

Consolidated Financial statements of

**OSHAWA POWER AND  
UTILITIES CORPORATION**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Oshawa Power and Utilities Corporation

### ***Opinion***

We have audited the consolidated financial statements of Oshawa Power and Utilities Corporation (the Entity), which comprise:

- the consolidated balance sheet as at December 31, 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended

and notes to the consolidated financial statements, including a summary of material accounting policies (hereinafter referred to as the "financial statements").

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

### ***Basis for Opinion***

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

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

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), 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.

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

Chartered Professional Accountants, Licensed Public Accountants  
Vaughan, Canada

April 29, 2024

# OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Balance Sheet  
(In thousands of dollars)

December 31, 2023, with comparative information for 2022

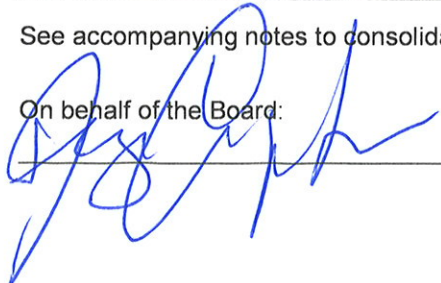
|   | 2023       | 2022       |
|---|------------|------------|
| <b>Assets and Regulatory Balances</b>                         |            |            |
| Current assets:   |            |            |
| Cash (including customer deposits of \$2,262; 2022 - \$2,569) | \$ 10,302  | \$ 12,809  |
| Restricted cash (note 9)                                      | 729        | 768        |
| Accounts receivable (notes 11 and 14)                         | 18,081     | 12,546     |
| Unbilled revenue  | 14,431     | 14,487     |
| Inventory   | 203        | 203        |
| Income tax receivable   | 842        | 580        |
| Prepaid expenses and other                                    | 910        | 945        |
| Total current assets  | 45,498     | 42,338     |
| Property, plant and equipment, net (note 2)                   | 210,884    | 199,327    |
| Intangible assets, net (note 3)                               | 7,768      | 7,537      |
| Deferred income tax assets (note 7)                           | 141        | 105        |
| Investment in ZooShare Biogas LP (note 15)                    | 3,712      | 3,876      |
| Right-of-use assets (note 12)                                 | 1,669      | 983        |
| Unrealized gain on interest rate swap (note 14)               | 3,691      | 5,555      |
| Other assets  | 164        | 176        |
| Total assets  | 273,527    | 259,897    |
| Regulatory balances (note 4)                                  | 11,127     | 10,624     |
| Total assets and regulatory balances                          | \$ 284,654 | \$ 270,521 |

## Liabilities, Regulatory Balances and Equity

|  |            |            |
|--|------------|------------|
| Current liabilities:                                     |            |            |
| Accounts payable for power - IESO (note 13)              | \$ 10,500  | \$ 11,868  |
| Accounts payable and accrued liabilities                 | 14,531     | 11,144     |
| Current portion of deferred contributions (note 6)       | 756        | 1,109      |
| Customer advance payments                                | 512        | 592        |
| Current portion of lease liability (Note 12)             | 371        | 186        |
| Deferred Revenue   | 398        | 400        |
| Current portion of long-term liabilities (note 5)        | 6,308      | 1,700      |
| Total current liabilities                                | 33,376     | 26,999     |
| Long-term debt (note 9)                                  | 94,030     | 89,253     |
| Asset retirement obligation (note 14)                    | 917        | 884        |
| Customer advance deposits                                | 1,750      | 1,977      |
| Lease liability (note 12)                                | 1,100      | 518        |
| Deferred contributions (note 6)                          | 45,053     | 42,386     |
| Post-employment non-pension retirement benefits (note 8) | 11,192     | 8,580      |
| Deferred income tax liabilities (note 7)                 | 7,837      | 6,171      |
| Total liabilities  | 195,255    | 176,768    |
| Regulatory balances (note 4)                             | 3,969      | 11,178     |
| Equity:  |            |            |
| Capital stock (note 10)                                  | 23,064     | 23,064     |
| Retained earnings  | 58,832     | 54,496     |
| Accumulated other comprehensive gain (loss)              | 2,713      | 4,083      |
| Total equity attributable to the Corporation             | 84,609     | 81,643     |
| Non-controlling interests (note 16)                      | 821        | 932        |
| Total equity   | 85,430     | 82,575     |
| Commitment and contingencies (note 13)                   |            |            |
| Subsequent events (note 9)                               |            |            |
| Total liabilities, regulatory balances and equity        | \$ 284,654 | \$ 270,521 |

