North Bay Hydro Distribution Limited

Financial Statements

For the year ended December 31, 2023

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Financial Statements
For the year ended December 31, 2023

Contents

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Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

Opinion

We have audited the financial statements of North Bay Hydro Distribution Limited (the Company), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including all material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
April 30, 2024

North Bay Hydro Distribution Limited
Statement of Financial Position
Expressed in Canadian Dollars

As of December 31	2023	2022
Assets		
Current assets		
Cash and cash equivalents (Note 19)	**$ 10,596,952**	$ 8,914,623
Accounts receivable (Note 7)	**10,556,598**	7,543,575
Unbilled service revenue	**7,317,803**	7,537,651
Payments in lieu of taxes receivable (Note 8)	**223,546**	-
Inventory (Note 11)	**1,288,174**	1,186,318
Prepaid expenses	**613,179**	514,530
Total current assets	**30,596,252**	25,696,697
Non-current assets		
Property, plant and equipment (Note 4)	**93,396,664**	89,046,236
Loans receivable from related corporation (Note 10)	**-**	169,016
Investment in associate (Note 6)	**14,966**	460,326
Interest rate swap (Note 16)	**2,912,271**	4,464,415
Advances to corporate shareholder	**100**	100
Intangible assets (Note 22)	**621,121**	887,315
Goodwill	**3,322,007**	3,322,007
Total non-current assets	**100,267,129**	98,349,415
Total assets	**130,863,381**	124,046,112
Regulatory deferral accounts (Note 3)	**3,858,132**	3,399,019
Regulatory deferred taxes (Notes 3 and 8)	**3,489,565**	2,762,052
Total assets and regulatory deferral account balances	**$ 138,211,078**	$130,207,183

North Bay Hydro Distribution Limited
Statement of Financial Position (continued)
Expressed in Canadian Dollars

As of December 31	2023	2022
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10 & 16)	**$ 17,060,734**	$ 12,597,750
Payments in lieu of taxes payable (Note 8)	**-**	117,783
Deferred revenue	**725,085**	462,949
Current portion of customer deposits (Note 7)	**61,181**	86,444
Current portion of long-term debt (Note 16)	**5,485,876**	5,230,935
Total current liabilities	**23,332,876**	18,495,861
Non-current liabilities		
Customer deposits (Note 7)	**572,191**	613,785
Contributions in aid of construction (Note 5)	**7,270,777**	6,081,968
Employee future benefits (Note 9)	**2,970,393**	2,938,522
Long-term debt (Note 16)	**48,746,121**	48,176,443
Deferred income taxes (Note 8)	**3,489,565**	2,762,052
Total non-current liabilities	**63,049,047**	60,572,770
Total liabilities	**86,381,923**	79,068,631
Shareholder's equity		
Share capital (Note 13)	**19,511,701**	19,511,701
Retained earnings	**30,850,517**	30,153,615
Accumulated other comprehensive income	**1,018,771**	1,073,475
Total shareholder's equity	**51,380,989**	50,738,791
Total liabilities and shareholder's equity	**137,762,912**	129,807,422
Regulatory deferral accounts credit balances (Note 3)	**448,166**	399,761
Total equity, liabilities and regulatory deferral account credit balances	**$ 138,211,078**	$130,207,183

Contingencies (Note 17) **and Commitments** (Note 18)

Signed on behalf of the Board of Directors by:

DocuSigned by:
Chris Winrow
FD8A9A8A228C488... Director

DocuSigned by:
David Wolfe
953C81E226784C1... Director

North Bay Hydro Distribution Limited
Statement of Comprehensive Income
Expressed in Canadian Dollars

As of December 31	2023	2022
Revenue		
Electricity sales	**$ 76,694,542**	$ 78,095,058
Other	**1,034,754**	1,025,508
	77,729,296	79,120,566
Expenses		
Cost of power	**60,088,164**	61,687,650
Operating expenses (Note 14)	**8,758,060**	8,930,540
Depreciation and amortization	**4,014,654**	3,711,168
Loss on disposal of Property, plant and equipment	**59,011**	28,669
Loss (gain) on foreign exchange	**6,148**	(2,271)
	72,926,037	74,355,756
Income from operating activities	**4,803,259**	4,764,810
Finance income (Note 15)	**575,262**	210,427
Finance costs (Note 15)	**(1,609,895)**	(1,575,667)
Investment income (Note 6)	**-**	(66,812)
Change in interest rate swap (Note 16)	**(1,552,143)**	4,651,339
Income before provision for payment in lieu of taxes	**2,216,483**	7,984,097
Provision for payment in lieu of taxes (Note 8)		
Current	**85,085**	454,139
Deferred	**747,236**	2,015,256
	832,321	2,469,395
Income for the year before net movements in regulatory deferral account balances	**1,384,162**	5,514,702
Net movement in regulatory deferral account balances related to profit	**207,289**	46,048
Net movement in regulatory deferral account balances arising to deferred tax movement	**727,513**	2,504,649
Net income for the year	**2,318,964**	8,065,399
Other comprehensive (loss) income:		
Remeasurement of employee future benefits, net of tax recovery (2023 - $19,723) (2022 - $489,393) (Note 9)	**(54,704)**	1,357,373
Total net and comprehensive income for the year	**$ 2,264,260**	$ 9,422,772

North Bay Hydro Distribution Limited
Statement of Changes in Equity
Expressed in Canadian Dollars

