31, 2022	Additions/ amortization	Disposals/ retirements	December 31, 2023
Cost				
Application software and other	$ 22,822	$ 2,593	$ –	$ 25,415
Construction in progress related to application software and other	1,145	1,072	–	2,217
Capital contributions (note 19(b))	2,135	–	–	2,135
	$ 26,102	$ 3,665	$ –	$ 29,767
Accumulated amortization				
Application software and other	$ 18,458	$ 2,355	$ –	$ 20,813
Capital contributions	411	164	–	575
	$ 18,869	$ 2,519	$ –	$ 21,388
Net book value	$ 7,233	$ 1,146	$ –	$ 8,379

(In thousands of dollars)

6. Intangible assets and goodwill (continued):

No borrowing costs were capitalized on intangible assets under development in 2024 or 2023.

Application software and other includes externally acquired, as well as internally generated computer software. The remaining amortization period is between one to five years.

(b) Goodwill:

	December 31, 2023	Additions	Impairment	December 31, 2024
Goodwill	$ 64,348	$ –	$ –	$ 64,348

(c) Impairment test:

Goodwill with carrying amount of $64,348 was allocated to the Corporation's rate regulated CGU as a result of business acquisition and amalgamation. Impairment testing was carried out for December 31, 2024 by comparing the recoverable amount with the carrying amount. The recoverable amount of this CGU is based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of the CGU. The key assumptions used in the estimation of value in use were as follows.

Discount rate	5.8%
Terminal value growth rate	2.0%

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. Revenue growth was projected based on the average growth rate, the estimated sales volume and expected price increases for the next five years.

The discount rate was a post-tax measure based on the return of equity rate issued by OEB on October 31, 2024, and the rates of long-term and short-term debts that EE currently holds.

The terminal growth rate was determined based on management's estimate of the long-term compounded annual earnings before interest, taxes, depreciation and amortization growth rate, consistent with the assumptions that a market participant would make.

(In thousands of dollars)

6. Intangible assets and goodwill (continued):

The impairment test was performed by considering the latest developments and economic conditions. The estimated recoverable amount of the CGU was determined to be higher than its carrying amount, therefore no impairment was recorded.

7. Regulatory balances:

Debit balances comprise the following:

	December 31, 2023	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2024	Remaining recovery/ reversal period (years)
Deferred taxes (a)	$ 27,115	$ (487)	$ –	$ –	$ 26,628	Note 2
Collection of account (b)	3,812	2,940	–	–	6,752	Note 1
IFRS transitional adjustments (c)	5,006	1,027	–	–	6,033	Note 1
Approved settlement variances (d)	1,025	14,969	(15,270)	–	724	1 year
Future settlement variances -						
RSVA (d)	14,821	4,674	(14,712)	–	4,783	Note 1
OEB cost assessment (e)	2,069	818	–	–	2,887	Note 1
Estimated useful life (f)	722	362	–	–	1,084	Note 1
Future settlement variances -						
RCVA (g)	752	43	–	–	795	Note 1
Locates (h)	446	345	–	–	791	Note 1
Cloud (i)	–	632	–	–	632	Note 1
One-time IFRS conversion costs (j)	542	20	–	–	562	Note 1
Other	–	2,086	–	–	2,086	Note 1
	$ 56,310	$ 27,429	$ (29,982)	$ –	$ 53,757	

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Deferred taxes (a)	$ 22,188	$ 4,927	$ –	$ –	$ 27,115	Note 2
Collection of account (b)	2,856	956	–	–	3,812	Note 1
IFRS transitional adjustments (c)	4,028	978	–	–	5,006	Note 1
Approved settlement variances (d)	60	12,337	(11,545)	173	1,025	1 year
Future settlement variances -						
RSVA (d)	22,484	940	(8,430)	(173)	14,821	Note 1
OEB cost assessment (e)	1,616	453	–	–	2,069	Note 1
Estimated useful life (f)	406	316	–	–	722	Note 1
Future settlement variances -						
RCVA (g)	725	27	–	–	752	Note 1
Locates (h)	–	446	–	–	446	Note 1
LRAM	3,690		(3,690)	–		
One-time IFRS conversion costs (j)	520	22	–	–	542	Note 1
	$ 58,573	$ 21,402	$ (23,665)	$ –	$ 56,310	

(In thousands of dollars)

7. Regulatory balances (continued):

Credit balances comprise the following:

	December 31, 2023	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2024	Remaining recovery/ reversal period (years)
Tax related variances (k)	$ 7,312	$ 729	$ –	$ –	$ 8,041	Note 1
Pole attachment (l)	2,945	610	–	–	3,555	Note 1
Deferred taxes (a)	1,089	1,954	–	–	3,043	Note 2
Other	36	4	–	–	40	Note 1
	$ 11,382	$ 3,297	$ –	$ –	$ 14,679	

	December 31, 2022	Balances arising in the year	Recovery/ reversal	Other movements	December 31, 2023	Remaining recovery/ reversal period (years)
Tax related variances (k)	$ 5,957	$ 1,355	$ –	$ –	$ 7,312	Note 1
Pole attachment (l)	2,403	542	–	–	2,945	Note 1
Deferred taxes (a)	1,637	(548)	–	–	1,089	Note 2
Other	32	4	–	–	36	Note 1
	$ 10,029	$ 1,353	$ –	$ –	$ 11,382	

Note 1 The Corporation intends to seek recovery or refund in future rate applications to the OEB.