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

# OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Statement of Comprehensive Income  
(In thousands of dollars)

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

|  | 2023       | 2022       |
|--|------------|------------|
| Revenue:   |            |            |
| Sale of electrical energy (note 19)  | \$ 134,200 | \$ 135,920 |
| Distribution revenue (note 19)   | 29,026     | 27,226     |
| Energy management services   | 4,683      | 2,220      |
| Regulated service revenue  | 1,186      | 882        |
| Combined heat and power, net   | 1,360      | 1,456      |
| Service revenue  | 370        | 191        |
| Fibre optic  | 1,017      | 945        |
| Amortization of developer contributions (note 6)   | 1,328      | 1,324      |
| Generation revenue   | 1,599      | 1,788      |
| Other  | 214        | 59         |
|  | 174,983    | 172,011    |
| Expenses:  |            |            |
| Cost of electrical energy  | 135,397    | 140,514    |
| Energy management services   | 2,619      | 1,934      |
| Operations, maintenance and administrative (note 20)   | 18,419     | 16,874     |
| Depreciation - property, plant and equipment,<br>intangible assets and right-of-use assets                                 | 9,691      | 9,487      |
|  | 166,126    | 168,809    |
| Income from operations   | 8,857      | 3,202      |
| Gain/(Loss) on disposal of property, plant and equipment   | 60         | (185)      |
| Loss on Impairment (note 2)  | (2,666)    | —          |
| Interest income  | 781        | 397        |
| Interest expense (note 9)  | (3,141)    | (3,271)    |
| Income before income taxes   | 3,891      | 143        |
| Provision for income taxes (note 7)  | (422)      | (69)       |
| Net income   | 4,313      | 212        |
| Net movements in regulatory balances, net of tax (note 4)  | 1,082      | 4,952      |
| Net income after net movement in regulatory balances   | 5,395      | 5,164      |
| Other comprehensive income:  |            |            |
| Unrealized (loss) gain in fair value of derivatives designated<br>as cash flows, net of income taxes                       | (1,864)    | 8,881      |
| Gain (loss) in fair value of derivatives designated as cash flow<br>hedges, transferred to net income, net of income taxes | 494        | (2,354)    |
| Remeasurement of post-employment benefits, net of income taxes   | (2,721)    | 5,441      |
| Net movements in regulatory balances related to<br>other comprehensive income, net of income taxes                         | 2,721      | (5,441)    |
|  | (1,370)    | 6,527      |
| Total comprehensive income   | \$ 4,025   | \$ 11,691  |
| Net income after net movement in regulatory balances<br>attributable to:   |            |            |
| Corporation  | \$ 5,436   | \$ 5,147   |
| Non-controlling interest (note 16)   | (41)       | 17         |
|  | \$ 5,395   | \$ 5,164   |
| Total comprehensive income attributable to:  |            |            |
| Corporation  | \$ 4,066   | \$ 11,674  |
| Non-controlling interest (note 16)   | (41)       | 17         |
|  | \$ 4,025   | \$ 11,691  |

See accompanying notes to consolidated financial statements.

# OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Statement of Changes in Equity  
(In thousands of dollars)

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

|  | Capital<br>stock | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Total equity<br>attributable<br>to the<br>Corporation | Non-<br>controlling<br>interest | Total     |
|--|------------------|----------------------|--|---|---------------------------------|-----------|
| Balance, January 1, 2022                                 | \$ 23,064        | \$ 51,149            | \$ (2,444)   | \$ 71,769   | \$ 985                          | \$ 72,754 |
| Net income after net movements in<br>regulatory balances | –                | 5,147                | –  | 5,147   | 17                              | 5,164     |
| Other comprehensive income                               | –                | –                    | 6,527  | 6,527   | –                               | 6,527     |
| Dividends paid (note 10)                                 | –                | (1,800)              | –  | (1,800)   | (70)                            | (1,870)   |
| Balance, December 31, 2022                               | 23,064           | 54,496               | 4,083  | 81,643  | 932                             | 82,575    |
| Net income after net movements in<br>regulatory balances | –                | 5,436                | –  | 5,436   | (36)                            | 5,400     |
| Other comprehensive income                               | –                | –                    | (1,370)  | (1,370)   | –                               | (1,370)   |
| Dividends paid (note 10)                                 | –                | (1,100)              | –  | (1,100)   | (75)                            | (1,175)   |
| Balance, December 31, 2023                               | \$ 23,064        | \$ 58,832            | \$ 2,713   | \$ 84,609   | \$ 821                          | \$ 85,430 |

See accompanying notes to consolidated financial statements.

# OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Statement of Cash Flows  
(In thousands of dollars)

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

|   | 2023      | 2022      |
|---|-----------|-----------|
| Cash flows provided by (used in):   |           |           |
| Operating activities:   |           |           |
| Net income after net movements in regulatory balances   | \$ 5,395  | \$ 5,164  |
| Adjustments:  |           |           |
| Net movements in regulatory balances  | (1,082)   | (4,952)   |
| Depreciation - property, plant and equipment,<br>intangible assets and right-of-use leases    | 9,691     | 9,487     |
| Amortization of developer contributions   | (1,328)   | (1,324)   |
| Provision for income taxes  | (422)     | (69)      |
| Post -employment non-pension retirement benefits expense                                      | 479       | 567       |
| Interest expense  | 3,141     | 3,271     |
| Interest income   | (781)     | (397)     |
| Loss on impairment  | 2,666     | —         |
| Loss/(gain) on disposal of property, plant and equipment                                      | (60)      | 185       |
| Payment against lease liability   | (448)     | (400)     |
| Contributions and deposits received from developers (note 6)                                  | 3,642     | 2,376     |
| Income taxes paid   | (101)     | —         |
| Post -employment non-pension retirement benefit payments                                      | (588)     | (529)     |
| Changes in working capital balances related to operations:                                    |           |           |
| (Increase) decrease in accounts receivable  | (5,535)   | 587       |
| Decrease (increase) in unbilled revenue   | 56        | (146)     |
| Decrease in other assets  | 12        | 214       |
| Increase in inventory   | —         | (58)      |
| Decrease (Increase) in prepaid expenses and other   | 35        | (320)     |
| Decrease in investment in ZooShare Biogas LP  | 164       | 182       |
| Increase in accounts payable and accrued liabilities<br>and accounts payable for power - IESO | 2,019     | 3,150     |
| Increase in leases liability  | 1,175     | —         |
| Decrease in customer advance payments   | (80)      | (400)     |
| Increase in asset retirement obligation   | 33        | 884       |
| (Decrease) increase in customer advance deposits  | (227)     | 420       |
| Decrease in deferred revenue  | (2)       | (64)      |
| Increase (decrease) in other current liabilities  | 4,608     | (172)     |
| Decrease in long term debt  | (4,219)   | —         |
| Change related to regulatory disposition balances   | (1,521)   | 40        |
| Cash provided by operating activities   | 16,722    | 17,696    |
| Financing activities:   |           |           |
| Dividends paid  | (1,175)   | (1,870)   |
| Repayment of loan principal   | (1,007)   | (963)     |
| Proceeds from long-term debt  | 10,039    | 34        |
| Interest paid on long-term debt   | (3,394)   | (3,116)   |
| Cash provided (used in) by financing activities   | 4,463     | (5,915)   |
| Investing activities:   |           |           |
| Additions to property, plant and equipment and intangible assets                              | (24,613)  | (18,021)  |
| Proceeds from sale of property, plant and equipment   | 140       | —         |
| Interest income received  | 781       | 397       |
| Cash used in investing activities   | (23,692)  | (17,624)  |
| Decrease in cash  | (2,507)   | (5,843)   |
| Cash, beginning of year   | 12,809    | 18,652    |
| Cash, end of year   | \$ 10,302 | \$ 12,809 |

See accompanying notes to consolidated financial statements.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended December 31, 2023

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The consolidated financial statements include the accounts of Oshawa Power and Utilities Corporation ("OPUC") and its subsidiaries, Oshawa PUC Networks Inc. ("OPUCN"), Oshawa PUC Services Inc. ("OPUCS"), Oshawa PUC Energy Services Inc. ("OPUCES"), 2252112 Ontario Inc., 2720665 Ontario Inc., 2796687 Ontario Inc., Clinton Solar LP, 2825909 Ontario Inc., 2825407 Ontario Inc., and 2825411 Ontario Inc. (collectively, the "Corporation").

The principal business of the Corporation is providing electricity distribution services to businesses and residences in the service area of Oshawa, Ontario, through its subsidiary, OPUCN, a local distribution company ("LDC") incorporated under the *Business Corporations Act* (Ontario) on October 18, 2000. The incorporation was required in accordance with the provincial government's *Electricity Act*, 1998.

OPUCS provides fibre optic network connections to various municipalities, universities, schools, hospitals, and enterprise and carrier customers. OPUCES provides energy management services, and owns and operates two combined heat and power plants, one of which is generating electricity under a long-term contract with the Independent Electricity System Operator ("IESO"), and thermal energy to Durham College and Ontario Tech University. The other CHP plant is situated at City of Oshawa's Delpark Homes Centre. 2252112 Ontario Inc. was incorporated on July 29, 2010 for the purpose of developing and managing energy generation projects. 2720665 Ontario Inc. was incorporated on October 8, 2019 for the purpose of holding an investment in ZooShare Biogas Development Inc. On October 31, 2019, ZooShare Biogas LP was formed as a limited partnership between ZooShare Biogas Development Inc., ZooShare Biogas Co-operative Inc. and OPUCES. 2825909 Ontario Inc. was incorporated on March 23, 2021 for the purpose of holding an investment in 2825411 Ontario Inc. 2825411 Ontario Inc. was incorporated on March 19, 2021 with the purpose of owning and operating a wind turbine generating electricity. 2796687 Ontario Inc. was incorporated on December 1, 2020 for the purpose of holding an investment in Clinton Solar LP. On March 18, 2021, Clinton Solar LP was formed as a limited partnership between 2252112 Ontario Inc. and 2796687 Ontario Inc. and owns and operates solar panels generating electricity. 2825407 Ontario Inc. began operations in 2023 for the purpose of providing metering services to the residence of Oshawa.

OPUC is wholly owned by the Corporation of the City of Oshawa (the "City").

The Corporation has evaluated the events and transactions after the consolidated balance sheet dates through April 29, 2024, when the Corporation's Board of Directors approved and authorized the consolidated financial statements.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies:

The significant accounting policies used in the preparation of these financial statements have been applied consistently to all periods presented herein.

### (a) Basis of presentation:

The Corporation's consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, and reflects the significant accounting policies summarized below. Certain prior year figures have been reclassified to conform to the presentation of the current year.