For the year ended December 31

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2022	$ 19,511,701	$ (283,898)	$ 23,009,594	$ 42,237,397
Net income for the year	-	-	8,065,399	8,065,399
Other comprehensive income, net of tax	-	1,357,373	-	1,357,373
Dividends paid	-	-	(921,378)	(921,378)
Balance on December 31, 2022	**$19,511,701**	**$ 1,073,475**	**$30,153,615**	**$50,738,791**
Net income for the year	-	-	**2,318,964**	**2,318,964**
Other comprehensive income, net of tax	-	**(54,704)**	-	**(54,704)**
Dividends paid	-	-	**(1,622,062)**	**(1,622,062)**
Balance on December 31, 2023	**$19,511,701**	**$ 1,018,771**	**$30,850,517**	**$51,380,989**

North Bay Hydro Distribution Limited
Statement of Cash Flows
Expressed in Canadian Dollars

As of December 31	**2023**	2022
Cash provided by (used in)		
Operating activities		
Total net and comprehensive income for the year	**$ 2,264,260**	$ 9,422,772
Adjustments to reconcile income to net cash used in operating activities:		
Depreciation and amortization	**4,014,654**	3,711,168
Amortization of contributions in aid of construction	**(166,859)**	(141,818)
Deferred income taxes	**747,236**	2,015,256
Employee future benefit expenses	**287,664**	(1,615,596)
Loss on disposal of property, plant and equipment	**59,011**	28,669
Loss allocation in associate	**-**	66,812
Change in interest rate swap	**1,552,143**	(4,651,339)
	8,758,109	8,835,924
Net change in non-cash working capital balances (Note 12)	**1,758,525**	262,296
Net cash flows from operating activities	**10,516,634**	9,098,220
Investing activities		
Proceeds on disposal of property, plant and equipment	**25,775**	47,525
Purchase of property, plant and equipment	**(8,449,927)**	(6,666,285)
Dividends received from associate	**445,360**	-
Changes in regulatory deferral account balances	**(1,200,500)**	(3,884,854)
Net cash from used in investing	**(9,179,292)**	(10,503,614)
Financing activities		
Proceeds on contributions received in aid of construction	**1,355,667**	1,115,090
Dividends paid	**(1,622,062)**	(921,378)
Employee future benefits paid	**(213,237)**	(231,170)
Repayment of long-term debt	**(5,235,381)**	(5,125,240)
Advances of long-term debt	**6,060,000**	3,500,000
Net cash used in financing activities	**344,987**	(1,662,698)
Increase (decrease) in cash and cash equivalents during the year	**1,682,329**	(3,068,092)
Cash and cash equivalents, beginning of year	**8,914,623**	11,982,715
Cash and cash equivalents, end of year	**$ 10,596,952**	$ 8,914,623

1. Corporate Information

North Bay Hydro Distribution Limited's (the "Company") main business activity is the distribution of electricity under authority of the Ontario Energy Board ("OEB") Act, 1998. The Company owns and operates an electricity distribution system, which delivers electricity to 24,547 customers located in North Bay, Ontario and 3,356 customers located in the Espanola service territory which includes Espanola and the township of Sables-Spanish River which includes Massey.

On March 17, 2022 the OEB issued a Decision and Order ("D&O") that approved the amalgamation of North Bay Hydro Distribution Limited and Espanola Regional Hydro Distribution Limited as part of a Mergers, Amalgamations, Acquisitions and Divestures ("MAADs") application. Espanola Regional Hydro Distribution Limited operated an electricity distribution system located in Espanola, servicing customers in Espanola and the township of Sables-Spanish River which includes Massey. The approval provided for 18 months from the date of the D&O to affect the amalgamation. Prior to the date of amalgamation the companies were wholly-owned by North Bay Hydro Holdings. The companies formally amalgamated July 1, 2022. From an accounting perspective, the transaction was between companies under common control and without substance and as a result, the pooling of interest method of accounting was applied. Under this method, the assets and liabilities of the combining entity are reflected at carrying amounts. No adjustments have been made to reflect fair values or recognize any new assets or liabilities.

Operating in a regulated environment exposes the Company to regulatory and recovery risk.

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

Regulatory developments in Ontario's electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. North Bay Hydro Distribution Limited is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

The address of the Company's corporate office and principal place of business is 74 Commerce Crescent, North Bay, Ontario, Canada.

The sole shareholder of the Company is the Corporation of the City of North Bay.

2. Basis of Preparation

i) Statement of compliance

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on April 29, 2024.

ii) Basis of measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars (CDN$), which is also the Company’s functional currency, and all values are rounded to the nearest dollar, unless when otherwise indicated.

iii) Judgment and Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The recognition and measurement of regulatory deferral account balances (Note 3);
- The determination of useful lives of property, plant and equipment (Note 4);
- The calculation of the impairment of accounts receivable (Note 7);
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 8);
- The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Company’s retired employees (Note 9).

In addition, in preparing the financial statements the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

iv) Standards, amendments and interpretations

There are no other standards, interpretations or amendments issued, but not yet effective that the Company anticipates may have a material effect on the financial statements once adopted.

3. Regulatory Deferral Account Balances

In accordance with IFRS 14, the Company continues to apply the accounting policies in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets.

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

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

As part of the D&O issued in March 2022, the company will continue to track regulatory balances separately for the two service territories until it is determined if rates will be harmonized. For the purposes of disclosure these costs are combined in the table below, but separate information is provided in the referenced notes where the costs are deemed material or the balances relate to applications submitted to the OEB by the predecessor companies.

Prior to amalgamation, both North Bay Hydro and Espanola Regional Hydro filed separate Cost of Service Applications (“COS”) with the OEB (EB-2020-0043 and EB-2020-0020 respectively). Included in these applications were the proposed disposition and recovery of regulatory deferral account balances as at December 31, 2019 with carrying charges estimated to April 30, 2021. The proposed disposition included eligible Group 1 and Group 2 balances, recovery of lost revenues, as well as the residual balances of prior approved disposition and recovery amounts.

The balances and movements in the regulatory deferral account balances shown below are presented net of related deferred taxes.