Note 2 The Corporation will not seek disposition of the balance since it will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

The balances arising in the period column are new additions (for both debits and credits). The recovery/reversal column are amounts collected or refunded through rate riders, disposition of OEB-approved regulatory balances, or other transactions which reduce existing regulatory balances. The other movements column consists of impairment (if the OEB disallowed certain amounts), and reclassification between the regulatory debit and credit balances. There is no impairment recorded for 2024 or 2023.

7. Regulatory balances (continued):

Regulatory balances descriptions:

(a) Deferred taxes:

The Corporation records deferred tax assets or liabilities with a corresponding regulatory tax liability or asset. The Corporation will not seek disposition of these balances as they will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

The regulatory debit balance is the expected future electricity distribution rate increase for customers arising from timing difference in the recognition of deferred tax assets and the regulatory credit balance is the deferred tax amount reclassified under IFRS 14.

The deferred tax amount related to the expected future electricity distribution rate increase for customers was $26,628 (2023 - $27,115) as at December 31, 2024.

The amounts reclassified under IFRS 14 include the deferred tax liability related to regulatory balances of $3,043 (2023 - $1,089) as at December 31, 2024.

(b) Collection of account:

On March 14, 2019, the OEB issued the *Notice of Amendments to Codes* regarding the non-payment of account service charges for electricity distributors in which the OEB eliminated the Collection of Account charge.

Elexicon requested a new Deferral and Variance Account for Veridian Rate Zone in its 2020 IRM application (EB-2019-0252) to record the lost revenues associated with the elimination of the Collection of Account charge. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

7. Regulatory balances (continued):

(c) IFRS transitional adjustments:

Commencing in 2014, the Corporation's Veridian rate zone has recorded regulatory debit balances arising from derecognition of assets under IFRS. The Whitby rate zone dealt with the derecognition of assets under IFRS in a 2019 OEB proceeding. If the Whitby rate zone calculated value exceeds the approved materiality threshold in its 2019 OEB rate decision, it may request the establishment of a new deferral and variance account.

The Corporation's Veridian rate zone also records the capitalized borrowing costs difference between weighted average long-term borrowing costs under IFRS and the capitalization rate prescribed by the OEB. The Whitby rate zone is not required to record this difference based on the settlement agreement approved in its 2019 rate application.

This regulatory balance will be sought for disposition in the Corporation's first COS rebasing application under IFRS or in a future stand-alone application.

(d) Settlement variances:

Approved settlement

For the 2024 rate year, the OEB approved:

- Disposition of cost pass-through accounts "Group 1 Deferral and Variance Accounts" for both Veridian and Whitby rate zones. Group 1 accounts represent the variance(s) of the differences between purchased and billed power costs.

Future settlement

The amounts include the variances between the amount charged by the IESO for the operation of the markets and grid, as well as various wholesale market settlement charges and transmission charges, as compared to the amount billed to consumers based on the OEB-approved rates. This amount also includes variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers based on the OEB-approved rates.

7. Regulatory balances (continued):

(e) OEB cost assessment:

The Board issued guidance on February 9, 2016, permitting effective April 1, 2016 the use of Account 1508 Other Regulatory Asset – Sub Account - OEB Cost Assessment Variance to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the application of the new Cost Assessment Model ("CAM"), until the utility's next rebasing application.

(f) Estimated useful life:

In Whitby's 2019 Annual IR Application EB-2018-0079, the OEB approved the use of a new deferral Account 1508, Sub-account - Changes in Estimated Useful Lives, to record the impact of accounting changes to depreciation as a direct result of changes in estimated useful lives resulting from Whitby Hydro's annual review required under IFRS, per the depreciable asset section of IAS 16 – Property, Plant and Equipment. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

(g) Retail cost variance account (RCVA):

The Corporation is recording the differences between the revenue charged to retailers and the incremental costs associated with providing the retail services. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

(h) Locates:

In 2023, the OEB established a generic, sector-wide variance account, the Getting Ontario Connected Act ("GOCA") variance account, to specifically track incremental costs of locates in 2023 and future years arising from the implementation of recent provincial

legislation: Bill 93 (the *Getting Ontario Connected Act*, S.O. 2022). This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

7. Regulatory balances (continued):

(i) Cloud:

In a letter dated November 2, 2023 the OEB established a deferral account relating to incremental cloud computing implementation costs. The generic deferral account is effective December 1, 2023 and is used to record incremental cloud computing implementation costs incurred by utilities and any related offsetting savings, if applicable. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

(j) One-time IFRS conversion costs:

In accordance with an OEB directive, a deferral account has been established for the one-time administrative costs during transition to IFRS for the Veridian rate zone. These amounts will be sought for disposition in the Corporation's first COS rebasing application under IFRS or in a future stand-alone application.