### (b) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries and subsidiaries to which the Corporation has determined it has control over 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 can affect those returns through its power over the subsidiary. All intercompany balances and transactions have been eliminated.

### (c) Interests in equity-accounted investees:

The Corporation's interests in the ZooShare Biogas LP joint venture is accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Corporation's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, until the date on which joint control ceases.

### (d) Interests in controlled entities:

The Corporation's interests in 2825411 Ontario Inc. is accounted for using the consolidation method, with the non-controlling interests ("NCI") identified separately in the consolidated financial statements, until the date on which control ceases. NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

### (e) Rate setting and regulation:

The Ontario Energy Board (“OEB”) has regulatory oversight of electricity matters in the Province of Ontario. The *Ontario Energy Board Act*, 1998 sets out the OEB's powers, including the issuance of distribution licenses that must be obtained by any person owning or operating a distribution system under the *Ontario Energy Board Act*, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and for ensuring that LDCs fulfil their obligations to connect and service customers.

In July 2020, the Corporation filed its Price Cap Incentive rate-setting application with the OEB seeking approval to change rates that it charges for electricity delivery, retail services, allowances, loss factor and specific services charges, for the five-year period commencing on January 1, 2021. This application requested a revenue requirement to recover costs, and provides a rate of return on a deemed capital structure applied to rate base assets. The OEB issued its decision and rate order on February 18, 2021 approving rates and charges effective February 1, 2021.

In subsequent years, the Corporation filed applications for annual rate increases under the Annual Incentive Rate applications. The OEB issued its decision and rate order on December 8, 2022 approving rates and charges effective January 1, 2023.

The OEB has the general authority to include or exclude costs and revenue in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company under IFRS.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

The following regulatory practices relating to regulatory balances, and payments in lieu of corporate income taxes, have resulted in accounting treatments that differ from IFRS for enterprises operating in a non-regulated environment.

### (i) Regulatory Deferral Accounts:

IFRS 14, Regulatory Deferral Accounts, allows the Corporation to utilize pre-IFRS Canadian Generally Accepted Accounting Principles ("IFRS 14") with respect to the recognition of Regulatory Balances that address the deferral of specific non-income related cash inflows and outflows.

Regulatory debits primarily represent costs that have been deferred because it is probable that they will be recovered in future rates. Similarly, regulatory credits can arise from differences in amounts billed to customers for electricity services and the costs that the Corporation incurs to purchase and deliver these services. Certain costs and variance account balances are deemed to be regulatory balances and are reflected in the LDC's balance sheets until the manner and timing of disposition is determined by the OEB.

### (ii) Payments in lieu of corporate income taxes ("PILs"):

The regulated electricity distribution business of the Corporation (Oshawa PUC Networks Inc.) provides for PILs using the deferred income taxes method for its regulated activities as permitted by the IASB and the OEB.

### (f) Restricted cash:

Restricted cash is defined as funds held separately to maintain a debt service reserve as required by the underlying term loans. Debt service reserves range in amounts equal to three months' future debt service costs to two quarters' average future debt service costs.

### (g) Inventory:

Inventory, which consists of parts and supplies acquired for internal maintenance or construction is valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

### (h) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") are measured at cost or deemed cost on transition date, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on OEB prescribed rates.

When parts of an item of PP&E have different useful lives, they are separately depreciated as components of PP&E.

Subsequent expenditures are included in an asset's carrying amount or recognized as a separate asset, where appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured.

Under IFRS, an asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the consolidated statement of comprehensive income.

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

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Depreciation rates representing estimated useful lives for the main categories of PP&E are shown in the table below:

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|  |                                       |
|--|---------------------------------------|
| Buildings                                    | 1.61% - 2.38%                         |
| Transmission, distribution system and meters | 1.67% - 10%                           |
| Equipment and furniture                      | 5% - 20%                              |
| Combined heat and power plant engine         | 4% to 10% or \$12 per engine run hour |
| Computer hardware                            | 25%                                   |
| Vehicle fleet                                | 8.33% - 12.50%                        |
| Fibre optics network                         | 5%                                    |
| Generation assets                            | 5%                                    |

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Construction in progress comprises PP&E under construction, PP&E not yet placed into service and pre-construction activities related to specific projects expected to be constructed. These assets are not depreciated until they are in the location and condition necessary for them to be capable of operating in the manner intended by the Corporation.

In the absence of rate regulation, overhead costs that are not directly attributable to construction activity are not capitalized.

### (i) Intangible assets:

Intangible assets are assets that lack physical substance, other than financial assets. Intangible assets, which consist of computer software, deferred indefeasible right of use ("IRU") leases, payments made to Hydro One Networks Inc. ("HONI") for dedicated infrastructure in order to receive connections to transmission facilities, and value of Feed-in-Tariff ("FIT") contracts purchased are recorded at cost less accumulated amortization. Amortization of intangible assets is recorded on a straight-line basis over the estimated useful life of the related asset, over the term of the IRU, or the FIT contract term and recorded in the consolidated statement of comprehensive income.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Amortization rates representing estimated useful lives for intangible assets are shown below:

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|  |          |
|--|----------|
| Computer software                        | 33.33%   |
| Deferred indefeasible right-of-use lease | 20 years |
| FIT contracts                            | 20 years |

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### (j) Provisions, Contingencies, and Asset retirement obligations:

The Company recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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.