All amounts deferred as regulatory deferral account balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such, regulatory deferral account balances are comprised of:

Expressed in Canadian Dollars

3. Regulatory deferral account balances (continued)

Regulatory deferral account debit balances

	Remaining Recovery period (years)		2023		2022
Cost of Power	1-4	$	**3,003,826**	$	2,465,924
Disposition/rec – 2018 - 2022	1-4		**367,649**		537,422
LRAMVA	1-4		**195,260**		250,337
Other	1-4		**291,397**		145,336
Total Regulatory deferral account debit balances		$	**3,858,132**	$	3,399,019

Regulatory deferral account credit balances

	Remaining Recovery period (years)		2023		2022
Cost of Power	1-4		**(286,978)**		(280,095)
Disposition/rec - 2018-2022	1-4		**(67,527)**		(25,876)
Other	1-4		**(93,661)**		(93,790)
Total Regulatory deferral account credit balances		$	**(448,166)**	$	(399,761)

Regulatory Deferred Taxes

			2023		2022
Deferred taxes - regulatory deferral account debit balance (iv)	5-25	$	**3,489,565**	$	2,762,052

In the absence of rate regulation, these rate regulated assets and liabilities would be recognized in income in the year in which they relate. As a result, the net effect on income for the period is as stated below.

3. Regulatory deferral account balances (continued)

Cost of Power

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service charged to the Company for the operation of the wholesale electricity market and grid, including commodity and global adjustment, various wholesale market settlement charges and transmission charges. Under the OEB's direction, the Company has deferred the settlement variances that have occurred since May 1, 2002 in accordance with the AP Handbook. Carrying charges are calculated monthly on the opening balance of the applicable variance account using a specific interest rate as outlined by the OEB. The Company did not recognize carrying charge income related to the retail settlement variance accounts for external reporting purposes prior to December 31, 2003.

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Modified IFRS (MIFRS). Net cost of power variance accounts in 2023 were in a asset position of $3,409,966 as compared to an asset position of $2,999,258 in 2022. This change includes the effect of any dispositions.

As a component of the COS rate application process, "Group 1" account balances (which are composed of Low Voltage, Wholesale Market, Network, Connection, Power and the Smart Meter Entity charge) are reviewed for disposition through rates on what is typically a per kWh charge. These disposition approvals are detailed below.

Disposition/recovery – 2018 -2023

The Company has residual balances from historical IRM applications with rate riders that have subsequently expired. The Company will seek disposition of the net residual balances in a future rate application. The residual balances are as follows: ($4,916) – 2018 IRM Application (EB-2017-0065), ($2,047) – 2020 IRM Application (EB-2020-0057), ($8,866) – 2021 COS Application for the North Bay rate zone (EB-2020-0043), ($2,695) – 2022 IRM Application for the Espanola rate zone, and ($49,002) – 2023 IRM Application for the North Bay rate zone.

On December 31, 2020, Espanola Regional Hydro filed a COS application for 2021 distribution rates (EB-2020-0020) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On June 10, 2021, the OEB approved the disposition of net regulatory assets of $1,154,068 and net regulatory liabilities of ($244,523) which included Group 1 balances, the pole attachment variance account, PILS variance, and LRAMVA accounts (see below for LRAMVA details). The amounts consisted of principal balances as of December 31, 2019 with carrying charges projected to April 30, 2021 for a net total of $909,544. Rate riders for Group 1 Global Adjustment and Group 2 accounts are being refunded to customers over a one year period ($36,222) commencing May 1, 2021 and ending April 30, 2022. Rate riders for all other Group 1 accounts, totaling $580,724, are being collected from customers over a five year period commencing May 1, 2021 and ending April 30, 2026. The Company will seek disposition of the net residual balance of ($4,489) related to the one year rate rider in a future COS rate application. The 5-year rate rider balance as of December 31, 2023 of $372,138 will continue to be collected from customers for several more years as part of the rate mitigation efforts the company agreed to in the application.

3. Regulatory deferral account balances (continued)

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

The Board established an LRAM variance account ("LRAMVA") to capture the differences between the results of actual, verified impacts of authorized CDM activities undertaken by electricity distributors and the level of CDM program activities included in the distributor's load forecast (i.e. the level embedded into rates). At a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate applications.

Under the Conservation First Framework ("CFF"), for programs that took place from 2015 to 2020, distributors were to capture the differences between the results of actual, verified impacts of authorized CDM activities against the LRAMVA threshold included in the most recent Cost of Service application. On March 21, 2019 the OEB announced the discontinuation of the CFF and the establishment of a scaled down interim framework for the balance of 2019 and 2020, the delivery of which will be done centrally by the IESO. The cancellation of the CFF has the potential to limit or eliminate the Company's ability to seek recovery for any future revenue variances caused by conservation programs beyond the current application.

Espanola Regional Hydro had not been before the OEB in a COS application since 2012, and the company requested disposition of lost revenue from the historical period of 2011 - 2020 and persistence to 2021 in its 2021 COS. The OEB approved recovery of $329,270, including carrying charges to April 30, 2021, over a five year period commencing May 1, 2021 and ending April 30, 2026. The 5 year rate rider balance as of December 31, 2023 of $195,260 will continue to be collected from customers for several more years as part of the rate mitigation efforts the company agreed to in the application.

Deferred Income Taxes

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax asset of $Nil (2022 – $-Nil) arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral account debit balance of $3,489,565 (2022 - $2,762,052). The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

Other

In their respective COS applications, both North Bay Hydro and Espanola Hydro updated their rates to reflect changes to the OEB approved pole attachment charges for distributors. The OEB previously established a variance account for electricity distributors to record the revenue difference between these new rates and previously approved rates. It was anticipated that a pole attachment variance would no longer be required. In 2022, the OEB decreased the rates that distributors are allowed to charge customers with rates escalating by inflation January 1 each year. As a result, the company has included $266,586 in the deferral account. This amount will change annually, depending on the rates set by the OEB, and will be collected or refunded to customers accordingly in the next COS application.