(k) Tax-related variances:

The regulatory balance relates to the revenue requirement impact of accelerated capital cost allowance deductions from the Accelerated Investment Incentive tax measure which received Royal Assent on June 21, 2019. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application. This regulatory balance also includes the revenue requirement impact of additional capital cost allowance deductions from the Immediate Expensing tax measure which received Royal Assent in June 2022.

(l) Pole attachment:

On March 22, 2018 the OEB issued the Report of the Ontario Energy Board: Wireline Pole Attachment Charges (EB-2015-0304). The report established a new variance Account 1508 – Sub – Account – Pole Attachment Revenue Variance to be used for recording the incremental revenue arising from the changes to the pole attachment charge applicable to all licensed electricity distributors. This regulatory balance will be sought for disposition in the Corporation's next COS rebasing application or in a future stand-alone application.

(In thousands of dollars)

8. Income taxes:

The provision for income taxes differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate. The reconciliation between the statutory and effective tax rates is provided as follows:

	2024	2023
Income before income taxes	$ 11,025	$ 6,067
Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for income taxes at statutory rate	$ 2,922	$ 1,608
Increase (decrease) resulting from:		
Temporary differences expected to be recovered from customers	(3,847)	(4,113)
Current period losses for which no deferred tax asset is recognized	313	976
Under provided in prior periods	73	409
Other	2,522	(2,525)
Income taxes recorded in regulatory balances movements	(2,441)	5,473
Income tax (recovery) expense	$ (458)	$ 1,828
Effective income tax rate	(4.2%)	30.1%
Allocated:		
Current expense	$ 299	$ 446
Deferred expense (recovery)	1,684	(4,091)
Income taxes recorded in regulatory balances movements	(2,441)	5,473
Total income tax (recovery) expense	$ (458)	$ 1,828

(In thousands of dollars)

8. Income taxes (continued):

Deferred tax assets and liabilities arise from differences between the carrying amounts and tax bases of the Corporation's assets and liabilities. The tax effects of these differences are as follows:

	2024	2023
Deferred tax assets (liabilities):		
Property, plant and equipment and intangible assets	$ (39,156)	$ (31,925)
Employee future benefits	2,304	2,291
Sick leave liability	353	405
Non-capital losses	14,209	8,049
Unrealized loss on interest rate swap derivatives	3,256	2,936
Deferred revenue and others	3,535	1,373
	(15,499)	(16,871)
Valuation allowance	(3,586)	(2,971)
	(19,085)	(19,842)
Deferred tax liabilities:		
Regulatory balances	3,043	1,089
Moved to regulatory deferral account credit balances	(3,043)	(1,089)
	–	–
Deferred tax liabilities	$ (19,085)	$ (19,842)

The Corporation has non-capital losses for income tax purposes of $13,519 available to reduce future years' income for tax purposes that will expire between 2037 and 2045. The potential deferred tax benefit of these losses has not been recognized since management has determined that it is probable that these amounts will not be realized in the foreseeable future.

(In thousands of dollars)

9. Accounts payable and accrued liabilities:

	2024	2023
Cost of power accrual	$ 32,518	$ 31,798
Accounts payable	17,547	15,387
Accrued liabilities	14,811	5,142
Customer credit balances	5,724	5,364
Non-vested sick leave liability	1,008	1,094
Other	6,320	2,182
	$ 77,928	$ 60,967

10. Credit facilities:

As at December 31, 2024, the Corporation had the following external credit facilities with a Canadian chartered bank (the "Bank"):

(a) Uncommitted revolving demand credit facility. The facility is required to be no greater than $60,000, with a letter of credit ("L/C") carve-out availability;

(b) Committed or demand revolver facility (note 14) with a combined total no greater than $353,645; and

(c) Uncommitted revolving demand credit facility with a credit limit of $5,000.

The financial covenants for the above facilities require a Consolidated Interest Coverage Ratio ("ICR") of not less than 1.75 for the fourth quarter of 2023 and stepping down to 1.40 for the first quarter of 2024 and thereafter, stepping up to 1.75 for the first quarter of 2026. The financial covenants are tested on a consolidated basis of the Corporation. The Corporation is compliant with all bank covenants as at December 31, 2024.

As at December 31, 2024, $5,200 (2023 - $nil) was drawn out of facility (a); $283,390 (2023 - $253,390) was outstanding from facility (b), and $nil (2023 - $nil) was drawn out of facility (c) above (note 14). To cover the risk of fluctuating interest rates, $253,390 of facility (b) was structured with interest rate swap derivative agreements with the Bank, effectively converting the obligations into two fixed interest rate loans of 5.096% and 4.84%, respectively. During 2024, the Corporation withdrew $30,000 out of this facility.

10. Credit facilities (continued):

The Corporation utilized facility (a) for: $100 to issue an irrevocable L/C in favour of the Ministry of Environment and $3 to issue an irrevocable L/C in favour of the City of Belleville.