The need to estimate the cost of decommissioning or asset retirement obligations ("AROs") at the end of the useful lives of certain assets, is reviewed periodically. A provision is recorded, if required, for the fair value of the future expenditures required to settle legal obligations associated with asset retirements.

As at December 31, 2023, the Corporation recognized the obligation to decommission certain buildings located at 100 Simcoe Street South.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

### (k) Impairment of non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than inventory and deferred payments in lieu of corporate income taxes, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income.

### (l) Pension and other post-employment benefits:

The Corporation provides pension benefits for its employees through the Ontario Municipal Employees' Retirement System ("OMERS") Fund (the "OMERS Fund"), a multi-employer public sector pension fund. The OMERS Fund is a defined benefit pension plan, which is financed by equal contributions from participating employers and employees and by the investment earnings of the OMERS Fund. Although the plan is a defined benefit plan, sufficient information is not available to the Corporation to account for it as such, because it is not possible to attribute the fund assets and liabilities between the various employers who contribute to the fund. Accordingly, contributions payable as a result of employee service are expensed when incurred as part of operating costs.

Employee future benefits, other than pensions provided by the Corporation, include supplemental health, dental and life insurance. These plans provide defined benefits to retired employees, their spouses and surviving spouses when the employees are no longer providing active service. Retiree benefits expense is recognized in the period during which the employees render services.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

The liability for post-employment non-pension retirement benefits is recorded on an accrual basis. The Corporation actuarially determines the cost of post-employment benefits offered to employees and retirees, including their spouses and surviving spouses, using the projected benefit method, prorated on service and based on management's best estimates. Under this method, the projected post-retirement benefits are deemed to be earned on a pro rata basis over the employee's years of service in the attribution period commencing at the date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered during the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Current service costs are recognized in the consolidated statement of comprehensive income under operations, maintenance and administrative expenses.

The Corporation applies IFRS 14 to recognize all cumulative actuarial gains or losses in a deferral account as at January 1, 2014. Remeasurements arising from defined benefit plans are recognized immediately in OCI and reported in accumulated other comprehensive income. Amounts recorded in OCI are not recycled to the Consolidated Statement of Income and Comprehensive Income. The Corporation, as permitted by the OEB, created a deferral account to capture all actuarial gains and losses going forward. The disposition of this deferral account will occur sometime in the future in accordance with OEB guidelines in effect at that appropriate time.

### (m) Customer advance deposits:

Customer advance deposits represent cash collections from customers that are available to offset the payment of energy bills or other services. Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as securities held in respect of customer deposits. Interest is paid on customer balances at rates established by the Corporation in accordance with OEB guidelines.

### (n) Customer advance payments:

Customer advance payments consist of both the Equal Payment Plan and customer advance payments.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

### (o) Deferred contributions:

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements.

Capital contributions received in advance from electricity customers and developers to construct or acquire PP&E for the purpose of connecting a customer to a network are recorded as deferred revenue and amortized into other revenue at an equivalent rate to that used for the depreciation of the related PP&E. Capital contributions received from developers to construct or acquire PP&E for the purpose of connecting future customers to the distribution network are considered out of scope of IFRS 15, Revenue from Contracts with Customers.

Deposits received from developers prior to construction are held by the corporation during the work in progress phase of the project and settled once all assets are in service.

### (p) Deferred revenue:

Deferred revenue includes customers' lump-sum payments for the IRU of the Corporation's dark fibre optics network. The payment is amortized over the contracted term of 20 years.

### (p) Financial instruments:

#### (i) Initial and subsequent measurement:

At initial recognition, all financial instruments are measured at fair value plus or minus transaction costs, with the exception of accounts receivable which are initially recognized at the transaction price and financial instruments fair value through profit or loss which are initially recognized at fair value.

Financial assets are subsequently measured at either amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL") based on the cash flow characteristics of the assets and the business models under which they are managed. All of the Corporation's financial assets are held for collection of contractual cash flows that represent payments of principal and interest and, accordingly, are subsequently measured at amortized cost using the effective interest rate method. These include cash, restricted cash, and accounts receivables.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Financial liabilities are either subsequently measured at FVTPL or amortized cost, except for interest rate swaps used in hedge accounting. The Corporation's financial liabilities measured at amortized cost include accounts payable for power - IESO, accounts payable and accrued liabilities, long-term debt, and customer advance deposits.

### (ii) Impairment:

The Corporation recognizes an allowance for expected credit losses ("ECL") for all financial assets not held at FVTPL. The Corporation applies the simplified approach to its accounts receivable which requires expected lifetime losses to be recognized from initial recognition of the receivables and on an ongoing basis. The measurement of ECLs for accounts receivable is based on management's judgment. This is determined using a provision matrix based on historical observed default rates, adjusted for forward-looking factors specific to the debtors and the economic environment. For financial assets other than accounts receivable, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. The Corporation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A financial asset is derecognized when there is no reasonable expectation of recovering the contractual cash flows.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. All impairment losses are recognized in net income.