3. Regulatory deferral account balances (continued)

In July 2019, the OEB established a variance account to record the effects of the Accelerated Investment Incentive (AII). The AII created new capital cost allowance (CCA) rules that translated to a material difference between taxes built into rates using the OEB Tax Model and taxes that the Company would pay. The OEB also established that this account should reflect the change dating back to the beginning of the AII program start date (November 2018). In its 2021 COS application (EB-2020-0043), North Bay Hydro was approved for disposition of this regulatory liability in the amount of ($180,687), which includes the 2019 closing balance carrying charges forecasted to April 30, 2021. This disposition is now part of the Group 2 Disposition in 2021. The 2022 closing balance of the account is ($93,791). The Company will seek disposition of this balance in a future rate application. As part of the 2021 rebasing, the effect of the AII was incorporated into both North Bay Hydro and Espanola Regional Hydro's rate structure. Therefore, no variance will be tracked unless a material change is made to the current CCA rates.

Future Applications

On November 22, 2023, the Company filed a IRM rate application (EB-2023-0042) for distribution rates commencing May 1, 2024 for both the North Bay service territory and the Espanola service territory. The application includes an annual distribution rate adjustment of 4.5% for both the North Bay and Espanola rate zones. Included in the application was a request for Group 1 Accounts totalling $1,487,225 owed from customers for the North Bay rate zone and $163,483 owing from customers in the Espanola rate zone. The OEB approved this rate application on March 21, 2024.

For certain of the regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the regulator in determining the item's treatment for rate-setting purposes. Management continually assesses the likelihood of recovery of regulatory assets and realization of regulatory liabilities. If recovery and realization through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

Expressed in Canadian Dollars

4. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Costs may include direct material, labour, contracted services, overhead, engineering costs and interest on funds used during construction that are considered applicable to construction. Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as property, plant and equipment since they support the Company's distribution system reliability. Upon disposal the cost and accumulated amortization of assets are relieved from the respective accounts and any gain or loss is reflected in operations.

Depreciation of property, plant and equipment is recorded in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The estimated useful lives are as follows:

Distribution Assets:	
Building and fixtures	30 - 50 years
Substations	40 - 50 years
Poles, towers and fixtures	45 years
Overhead conductor and devices	60 years
Underground conduit and conductor	40 - 50 years
Distribution transformers	40 years
Overhead and underground services	40 – 60 years
Distribution meters	10 - 25 years
General Assets:	
Buildings	25 – 50 years
Office equipment	5 - 10 years
Computer equipment	5 years
Transportation equipment	5 - 15 years
Small tools and miscellaneous equipment	10 years
Load management controls	6 years
System supervisory equipment	15 – 20 years

Land is not depreciated.

Expressed in Canadian Dollars

4. Property, Plant and Equipment (continued)

	Electrical Distribution Assets	General Assets	Work in Progress	Total
Cost				
Balance at January 1, 2022	**$ 142,494,923**	**$ 15,583,665**	**$ 1,802,213**	**$ 159,880,801**
Additions	5,874,685	318,265	1,859,664	**8,052,614**
Disposals/Reallocation	(759,166)	(227,319)	(1,386,329)	**(2,372,814)**
Balance at December 31, 2022	**147,610,442**	**15,674,611**	**2,275,548**	**165,560,601**
Balance at January 1, 2023	**147,610,442**	**15,674,611**	**2,275,548**	**165,560,601**
Additions	8,724,167	877,769	902,805	**10,504,741**
Disposals/Reallocation	(761,614)	(134,413)	(2,054,813)	**(2,950,840)**
Balance at December 31, 2023	**155,572,995**	**16,417,967**	**1,123,540**	**173,114,502**
Depreciation				
Balance at January 1, 2022	**62,418,872**	**11,090,233**	**-**	**73,509,105**
Depreciation of the year	3,011,659	699,508	-	**3,711,167**
Disposals	(489,428)	(216,479)	-	**(705,907)**
Balance at December 31, 2022	**64,941,103**	**11,573,262**	**-**	**76,514,365**
Balance at January 1, 2023	**64,941,103**	**11,573,262**	**-**	**76,514,365**
Depreciation of the year	3,129,979	884,674	-	**4,014,653**
Disposals	(690,450)	(120,730)	-	**(811,180)**
Balance at December 31, 2023	**67,380,632**	**12,337,206**	**-**	**79,717,838**
Net Carrying Amounts:				
At December 31, 2022	**82,669,339**	**4,101,349**	**2,275,548**	**89,046,236**
At December 31, 2023	**$ 88,192,363**	**$ 4,080,761**	**$ 1,123,540**	**$ 93,396,664**

Expressed in Canadian Dollars

5. Revenue Recognition

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity is recognized over time on an accrual basis upon delivery of electricity, including unbilled revenues accrued in respect of electricity delivered but not yet billed. Sale and distribution of electricity revenue is comprised of customer billings for provincial electricity costs and distribution service charges. Customer billings for distribution service charges are recorded based on meter readings, and are generally due within 30 days of the billing date.

Other revenues, which include revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers. Contributions vary by project and are based on the criteria set forth in the Distribution System Code. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction, recognized when they are billed and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

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

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

	December 31, 2023	December 31, 2022
Deferred contributions, net, beginning of year	**$ 6,081,968**	$ 5,313,080
Contributions in aid of construction received	**1,355,667**	1,113,787
Contributions in aid of construction recognized as distribution revenue	**(166,858)**	(141,818)
Reclass of contributions in aid of construction to PP&E per IFRS (pre-2015 net book value)	**-**	(203,081)
Deferred contributions, net, end of year	**$ 7,270,777**	$ 6,081,968

All contributions in aid of construction are cash contributions and are recognized when billed. There have not been any contributions of property plant and equipment.