The Ministry of Environment requires security to ensure adequate funds are available, to effect suitable remedial action, if an event occurs resulting in a health and safety hazard to any person, or the natural environment.

The City of Belleville requires security for land site development for the building in the City of Belleville, and it could draw on the L/C if the Corporation does not fulfill the obligations of the site plan agreement.

Short-term debt:

As at December 31, 2024, the Corporation had $89,132 (December 31, 2023 - $89,132) notes payable due to the Corporation's shareholders on demand at a rate of 4.13%. The noteholders have a right to demand repayment of these notes together with any accrued interest, in whole or part, with 60 days' prior written notice to the Corporation. As the Corporation does not have any unconditional right to defer settlement of this liability for at least twelve months after the reporting period, the notes issued to the shareholders of $89,132 are classified as short-term debt.

As at December 31, 2024 the Corporation also utilized $5,200 (December 31, 2023 - $nil) of the uncommitted revolving demand credit facility above and recognized it as a short term debt.

(In thousands of dollars)

11. Deferred revenue:

(a) As at December 31, 2024, $nil (2023 - $1,620) of deferred revenue represents the balance of unearned revenue from funding received from the IESO to deliver CDM programs.

An agreement was entered with the IESO on December 16, 2014 and on June 8, 2015, whereby the IESO conditionally approved a CDM plan that was jointly submitted by the Corporation (Veridian and Whitby Hydro) to deliver CDM programs covering the period from January 1, 2015 to December 31, 2020. This CDM plan was most recently updated on April 18, 2017 and conditionally approved by the IESO on May 12, 2017.

All programs under the IESO agreement and all relevant wind down costs are expected to be fully funded and paid by the IESO. The IESO is invoiced monthly for the costs incurred on various CDM programs and wind down expenditures. The Corporation received some initial funding in the form of a pre-payment from the IESO for the delivery of CDM programs under the energy conservation agreement. Amounts received but not yet earned are presented on the consolidated balance sheet under current liabilities as deferred revenue. During 2024, the Corporation received notice from the IESO with respect to bringing the wind-down of the CDM programs to a close. A reconciliation was performed and the pre-funding amounts were returned to the IESO.

(b) As at December 31, 2024, $3,397 (2023 - $3,476) of deferred revenue represents the balance of unearned revenue related to the ICM projects.

12. Deposits and developer obligations:

	2024	2023
Advance payments - construction deposits	$ 312	$ 190
Customer deposits	5,351	5,550
Developer obligations	7,795	10,962
Deposits and developer obligations	$ 13,458	$ 16,702

(In thousands of dollars)

13. Related party transactions:

The Corporation provides electricity and services to its principal shareholders, the Town of Ajax, the Municipality of Clarington, the City of Pickering, the City of Belleville and the Town of Whitby (collectively, the "shareholders"). Electrical energy is sold to the shareholders at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

Summary of transactions with the shareholders:

	Town of Ajax	Town of Whitby	City of Pickering	City of Belleville	Municipality of Clarington	Total
Electricity and services revenue	$ 2,710	$ 1,841	$ 2,342	$ 1,687	$ 479	$ 9,059
Finance costs on the notes payable	810	1,171	1,035	322	343	3,681
Property taxes paid	253	251	46	122	36	708

	Town of Ajax	Town of Whitby	City of Pickering	City of Belleville	Municipality of Clarington	Total
Accounts receivable balance	$ 239	$ 264	$ 330	$ 319	$ 39	$ 1,191

	Town of Ajax	Town of Whitby	City of Pickering	City of Belleville	Municipality of Clarington	Total
Dividends paid	$ 1,713	$ 2,511	$ 2,188	$ 709	$ 726	$ 7,847

	2024	2023
Compensation paid to key management personnel[(i)]	$ 4,657	$ 4,708

[(i)] Comprising the senior management team and members of the Board of Directors. The compensation includes salaries, performance pay and taxable benefits. This includes OMERS contributions of $400 (2023 - $421).

13. Related party transactions (continued):

The Corporation has renewable generation projects and holds interest in the following entities, joint operations:

(a) Claremont Community Centre Solar:

EE, TREC SolarShare Co-Operative (No. 1) Inc. and Solera Sustainable Energies Company Limited are parties to a joint operation agreement with an equity interest of 39%, 51% and 10%, respectively, to build, own, operate and maintain a solar generation project at Claremont Community Centre owned by the City of Pickering, located at 4941 Old Brock Road, Pickering, Ontario L1V 7E2. This project is approved under the Feed-in Tariff government program.

The joint venture started operation in July 2015. In 2024, the Corporation included its share of net income $6 (2023 - $7) in the consolidated financial statements.

In 2016, the Corporation financed the above project for an amount of $264 for a 15-year term at an interest rate of 5.00%. An amount of $56 (2023 - $62) (net of repayments and intercompany funding) is included in other assets of the Corporation as at December 31, 2024. The funding provided by the Corporation was in the same proportion as the equity interest: EE 39%, TREC Solar Share Co-Operative (No. 1) Inc. 51% and Solera Sustainable Energies Company Limited 10%.