### (iii) Derivative financial instruments and hedge accounting:

Derivative financial instruments in the form of interest rate swap contracts are used to manage exposure to fluctuations in interest rates on the Corporation's long-term debt, which are designated as cash flow hedges as it is hedging the exposure to variability in cash flows that is attributable to interest rate risk associated with the long-term debt. The Corporation does not enter into derivative agreements for speculative purposes.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

At the inception of a hedging relationship, the Corporation designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The Corporation also assesses on an on-going basis whether the hedge continues to be effective, including that the hedge ratio remains appropriate.

The interest rate swaps are measured at their fair value upon initial recognition and on each subsequent reporting date. When the cash flow hedge meets all the qualifying criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income ("OCI"), while any ineffective portion is recognized immediately in net income. The amount accumulated in OCI is reclassified to net income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect net income, and recorded within interest expense.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to net income as a reclassification adjustment.

### (q) Investments in associates:

International Accounting Standard ("IAS") 28, Investments in Associates and Joint Ventures, provides the accounting guidelines for recognition, measurement and disclosure of investments in associates. Investment was recognized at cost upon initial recognition. Subsequent to initial recognition, carrying amount of the investment is increased or decreased by the investor's share on investee's net profit or loss after the acquisition date.

### (r) Leases:

As a lessee, the Corporation leases the right to use dark fibre optics networks from arm's length corporations. Deferred IRU leases are lump-sum payments made by OPUCS with a contract term of 20 years. As a lessee, the Corporation leases its office premises with the City, as well as rooftops of various premises for the installation of solar panels. The Corporation leases IT office equipment, as well as land and rooftops for solar panels and the wind turbine.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Under IFRS 16, Leases ("IFRS 16"), the Corporation recognizes right-of-use assets and lease liabilities for all of these leases. The Corporation has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Corporation, through its subsidiary, OPUCS, leases out its dark fibre optic network to various municipalities, universities, schools, hospitals, and enterprise and carrier customers. The Corporation is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor as dark fibre leases are determined to be operating leases.

### (s) Revenue recognition:

The Corporation, through its subsidiary OPUCN, has identified that its material performance obligation is the distribution and provision of electricity to customers. Revenue is measured at the fair value of the consideration received or receivable, excluding any discounts, rebates and sales taxes. The Corporation has determined that it acts as a principal in all of its revenue arrangements.

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

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Distribution revenue for OPUCN is recognized at approved rates, as electricity is delivered to customers and is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power used.

Distribution revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Revenue includes an estimate of unbilled revenue. Unbilled revenue represents an estimate of electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from those estimates.

Regulated service revenue represents charges to energy customers for services such as late payments, collection fees, account set-up fees, pole attachment charges, and reconnect and disconnect charges. Regulated service revenue is recognized as services are rendered.

CHP revenue is derived from selling electricity, the provision of capacity and thermal energy. Revenue is recognized upon delivery of the metered electricity and thermal energy.

Service revenue primarily includes duct rental revenue that is recognized as services are rendered and time expires.

Energy management services includes project management, and design and build services.

Fibre optic revenue includes lease, maintenance and IRU revenue related to dark fibre capacity for various customers of OPUCS. This revenue is recognized on a straight-line basis over the term of the customer contract.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Capital contributions received from electricity customers to construct or acquire PP&E for the purpose of connecting a customer to a network, are recorded as a deferred contribution on the balance sheet and amortization is presented as revenue from deferred contributions on the statement of comprehensive income at an equivalent rate to that used for the depreciation of the related PP&E.

Generation revenue is recognized upon delivery of the metered electricity.

Other revenue and interest are recognized as services are rendered, projects completed or when interest is earned. Revenue and costs associated with Conservation and Demand Management ("CDM") programs are presented using the net basis of accounting within other revenue. Performance incentive payments under CDM programs are recognized by the Corporation when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

### (t) Income taxes:

Under the *Electricity Act*, 1998, and effective October 1, 2001, the Corporation's regulated electricity distribution business (OPUCN) incurs PILs that are remitted to the Ministry of Finance. These payments are calculated in accordance with the rules for computing income and taxable capital 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. Payments remitted to Ontario Electricity Financial Corporation are designated to be applied against the stranded debt of Ontario Power Generation, formerly Ontario Hydro.

OPUCN recognizes deferred tax using the balance sheet method. Under this method, provisions are made for deferred income taxes as a result of temporary differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes. Deferred income 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 years in which those temporary differences are expected to be recovered or settled. When deferred income taxes become payable, it is expected that they will be included in the rates approved by the OEB and recovered from the customers of the Corporation at that time. Deferred income tax assets and liabilities are offset since they relate to income taxes levied by the same taxation authority.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The OEB's Electricity Distribution Rate Handbook provides for the recovery of PILs by LDCs through annual distribution rate adjustments as permitted by the OEB.

The method that has been used to set the PILs portion of the Corporation's rates for 2024 is consistent with the approach used in past periods.

In the case of the Corporation's unregulated businesses, the liability method of accounting for income taxes is also applied in accordance with the recommendations of the Chartered Professional Accountants of Canada.