Expressed in Canadian Dollars

6. Investment in Associate

The Company has an equity interest in Ecobility Limited; a company owned by five different shareholders all of whom own, operate, or are affiliated with, a local distribution company. The company operates out of Sudbury and Toronto and facilitates the management and delivery of Provincial conservation programs across the service territories of each owner and other locations throughout the Province. Of the 143,860 shares issued, the company owned 16.66% at year end. Of the five voting shares, the Company holds one.

This equity interest is measured using the equity method of accounting whereby the Company's share of Associate income or loss is recognized to the carrying value of the Associate as well as any Dividends received. In 2023 the Company recorded income of $Nil (2022 - ($66,812)) and received dividends in the amount of $445,360 (2022 - $Nil). At December 31, 2023 the Associate had total assets of $2,945,051 (2022 - $2,858,092) and shareholders' equity of $259,290 (2022 - $2,833,188).

7. Accounts Receivable, Unbilled Revenue and Customer Deposits

	December 31, 2023	December 31, 2022
Customer accounts receivable	**$ 10,840,534**	$ 7,802,221
Loss allowance	**(283,936)**	(258,646)
Total accounts receivable	**$ 10,556,598**	$ 7,543,575

i. Recognition and initial measurement

The Company initially recognizes accounts receivable on the date on which they are originated and recognizes unbilled service revenue on the date on which the Company delivers the electricity but has not yet billed the customer. Similar to customer billings, unbilled revenue for distribution service charges are recorded based on meter readings. Accounts receivable and unbilled service revenue are initially measured at fair value.

ii. Classification and subsequent measurement

Accounts receivable and unbilled service revenue are classified and subsequently measured at amortized cost because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss. Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

iii. Fair value measurement

Due to its short-term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

7. Accounts Receivable, Unbilled Revenue and Customer Deposits (continued)

iv. Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada’s prime business rate less 2%.

Due to its short-term nature, the carrying amount of the accounts receivable due from related parties and other accounts receivable approximates its fair value. Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has 24,583 customers located in North Bay and 3,376 customers located in Espanola, the majority of which are residential. The Company considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Company, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually required payments when due, which is generally within 30 days of the billing date.

In 2020, the Company made a change in the methodology when determining if an account receivable is impaired. Historically, the Company considered an account receivable to be credit-impaired when the customer had amounts more than 90 days past the billing date. Now the Company reviews commercial and industrial customer accounts on an individual basis and considered historical loss, payment experience, payment arrangements and economic conditions, as well as the aging and arrears status of the account in the determination of impairment. For residential accounts, the Company took a similar approach on an aggregate level as well as undertaking an overall analysis of historical write-offs, provisions, subsequent recoveries and payment patterns to determine the reasonability of the impairment. The Company considers the current economic and credit conditions to determine the loss allowance of its accounts receivable. The Company continues to actively monitor its exposure to credit risk.

Expressed in Canadian Dollars

7. Accounts Receivable, Unbilled Revenue and Customer Deposits (continued)

The following table provides information about the exposure to credit risk for accounts receivable by level of delinquency.

	December 31, 2023			December 31, 2022		
	Gross Receivable	**Allowance**	**Net of Allowance**	Gross	Allowance	Net of Allowance
Less than 30 days past billing date	**$ 9,480,897**	**$ 39,454**	**$ 9,441,443**	$ 7,193,921	$ 65,398	$ 7,128,523
30-60 days past billing date	**690,797**	**36,364**	**654,433**	186,352	28,994	157,358
61-90 days past billing date	**185,532**	**30,012**	**155,520**	116,202	22,717	93,485
More than 90 days past billing date	**483,306**	**178,104**	**305,202**	305,746	141,537	164,209
	$ 10,840,532	**$ 283,934**	**$10,556,598**	$ 7,802,221	$ 258,646	$ 7,543,575

The following tables present a summary of the activity related to the Company's accounts receivable loss allowances.

	2023	2022
Balance January 1	**$ 258,646**	$ 207,037
Additions (provision for Credits loss)	**228,441**	304,841
Accounts written off, net of recoveries	**(203,153)**	(253,232)
Balance, December 31	**$ 283,934**	$ 258,646

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

Customer deposits represents cash deposits from electricity distribution customers and retailers. Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

7. Accounts Receivable, Unbilled Revenue and Customer Deposits (continued)

		2023		2022
Customer Deposits - Current	$	**61,181**	$	86,444
Customer Deposits - Long-Term		**572,191**		613,785
Total Customer Deposits	$	**633,372**	$	700,229

v. Recognition and initial measurement

The Company initially recognizes customer deposits on the date on which the Company received the deposit. Customer deposits are initially measured at fair value.

vi. Classification and subsequent measurement

Customer deposits are classified and subsequently measured at amortized cost, using the effective interest rate method.

vii. Fair value measurement

The fair value of customer deposits approximates their carrying amounts taking into account interest accrued on the outstanding balance.

8. Payments in Lieu of Taxes Payable (PIL's)

The Company is a Municipal Electricity Utility ("MEU") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a MEU the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes each year to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. PILs expense comprises of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances.