(b) EE, Lakefront, Solera Joint Operation:

EE, Lakefront Utility Services Inc. and Solera Sustainable Energies Company Limited entered into a joint operation agreement with an equity interest of 42.5%, 42.5% and 15% respectively, to build, own, operate and maintain a solar generation project at the property owned by The Corporation of the Town of Cobourg, located at 739 D'Arcy Street, Cobourg, Ontario (Building 13).

The joint venture started operations in 2019. In 2024, the Corporation included its share of negligible loss in the financial statements.

In 2019, the Town of Cobourg Holding Inc. financed the above project for an amount of $202 for a 25-year term at an interest rate of 5.75%. An amount of $75 (2023 - $77) is included in the Corporation's long-term-debt as at December 31, 2024 (note 14). The funding provided by the Corporation of the Town of Cobourg was in the same proportion as the equity interest: EE 42.5%, Lakefront Utility Services Inc. 42.5% and Solera Sustainable Energies Company Limited 15%.

13. Related party transactions (continued):

EE, as a joint operator accounts for the assets, liabilities, revenue and expenses relating to its interest in the joint operations in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

(c) EVSTART Inc.:

The Corporation's subsidiary, EG, and Wyse Metering Solutions both hold a 50% equity interest respectively in EVSTART Inc. ("EVSTART"), incorporated to own, operate and maintain projects related to electric vehicle infrastructure and own chargers as a service.

This joint venture was created in November of 2021 with a twenty dollar capital injection by EG as at December 31, 2021. In 2022 EG issued a $500 promissory note to EVSTART with no set repayment terms. The note bears an interest rate of prime plus 3% and the interest is accrued monthly.

EVSTART began operations in 2022 and incurred a loss. These losses have not been accounted for in the Corporation's financial statements since this would reduce the Corporation's interest to below zero. Management has assessed that there is no legal or constructive obligation that exists for the Corporation in relation to EVSTART. The Corporation will record its share of profits, only after its share of losses in EVSTART have been recognized.

The Corporation, as a joint venturer accounts for the assets, liabilities, revenue and expenses relating to its interest in the joint operations in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

On January 31, 2025, EG sold its Rate Switch business and shares in EVSTART to Wyse Metering Solutions for total proceeds of $1,059. Pursuant to the terms of the agreement, the sale included the repayment of EG's promissory note to EVSTART, with accrued interest, and all outstanding EVSTART receivables for additional proceeds of $1,726. EG has 120 days after the transaction date to assign remaining contracts over to Wyse for additional consideration. Once the 120-day period has ended, the activity in EG is expected to be minimal as the restructuring plan will have been completed.

(In thousands of dollars)

14. Long-term debt:

	2024	2023
Loan payable to Town of Cobourg Holding Inc., maturing on February 1, 2044, at a rate of 5.75%	75	77
Long-term debt from the Bank, maturing on November 2, 2028, at a rate of 5.096% (note 10(b))	33,390	33,390
Long-term debt from the Bank, maturing on August 2, 2028, at a rate of 4.84% (note 10(b))	220,000	220,000
Long-term debt from the Bank, maturing on June 29, 2026 (note 10(b))	30,000	–
	283,465	253,467
Less: current portion	2	2
	$ 283,463	$ 253,465

Scheduled principal repayments for the next five years and thereafter as of December 31, 2024:

2025	$ 2
2026	30,002
2027	2
2028	253,392
2029	3
Thereafter	64
	283,465
Less: current portion	2
	$ 283,463

(In thousands of dollars)

14. Long-term debt (continued):

Scheduled interest payments for the next five years and thereafter as of December 31, 2024:

2025	$ 13,554
2026	13,554
2027	12,354
2028	8,662
2029	4
Thereafter	27
	$ 48,155

Expected weighted average borrowing costs:

2025	4.78%
2026	5.05%
2027	4.87%
2028	6.83%
2029	5.72%

Finance costs related to short-term debt, long-term debt and other comprise:

	2024	2023
Interest on:		
Notes payable and loans	$ 16,324	$ 15,829
Customer deposits and other	464	830
	16,788	16,659
Less:		
Capitalized borrowing costs	974	887
Finance income	520	397
	$ 15,294	$ 15,375

(In thousands of dollars)

15. Deferred contributions:

Deferred contributions are the capital contributions received from electricity customers and developers, which have not yet been recognized into other income.

The continuity of deferred contributions is as follows:

	2024	2023
Deferred contributions, beginning of year	$ 163,190	$ 126,360
Contributions received	25,445	39,846
Contributions amortized as other income	(3,400)	(2,936)
Contributions removed with asset disposals	(117)	(80)
Deferred contributions, end of year	185,118	163,190
Less: current portion	4,441	3,836
Non-current	$ 180,677	$ 159,354

Customer and developer contributions for the acquisition or construction of PP&E are considered to be deferred contributions and amortized over the useful lives of the related assets as other income.