Current income taxes are based on taxable profit or loss for the year, which differs from profit or loss as reported in the consolidated statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are neither taxable nor deductible.

### (u) Measurement uncertainty:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Certain estimates are necessary since the regulatory environment in which the Corporation operates requires amounts to be recorded at estimated values until finalization and adjustment pursuant to subsequent regulatory decisions or other regulatory proceedings. Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Ministry of Energy and Infrastructure or the Ministry of Finance.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 1. Material accounting policies (continued):

Estimation uncertainty may exist in the following financial notes:

- (i) Note 8 - measurement of post-employment non-pension retirement benefits: key actuarial assumptions; and
- (ii) Note 14 - expected credit losses.

Management uses judgement in the following:

- (iii) Note 2 and note 3 - estimation of useful lives of PP&E and intangible assets;
- (iv) Note 4 and note 7 - recognition and measurement of regulatory balances; and
- (v) Note 13 - recognition and measurement of commitments and contingencies.

### (v) Future accounting policies:

At the date of authorization of these financial statements, certain new standards and amendments to existing standards have been published but are not yet effective, and have not been early adopted by the Corporation. Information on new standards and amendments that are expected to be relevant to the Corporation's financial statements is provided below. Management is currently assessing the financial statement impact of adopting the following amendments to existing accounting standards for future reporting.

#### (a) Effective January 1, 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1).

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 2. Property, plant and equipment:

Property, plant and equipment consist of the following as at December 31, 2023:

|  | January 1,<br>2023 | Additions/<br>transfers/<br>depreciation | Disposals/<br>impairments/<br>retirements | December 31,<br>2023 |
|--|--------------------|--|---|----------------------|
| <b>Cost</b>                              |                    |  |   |                      |
| Transmission and distribution:           |                    |  |   |                      |
| Transformers                             | \$ 67,609          | \$ 4,742                                 | \$ (850)                                  | \$ 71,501            |
| Underground distribution                 | 68,909             | 4,123                                    | —   | 73,032               |
| Poles, towers and fixtures               | 65,010             | 4,390                                    | (218)                                     | 69,182               |
| Station equipment                        | 28,360             | —  | —   | 28,360               |
| Overhead distribution                    | 30,159             | 5,551                                    | (430)                                     | 35,280               |
| Meters                                   | 16,349             | 735                                      | (11)                                      | 17,073               |
| Combined heat and power<br>plant engines | 9,930              | 50                                       | (2,861)                                   | 7,119                |
| Generation assets                        | 6,078              | —  | —   | 6,078                |
|  | 292,404            | 19,591                                   | (4,370)                                   | 307,625              |
| Construction in progress                 | 9,781              | 653                                      | —   | 10,434               |
| Other property, plant and equipment:     |                    |  |   |                      |
| Vehicle fleet                            | 6,039              | 783                                      | (556)                                     | 6,266                |
| Equipment and furniture                  | 10,920             | 851                                      | —   | 11,771               |
| Fibre optics network                     | 3,698              | 504                                      | —   | 4,202                |
| Computer hardware                        | 4,320              | 337                                      | —   | 4,657                |
| Buildings                                | 6,043              | 44                                       | (44)                                      | 6,043                |
| Land                                     | 294                | —  | —   | 294                  |
|  | 31,314             | 2,519                                    | (600)                                     | 33,233               |
| <b>Total cost</b>                        | <b>\$ 333,499</b>  | <b>\$ 22,763</b>                         | <b>\$ (4,970)</b>                         | <b>\$ 351,292</b>    |
| <b>Accumulated depreciation</b>          |                    |  |   |                      |
| Transmission and distribution:           |                    |  |   |                      |
| Transformers                             | \$ 34,346          | \$ 1,237                                 | \$ (824)                                  | \$ 34,759            |
| Underground distribution                 | 25,503             | 1,712                                    | —   | 27,215               |
| Poles, towers and fixtures               | 18,003             | 1,287                                    | (193)                                     | 19,097               |
| Station equipment                        | 11,281             | 622                                      | —   | 11,903               |
| Overhead distribution                    | 9,561              | 483                                      | (407)                                     | 9,637                |
| Meters                                   | 10,030             | 500                                      | (5)                                       | 10,525               |
| Combined heat and power<br>plant engines | 4,018              | 352                                      | (239)                                     | 4,131                |
| Generation assets                        | 1,604              | 420                                      | —   | 2,024                |
|  | 114,346            | 6,613                                    | (1,668)                                   | 119,291              |
| Other property, plant and equipment:     |                    |  |   |                      |
| Vehicle fleet                            | 4,173              | 281                                      | (556)                                     | 3,898                |
| Equipment and furniture                  | 9,363              | 918                                      | —   | 10,281               |
| Fibre optics network                     | 1,976              | 198                                      | —   | 2,174                |
| Computer hardware                        | 3,375              | 345                                      | —   | 3,720                |
| Buildings                                | 939                | 105                                      | —   | 1,044                |
|  | 19,826             | 1,847                                    | (556)                                     | 21,117               |
| <b>Total accumulated depreciation</b>    | <b>\$ 134,172</b>  | <b>\$ 8,460</b>                          | <b>\$ (2,224)</b>                         | <b>\$ 140,408</b>    |
| <b>Carrying amount</b>                   | <b>\$ 199,327</b>  | <b>\$ 14,303</b>                         | <b>\$ (2,746)</b>                         | <b>\$ 210,884</b>    |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 2. Property, plant and equipment (continued):