Significant judgment is required in determining the provision for PILs. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company’s current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Expressed in Canadian Dollars

8. Payments in Lieu of Taxes Payable (continued)

a. Expense

The Company's provision for PILs is calculated as follows:

	2023	2022
Income before provision for payment in lieu of income taxes	**$ 2,216,483**	$ 7,984,097
Regulatory assets/liabilities added (deducted) for tax purposes	**(410,708)**	(1,914,756)
Change in reserves	**-**	(96,658)
Capital cost allowance (greater than) less than amortization expense	**(3,124,903)**	764,427
Loss carryforwards and other	**(292,027)**	(2,114,440)
Change in interest rate swap	**1,552,144**	(4,651,339)
Loss on disposal of assets	**59,011**	28,669
Income (loss) for tax purposes	**-**	-
Statutory tax rate	**26.5 %**	26.5 %
Provision for PILs before items below	**-**	-
Prior year under provisions and minimum taxes	**85,085**	454,139
Current provision for payment in lieu of taxes	**$ 85,085**	$ 454,139

b. Deferred taxes

	2023	2022
Property, plant and equipment	**$ (2,825,366)**	$ (1,831,081)
Financial instruments asset/liability	**(771,752)**	(1,183,070)
Employee future benefits	**787,155**	778,708
Regulatory Assets/Liabilities, loss carryforwards and other	**(679,602)**	(526,609)
Total deferred tax assets (liabilities)	**$ (3,489,565)**	$ (2,762,052)

9. Employee Future Benefits

Employee future benefits other than pension provided by the Company include medical and insurance benefits. These benefit plans provide benefits to certain employees when they are no longer providing active service.

The cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the cost of these benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The calculation is performed by a qualified actuary using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities. The valuation is performed every third year or when there are significant changes to workforce. A full valuation was performed in 2022.

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

Service costs are recognized in the Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

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

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

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

Expressed in Canadian Dollars

9. Employee Future Benefits (continued)

The Company has a defined benefit life insurance and health care plan covering all active employees and most retirees. Information about the Company's defined benefit life insurance and health care plan is as follows:

		2023		2022
Prepaid benefit liability, beginning of year	$	**2,938,522**	$	4,740,128
Expense for the year		**166,181**		246,730
Benefits paid during the year		**(213,237)**		(231,170)
Actuarial gains/losses recognized		**78,927**		(1,817,166)
Prepaid benefit liability, end of year		**2,970,393**		2,938,522
Fair value of plan assets		**-**		-

Included in wages and employee benefits and finance costs respectively, is a net benefit expense as follows:

		2023		2022
Total service cost of the plan for the year		**34,203**		106,773
Total amortization of past service costs		**-**		12,730
Interest on average liabilities		**131,978**		127,227
Total Expense for the year	$	**166,181**	$	246,730

The main actuarial assumptions employed for the valuations are based on the full actuarial report performed in 2022. In 2023, the Company hired an outside consulting firm to update the actuarial valuation report based on changes to the discount rate.

In addition to the above information, the consultant also provided sensitivity analysis at December 31, 2023 below. The sensitivity analysis shows the change in the present value of the defined benefit obligation at December 31, 2023 by increasing or decreasing the discount rate and claim cost trend rates by 1% increments. The sensitivity is done separately for each assumption, while keeping other assumptions the same.

Expressed in Canadian Dollars

9. Employee Future Benefits (continued)

	Base	Discount Rate +1%	Discount Rate -1%	Trend +1%	Trend -1%
PV DBO Dec.31/23	$ 2,767,100	$ 2,546,500	$ 3,022,300	$ 2,979,300	$ 2,581,200
% Difference		-8%	9%	8%	-7%
$ difference		$ (220,600)	$ 255,200	$ 212,200	$ (185,900)

Expected average remaining service life of active employees 15.5 years.

a. General Inflation / Salary Levels

In 2022, the actuarial report was based on salary scale assumption based on the Corporation's management of 3% per annum. This change reflected the Corporation's bargaining agreements and consideration for increases in the salary scale in the long term. As such, in 2023 there was no inflation rate used in the valuation.

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 4.60% (2022 5.05%). The discount rate for 2023 reflects the assumed long-term yield on high quality bonds as at December 31, 2023 (most recent valuation date).

b. Medical Costs

Medical costs reflect cost increase assumptions from the full valuation in 2022 and continue to be assumed to increase 4.90% from 2023-2024, 5.3% from 2025-2034, 4.6% from 2035-2039, and 4% thereafter.

c. Dental Costs

Dental costs reflect cost increase assumptions from the full valuation in 2022 and are assumed to increase to 5.1% from 2023-2024, 5.60% from 2025-2029, 5.30% from 2030-2034, 4.60% from 2035-2039 and 4% thereafter.

d. Retirement Age

The retirement age assumption utilized by management is that all active employees are assumed to retire at age 60 (or immediately if currently over age 60), which was based on the Corporation's retirement experience since 2010, as well as a seven-year retirement experience study on a group of local distribution companies for which data was available. Previously, for North Bay Hydro Distribution Ltd., active employees were assumed to retire at age 57 (or immediately if current over age 57). The retirement age assumption for employees of the predecessor company, Espanola Regional Hydro Distribution Corporation, remains unchanged from the previous valuation.

The Company's sick accrual is included above in the amount of $203,300 (2022 - $207,800) and is the accumulation of non-vested sick leave benefits under IAS 19 standards for financial reporting purposes. The Company hired an outside consulting firm to assess the future payments to be made because of the Company's employees' sick leave bank hours in 2022. The discount rate used in 2023 was 4.60% (2022 – 5.05%). The future general salary and wage levels were assumed to increase at 3.0% per annum.

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

10. Related Party Transactions

The Company provides administrative and other services to an affiliated company, North Bay Hydro Services Inc. ("Services"). Electrical energy is also sold to Services at the same prices and terms as other electricity customers consuming equivalent amounts of electricity.

The Corporation of the City of North Bay (the "City") is the 100% owner of North Bay Hydro Holdings Inc. which is the parent company of North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

Electrical energy is sold to the City at the same prices and terms as other electricity customers consuming equivalent amounts of electricity. Streetlight maintenance services are provided at rates determined in relation to other service providers. Other construction services are provided at cost.