(In thousands of dollars)

16. Employee future benefits:

(a) Pensions:

During the year, the Corporation made contributions totaling $3,746 (2023 - $3,385) to OMERS. These contributions have been recognized as an operational expenditure net of the amount capitalized in assets. The expected payment for 2025 is $3,920, representing less than 1% of the group plan contributions. As at December 31, 2024, and subject to the estimates, assumptions and valuations of OMERS, the plan obligations are 98% (2023 - 97%) funded by its assets. OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

(b) Post-retirement benefits other than pension:

The Corporation pays certain benefits on behalf of its retired employees and recognizes these post-retirement costs in the year in which the employees render the services.

Information about the Corporation's non-contributory defined benefit plan to fund life insurance, health and dental care benefits and a retiree Health Care Spending Account ("HCSA"), is as follows:

	2024	2023
Accrued benefit liability recognized, beginning of year	$ 6,355	$ 5,816
Current service costs	135	120
Interest costs	286	286
Benefit payments	(475)	(432)
Remeasurements recognized in other comprehensive income	88	565
Accrued benefit liability recognized, end of year	$ 6,389	$ 6,355

The amounts presented are based upon an actuarial valuation performed as at December 31, 2022 with an update to the accounting extrapolations for the year ending December 31, 2024.

(In thousands of dollars)

16. Employee future benefits (continued):

(c) Significant assumptions:

	2024 %	2023 %
Discount rate used	4.7	4.6
Health care costs rate increase for next year	5.3	4.9
Dental care costs rate increase for next year	5.6	5.1

(c) Sensitivity analysis:

Changes in key assumptions would have had the following effect on the benefit obligation:

	Estimated value of future payments	% difference
Base (4.70%)	$ 6,389	–
Discount rate:		
(3.70%) or -1.00%	7,498	17%
(5.70%) or +1.00%	5,527	(14%)
Health and dental cost trend rates:		
- 1.00%	5,973	(7%)
+1.00%	6,900	8%

(In thousands of dollars)

17. Share capital:

	2024	2023
Authorized:		
Unlimited Common Shares		
Issued:		
100,000 Common Shares	$ 97,692	$ 97,692

18. Dividends:

On February 29, 2024 the Board of Directors of the Corporation declared dividends of $7,357 on the issued and outstanding Common shares in respect of the 2023 fiscal year.

Dividends and dividend advances paid in 2024 were $7,847 and include the following:

- 2023 Q4 dividends of $2,384
- 2024 Q1, Q2, Q3, and Q4 dividend advances of $5,463

On March 27, 2025, the Board of Directors of the Corporation declared dividends of $4,797 on the issued and outstanding Common shares in respect of the 2024 fiscal year. Dividend advances of $5,463 were paid during 2024 with the excess of $666 to be deducted from dividends to be paid in the future.

19. Commitments and contingencies:

(a) Insurance claims:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Corporation.

19. Commitments and contingencies (continued):

Insurance premiums charged to each member electric utility consist of a levy per $1 of service revenue subject to a credit or surcharge based on each electric utility's claims experience.

(b) Contractual obligation - Hydro One Networks Inc.:

Whitby transformer station:

The Corporation's subsidiary, EE, is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet EE's anticipated electricity load growth. Construction of the project was completed during 2007 and EE connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenue, EE is obligated to pay a capital contribution equal to the difference between this revenue and the construction costs allocated to EE. The construction costs allocated to EE for the project are $19,950.

Hydro One has performed the final true-up based on actual load at the end of the fifteenth anniversary of the in-service date and the Corporation accrued $4,062 for the shortfall of connection transformation revenue for Hydro One, as at December 31, 2024 (December 31, 2023 - $nil) and recognized this amount as an intangible asset.

Seaton transformer station:

The Corporation constructed a transformer station designated to meet the Corporation's anticipated electricity load growth and connected the transformer station to Hydro One’s transmission system in December 2022. The Corporation entered into a connection and cost recovery agreement with Hydro One for the 230kV transmission supply to the transformer station. The construction costs allocated to the Corporation for the transmission supply project are $10,003 and a capital contribution of $3,244 was required due to increase in cost and lower incremental load forecast. The Corporation accrued $3,244 as at December 31, 2024 (December 31, 2023 - $nil) and recognized this as an intangible asset.

19. Commitments and contingencies (continued):

To the extent that the cost of the project is not recoverable from future transformation connection revenue, the Corporation is obligated to pay additional capital contributions equal to the difference between this revenue and the construction costs allocated to the Corporation. Hydro One will perform a true-up based on actual load at the end of the fifth, tenth and fifteenth anniversary of the in-service date.

(c) Contractual obligation - Cloud Computing Arrangements

The Corporation entered into a cloud computing arrangement in December 2024 with an established Canadian supplier for licensing and to implement an integrated technology platform solution implementing electrical utility industry leading standard operating models and business processes for a 10-year term with a cost of $48,799.

(d) Prudential support:

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a $64,000 guarantee to the IESO on behalf of EE.

(e) General claims:

From time to time, the Corporation is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Corporation's consolidated financial position and results of operations or cash flows.

20. Leases:

The Corporation is committed to lease agreements for various vehicles.