The following tables summarize the transactions that occurred between North Bay Hydro Distribution Limited and its affiliates.

Expressed in Canadian Dollars

10. Related Party Transactions (continued)

	Sale of Goods		Purchase of Goods		Amounts owed to (from)	
	Year Ended December 31, 2023	Year Ended December 31, 2022	**Year Ended December 31, 2023**	Year Ended December 31, 2022	**Year Ended December 31, 2023**	Year Ended December 31, 2022
NBHS						
Operating Expense Recovery	$ 610,196	$ 580,675	$ -	$	$ -	$ -
Electricity Sales	155,619	119,279	-		-	-
Contributed Capital Costs	1,065	379,000	-		-	-
Other Revenue	1,898	1,482	52,732	83,912	-	-
Total statement of Comprehensive Income	$ 768,778	$ 1,080,497	$ 52,732	$ 83,912	$ -	$ -
Accounts receivable	$ -	$ -	$ -	$	$ (472,965)	$ (385,772)
Accounts payable	-	-	-		879,336	739,601
Loan Receivable	-	-	-		-	(169,016)
Total statement of financial position	$ -	$ -	$ -	$ -	$ 406,371	$ 184,814
Hydro Holdings						
Administration fees	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
Hydro Holdings Total	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
City of North Bay						
Electricity Sales	$ 2,699,128	$ 2,447,930	$ -	$	$ -	$
Contributed Capital Cost	11,700	191,457	-	-	-	-
Operating Expenses	-	-	240,873	254,255	-	-
Total statement of earnings and retained earnings	2,710,829	2,639,387	240,873	254,255	-	-
Accounts receivable	-	-	-	-	(316,473)	(259,219)
Accounts payable	-	-	-	-	28,427	36,058
Total statement of financial position	$ -	$ -	$ -	$ -	$ (288,046)	$ (223,161)

Expressed in Canadian Dollars

11. Inventory

Cost of inventories comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. The amount of inventories consumed by the Company and recognized as an expense during 2023 was $197,176 (2022 - $162,656).

Inventory consists of parts, supplies and materials held for future capital expansion or maintenance and are valued at the lower of cost, determined by the weighted average method, and replacement cost.

12. Net Change in Non-cash Working Capital Balances

The net change in non-cash working capital balances consists of:

	2023	2022
Accounts receivable	**$ (2,844,008)**	$ 1,294,724
Unbilled service revenue	**219,848**	(657,613)
Inventory	**(101,794)**	(367,410)
Prepaid expenses	**(98,649)**	(47,510)
Accounts payable and accrued liabilities	**4,462,984**	86,027
Payments in lieu of taxes	**(341,329)**	(23,132)
Customer deposits	**(66,857)**	(72,105)
Intangible Asset	**266,194**	269,535
Deferred revenue	**262,136**	(220,220)
	$ 1,758,525	$ 262,296

Expressed in Canadian Dollars

13. Share Capital

Authorized:

Unlimited Common shares

The issued share capital is as follows:

	2023	2022
1,101 Common Shares	**$ 19,511,701**	$ 19,511,701

14. Operating Expenses by Nature

	2023	2022
Repairs and maintenance	**$ 1,890,673**	$ 2,133,905
Staff Costs	**5,120,629**	5,320,977
General Administration, overhead and recoveries	**1,400,999**	1,070,637
Bad debts	**228,444**	290,257
Property Taxes	**117,315**	114,764
	$ 8,758,060	$ 8,930,540

Management Compensation

During the year the company compensated its senior management group $1,678,332 (2022 - $1,510,961), including salaries and benefits.

Expressed in Canadian Dollars

15. Finance Income and Finance Cost

	2023	2022
Finance Income:		
Interest income on receivables	**$ 179,979**	$ 46,757
Interest income on bank deposits	**395,283**	163,670
	$ 575,262	$ 210,427
Finance Cost:		
Interest on long term debt	**$ 1,477,916**	$ 1,448,440
Net interest on employee future benefits	**131,979**	127,227
	$ 1,609,895	$ 1,575,667

16. Long Term Debt

The Company has ten term loans with a Canadian Financial Institution and has entered into interest rate derivative agreements to manage the volatility of interest rates on long-term debt for each. Loans of $4,000,000, $4,500,000, $5,500,000, two loans of $5,000,000, and two loans valued at $6,000,000, are all being repaid over 120 months with fixed interest rates of 3.095%, 3.55%, 2.37%, 2.36%, 2.88%, 2.45%, and 1.56% respectively. A loan of $6,200,000 is being repaid over 240 months with a fixed rate of 2.85%. All loans are to be repaid with combined principal and interest repayments of $374,121 per month on average through 2023. Details on the other two derivative loans are provided below (2022 and 2023 borrowing).

The company has two additional term loans in the amounts of $650,000 and $490,000. These loans are 10-year terms, 30-year amortization periods, and have no interest rate swap derivative agreements attached to them.

The Company entered into a term loan in the amount of $19,500,000 (2016) to replace the existing loan agreement with the City of North Bay. This loan is to be repaid over 240 months with repayments of $103,331 per month principal and interest at a rate of 2.5%.

In 2019, the company entered into an interest rate swap derivative agreement to finance the acquisition of Espanola Regional Hydro. The loan is being repaid over 300 months with interest only repayments of $19,006 for the first 36 months. In November 2022, the company began making principal and interest repayments of $40,057 per month which will remain in place until October 2044, with interest at a fixed rate of 2.928% per annum.

In 2022 the Company entered in a 5-year financing facility that enables the company to have access to $32M for funding capital infrastructure with the intention to borrow on an annual basis. In addition to that facility, the company refinanced two existing loans with Infrastructure Ontario (with the predecessor Espanola Regional Hydro Distribution Limited) enabling the company to eliminate that debtor and the restrictive covenants. 2022 borrowing, done through an interest rate derivative agreement, in amount of $5,210,000 is to be repaid over 240 months with repayments of $34,268 per month principal and interest at a rate of 4.96%. The 2022 borrowing covers the refinancing of $1.8M in Infrastructure Ontario debt.

In 2023, the Company entered a $6,060,000 interest rate derivative agreement, to be repaid over 240 months, with repayments of $38,195 per month principal and interest at a rate of $4.456%.

The fair value of these loans are $54,231,997 (2022- $53,407,377) which is estimated by obtaining market-to-market quotes from the Toronto Dominion Bank resulting in an interest rate swap mark-to-market financial liability (asset) of $(2,912,271) (2022 – $(4,464,415)). The quoted prices generally reflect the estimated amount that the Company would pay (receive) to settle these agreements at the statement of financial position date.

The Company must maintain Debt Service Coverage (DSC) ratio of not less than 1.20:1 on to remain in compliance with outstanding debt obligations.

Expressed in Canadian Dollars

16. Long Term Debt (continued)

Estimated principal repayments required to settle long term obligations are as follows (excludes interest rate swap mark-to-market adjustment):

2024	$ 5,485,876
2025	5,376,586
2026	5,170,696
2027	4,964,275
2028	4,795,334
Thereafter	28,439,230
	$ 54,231,997

The interest rates on these financial instruments are fixed and therefore the Company is not exposed to fluctuations in short-term interest rates in relation to these debts.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an on-going basis. The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

December 31, 2022	**60 days**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable	$ 12,597,750	-	-	-
Long-term debt	861,866	4,369,072	18,606,225	29,570,215
	$ 13,459,616	**$ 3,961,782**	**$ 19,215,523**	**$ 28,992,264**
December 31, 2023	**60 days**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable	$ 17,060,734	-	-	-
Long-term debt	924,944	4,560,932	20,306,891	28,439,230
	$ 17,985,678	**$ 4,560,932**	**$ 20,306,891**	**$ 28,439,230**

17. Contingencies

The Company belongs to the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2023, the Company has not been made aware of any assessments that would not be covered by MEARIE.

18. Commitments

On October 9, 2009 the Company entered into a 15 year contract with Sensus Metering Systems Inc. to maintain and further develop the AMI system that meets the MEU functional specifications related to the Smart Meter Project. The contract contains 3 renewal terms of 5 years each. The Company elected to have the monthly fees billed in US dollars, instead of having the currency rate set on an annual basis in October of each year. Termination penalties apply if the Company cancels the contract without cause, the related fees are based on a sliding scale for the year this takes place and the fees associated with the service option selected. Annual fees in the amount of approximately $340,000 (CDN$) are expected to be incurred under this contract, however, can fluctuate based on several factors including performance. This contract exposes the Company to currency risk with fluctuations in currency prices when it purchases US dollars to meet the payable commitments.

19. Credit Facility/Letters of Credit

The Company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The credit limit permitted under this agreement is $7,750,000. At year end the Company had drawn $Nil (2022 $Nil) under this facility. The interest rate on this facility is equal to the prime rate as defined by the Bank of Canada and cross referenced against TD bank's rate.

The Company has a $3.6 million letter of credit with its bank provided to the IESO to secure the Company's hydro purchase obligations. The Company has provided its financial institution with a General Security Agreement as security for this obligation.

The Company's general banking agreement which encompasses the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1:2 and positive free cash flow. Distributions in excess of free cash flow are permitted when financed by cash on hand. As at December 31, 2023 the Company was in compliance with these covenants.

The Company strives to maintain a liquidity level that allows for sufficient funds to meet operational requirements so that obligations can be met as they become due while minimizing interest expense. The Company monitors cash balances regularly and has access to short-term borrowings, should they be required, under its credit facility agreement. If the Company were to utilize this facility it would be exposed to fluctuations in short-term interest rates.

20. Pension Agreements

The Company makes contributions to the OMERS, which is a multiemployer pension plan, on behalf of all full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of $136,574 (2022 - $130,306 million) in respect of benefits accrued for service with actuarial assets of $131,983 (2022 - $123,628 million) indicating actuarial deficit of $4,202 (2022 - $6,678 million). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2023 was $566,272 (2022 - $535,128).

21. Capital Disclosures

The Company considers its capital to comprise its common share capital, retained earnings, and long-term debt.

In managing its capital, the Company’s primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and through the payment of periodic dividends to its common shareholders. The Company also seeks to ensure that access to funding is available in order to maintain and improve the equipment used in operations and maintain financial ratios within the recommended guidelines as prescribed by the OEB. In order to achieve these objectives, the Company develops detailed annual operating budgets and seeks to maintain distribution revenue levels and control costs to enable the Company to meet its working capital requirements and strategic investment needs. In making decisions to adjust its capital structure to achieve these objectives, the Company considers both its short-term position and long-term operational and strategic objectives.

As at December 31, 2023 the Company is party to debt agreements that contain various covenants and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

Expressed in Canadian Dollars

22. Intangible Assets

The Company files for Cost of Service ("COS") applications for distribution rates. The COS filing sets the baseline for the next five years of rate increases that allows for incremental revenues to be recovered through rates over the proceeding five-year period. As such, the Company has determined the useful life of this intangible asset to be 60 months and is amortizing these costs on a straightline basis accordingly. Amortization is included in the operating expense of the Company, specifically in General Administration.

	2023	2022
Cost	**$ 1,334,826**	$ 1,334,826
Accumulated amortization	**(713,705)**	(447,511)
	$ 621,121	$ 887,315