When measuring the lease liabilities for leases, the Corporation discounted lease payments using the implicit rate of each lease agreement with a range of 5.65% to 7.20%.

(In thousands of dollars)

20. Leases (continued):

Future minimum non-cancellable lease payment obligations under finance leases are as follows:

2025	$ 95
2026	71
2027	44
	$ 210

As at December 31, 2024, a lease obligation of $95 (December 31, 2023 - $124) is recorded as a current liability and $115 (December 31, 2023 - $210) is recorded as a non-current liability.

The Corporation has also recognized $16 (2023 - $25) in interest costs (recognized as finance costs in the consolidated statement of income and comprehensive income and the consolidated statement of cash flows) and $124 (2023 - $177) in lease repayments (recognized as changes in operating working capital in the consolidated statement of cash flows).

21. Revenue and other income:

	2024	2023
Commodity revenue	$ 464,462	$ 421,522
Distribution revenue	100,500	97,459

Other income:		
Late payment charges	$ 1,467	$ 1,474
Customer charges (a)	779	789
Pole rentals	1,174	1,100
Amortization of deferred contributions	3,400	2,936
Consulting	3,826	4,644
Renewable energy	495	604
Other	(212)	917
Project write-off	–	(2,519)
	$ 10,929	$ 9,945

(a) Includes reconnection/disconnection, collection and change of occupancy charges from customers.

(In thousands of dollars)

21. Revenue and other income (continued):

Energy sales and distribution revenue by customer class are as follows:

	2024	2023
Residential service	$ 277,759	$ 245,343
General service	266,868	251,395
Large users	20,335	22,243
Total commodity and distribution revenue	$ 564,962	$ 518,981

22. Operating, maintenance and administration expenses:

	Operating and maintenance	Administration	Total 2024	Total 2023
Salaries and benefits	$ 11,378	$ 21,155	$ 32,533	$ 30,724
External services	9,808	19,672	29,480	23,358
Materials and supplies	131	343	474	443
Vehicle	1,289	118	1,407	1,452
Other	196	2,617	2,813	1,500
	$ 22,802	$ 43,905	$ 66,707	$ 57,477

23. Consolidated statement of cash flows:

Changes in operating working capital provided by (used in) include the following:

	2024	2023
Accounts receivable	$ (8,282)	$ (9,682)
Materials and supplies	1,603	(3,582)
Prepaid expenses	(279)	513
Accounts payable and accrued liabilities	4,725	(1,319)
Deferred revenue	(1,782)	54
	$ (4,015)	$ (14,016)

(In thousands of dollars)

23. Consolidated statement of cash flows (continued):

Reconciliation between the amount presented in the consolidated statement of cash flows and total additions to PP&E and intangible assets:

	2024	2023
Purchase of PP&E, cash basis	$ 77,364	$ 89,444
Net change in accruals related to PP&E	3,988	(3,732)
Total additions to PP&E	$ 81,352	$ 85,712
Purchase of intangible assets, cash basis	$ 5,043	$ 3,839
Net change in accruals related to intangible assets	8,245	(174)
Total additions to intangible assets	$ 13,288	$ 3,665

24. Financial instruments and risk management:

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates. The Corporation does not have commodity risk due to the flow-through nature of energy purchases and costs. All variances due to timing of customer billing or regulated pricing are recorded in retail settlement variance accounts and are recovered from or returned to customers in accordance with regulatory directives. The foreign exchange risk is considered not material and is limited to U.S. dollar cash holdings of $22 (2023 - $209) as at December 31, 2024.

(b) Interest rate risk:

The Corporation enters into fixed interest rate long-term debt agreements to minimize cash flow and interest rate fluctuation exposure. During 2023, the Corporation unwound its interest rate swap derivative maturing March 2, 2045. The Corporation then entered into a new interest rate swap derivative agreement of $33,390 maturing on November 2, 2028. Additionally, the Corporation entered into a new interest rate swap derivative agreement of $220,000 maturing on August 2, 2028. The Corporation entered into interest rate swap derivative agreements with the Bank to exchange interest rate cash flows.

24. Financial instruments and risk management (continued):

Under these agreements, the Corporation and the Bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provided the Corporation with a fixed rate loan, which reduces the impact of fluctuating interest rates on long-term debt. The Corporation does not enter into any such financial instrument for speculative purposes.

The Corporation is also exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a 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.

(c) Credit risk:

Financial assets create credit risk that a counterparty will fail to discharge an obligation, causing a financial loss. The Corporation's distribution revenue is earned on a broad base of customers. As a result, the Corporation did not earn a significant amount of revenue from any individual customer.

The inflationary pressures and a higher interest rate environment create a higher degree of uncertainty due to economic and business disruption. Management considers current economic and credit conditions in revising the estimates and judgments used in preparation of the expected credit losses provision on its accounts receivable balances. The Corporation applies provision rates based on recent and changing trends to customer aging balances, customer collection patterns and risk of customer default and has recorded an increase to the expected credit loss allowance of $26. The impact of the OEB's moratorium on disconnections impacted the Corporation's ability to mitigate credit risk from customer accounts receivable balances.

The Corporation manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Corporation's policies and monitoring the financial condition of counterparties.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

(i) There is a broad base of customers with no one customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance.

(In thousands of dollars)

24. Financial instruments and risk management (continued):

(ii) The Corporation, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or L/C from customers to mitigate risk of payment default.

(iii) The percentage of accounts receivable that is outstanding more than 90 days is approximately 7.5% (2023 – 6.7%) of the total net outstanding balance.

(iv) The Corporation includes an amount of accounts receivable write-offs within net income for rate-setting purposes.

Expected credit risk losses:

2023	$ 5,275
Additional allowances	1,920
Write-offs	(1,894)
	26
2024	$ 5,301

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31:

	2024	2023
Total accounts receivable	$ 111,740	$ 102,933
Less: expected credit losses	5,301	5,275
Total accounts receivable, net	$ 106,439	$ 97,658
Of which:		
Unbilled revenue	$ 48,749	$ 46,856
Outstanding less than 30 days	47,835	43,511
Outstanding 31 days but not more than 60 days	4,990	4,211
Outstanding 61 days but not more than 90 days	2,206	1,821
Outstanding 91 days but not more than 120 days	1,497	1,223
Outstanding more than 120 days	6,463	5,311
	111,740	102,933
Less: expected credit losses	5,301	5,275
	$ 106,439	$ 97,658

(In thousands of dollars)

24. Financial instruments and risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation has access to credit facilities and monitors cash balances daily. Short-term liquidity is provided through cash on hand, funds from operations and a revolving credit facility. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

The current challenging economic climate affected by factors including but not limited to uncertain macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct negative impact on the Corporation's operating results and financial position in the future. Accordingly, the Corporation continues to monitor and adapt its response plan as the economic climate evolves.

The liquidity risks associated with financial commitments are as follows:

Financial commitments as of December 31, 2024:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 77,928	$ –	$ –
Short-term debt - undiscounted (note 10)	94,332	–	–
Long-term debt - undiscounted	2	283,399	64
Leases - discounted	95	115	–
	$ 172,357	$ 283,514	$ 64

(In thousands of dollars)

24. Financial instruments and risk management (continued):

Financial commitments as of December 31, 2023:

	Due within one year	Due between one and five years	Due past five years
Financial liabilities:			
Accounts payable and accrued liabilities - undiscounted	$ 60,967	$ –	$ –
Short-term debt - undiscounted (note 10)	89,132	–	–
Long-term debt - undiscounted	2	253,398	67
Leases - discounted	124	210	–
	$ 150,225	$ 253,608	$ 67

(e) Fair values:

The Corporation included $12,289 of unrealized loss (2023 - $11,081) in its consolidated financial statements. This is the fair value, using a discounted cash flow model, of the interest rate swap derivatives which represents the amount that the Corporation would pay if it decided to settle its interest rate swap obligations as at December 31, 2024.

Fair value measurements recognized in the consolidated statement of income and comprehensive income are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

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

The interest rate swap derivatives are all Level 2 as at December 31, 2024.

There were no transfers between levels during the year.

(In thousands of dollars)

24. Financial instruments and risk management (continued):

The carrying amounts of all financial instruments, except the short-term debt and long-term debt approximate fair values due to the immediate or short-term maturity of these financial instruments.

The estimated fair values of the loans payable, including related party loans, are as follows:

	2024		2023	
Instrument	Fair value	Carrying value	Fair value	Carrying value
Town of Ajax promissory notes, due on demand	$ 19,610	$ 19,610	$ 19,610	$ 19,610
Town of Whitby promissory note, due on demand	28,338	28,338	28,338	28,338
City of Pickering promissory notes, due on demand	25,069	25,069	25,069	25,069
City of Belleville promissory notes, due on demand	7,794	7,794	7,794	7,794
City of Clarington promissory notes, due on demand	8,321	8,321	8,321	8,321
Loan payable to the Town of Cobourg Holding Inc., maturing on February 1, 2044	80	75	84	77
Long-term debt from the Bank, maturing on November 2, 2028	35,374	33,390	35,282	33,390
Long-term debt from the Bank, maturing on August 2, 2028	230,305	220,000	229,189	220,000
Long-term debt from the Bank, maturing on June 29, 2026	29,811	30,000	–	–
Short-term debt	5,200	5,200	–	–
Total	$ 389,902	$ 377,797	$ 353,687	$ 342,599

(In thousands of dollars)

24. Financial instruments and risk management (continued):

(f) Capital management:

The Corporation considers its capital structure to consist of shareholders' equity, short-term debt, long-term debt, bank indebtedness, less cash. The Corporation's capital structure was as follows:

	2024	2023
Cash	$ (4,196)	$ (3,806)
Short-term debt	94,332	89,132
Long-term debt	283,465	253,467
	377,797	342,599
Share capital	97,692	97,692
Retained earnings	75,025	77,239
Contributed surplus	79,301	79,301
Contributed capital	25	25
Accumulated other comprehensive income	2,420	2,511
	254,463	256,768
Total capital	$ 628,064	$ 595,561