Property, plant and equipment consist of the following as at December 31, 2022:

|  | January 1,<br>2022 | Additions/<br>transfers/<br>depreciation | Disposals/<br>impairments/<br>retirements | December 31,<br>2022 |
|--|--------------------|--|---|----------------------|
| <b>Cost</b>                              |                    |  |   |                      |
| Transmission and distribution:           |                    |  |   |                      |
| Transformers                             | \$ 66,679          | \$ 1,715                                 | \$ (785)                                  | \$ 67,609            |
| Underground distribution                 | 63,236             | 5,673                                    | —   | 68,909               |
| Poles, towers and fixtures               | 64,464             | 730                                      | (184)                                     | 65,010               |
| Station equipment                        | 28,236             | 124                                      | —   | 28,360               |
| Overhead distribution                    | 27,966             | 2,537                                    | (344)                                     | 30,159               |
| Meters                                   | 15,728             | 634                                      | (13)                                      | 16,349               |
| Combined heat and power<br>plant engines | 9,930              | —  | —   | 9,930                |
| Generation assets                        | 6,198              | 79                                       | (199)                                     | 6,078                |
|  | 282,437            | 11,492                                   | (1,525)                                   | 292,404              |
| Construction in progress                 | 5,801              | 3,980                                    | —   | 9,781                |
| Other property, plant and equipment:     |                    |  |   |                      |
| Vehicle fleet                            | 5,529              | 510                                      | —   | 6,039                |
| Equipment and furniture                  | 10,550             | 370                                      | —   | 10,920               |
| Fibre optics network                     | 3,648              | 50                                       | —   | 3,698                |
| Computer hardware                        | 3,767              | 553                                      | —   | 4,320                |
| Buildings                                | 5,810              | 233                                      | —   | 6,043                |
| Land                                     | 294                | —  | —   | 294                  |
|  | 29,598             | 1,716                                    | —   | 31,314               |
| <b>Total cost</b>                        | <b>\$ 317,836</b>  | <b>\$ 17,188</b>                         | <b>\$ (1,525)</b>                         | <b>\$ 333,499</b>    |
| <b>Accumulated depreciation</b>          |                    |  |   |                      |
| Transmission and distribution:           |                    |  |   |                      |
| Transformers                             | \$ 33,918          | \$ 1,180                                 | \$ (752)                                  | \$ 34,346            |
| Underground distribution                 | 23,908             | 1,595                                    | —   | 25,503               |
| Poles, towers and fixtures               | 16,947             | 1,228                                    | (172)                                     | 18,003               |
| Station equipment                        | 10,617             | 670                                      | (6)                                       | 11,281               |
| Overhead distribution                    | 9,439              | 429                                      | (307)                                     | 9,561                |
| Meters                                   | 9,544              | 486                                      | —   | 10,030               |
| Combined heat and power<br>plant engines | 3,660              | 358                                      | —   | 4,018                |
| Generation assets                        | 1,204              | 503                                      | (103)                                     | 1,604                |
|  | 109,237            | 6,449                                    | (1,340)                                   | 114,346              |
| Other property, plant and equipment:     |                    |  |   |                      |
| Vehicle fleet                            | 3,900              | 273                                      | —   | 4,173                |
| Equipment and furniture                  | 8,647              | 716                                      | —   | 9,363                |
| Fibre optics network                     | 1,798              | 178                                      | —   | 1,976                |
| Computer hardware                        | 3,100              | 275                                      | —   | 3,375                |
| Buildings                                | 831                | 108                                      | —   | 939                  |
|  | 18,276             | 1,550                                    | —   | 19,826               |
| <b>Total accumulated depreciation</b>    | <b>\$ 127,513</b>  | <b>\$ 7,999</b>                          | <b>\$ (1,340)</b>                         | <b>\$ 134,172</b>    |
| <b>Carrying amount</b>                   | <b>\$ 190,323</b>  | <b>\$ 9,189</b>                          | <b>\$ (185)</b>                           | <b>\$ 199,327</b>    |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 2. Property, plant and equipment (continued):

During 2023, OPUCES observed a decline in the economic value for the Delpark combined heat and power plant engine indicating an impairment and conducted an assessment of the asset's recoverable amount. The recoverable amount was based on the asset's value in use. The carrying value of this asset at the time of the review was \$2.66M. Subsequent to December 31, 2023, the termination of the underlying energy services agreement between the City of Oshawa and OPUCES was approved by the City and the Board of Directors.

For the year ended December 31, 2023, ascribed interest capitalized to property, plant and equipment as prescribed by the OEB amounted to \$298 (2022 - \$109). In the absence of rate regulation, additions to property, plant and equipment would have been \$298 lower (2022 - \$109 lower) and interest expense would have been \$298 higher (2022 - \$109 higher).

## 3. Intangible assets:

|                                 | January 1,<br>2023 | Additions/<br>amortization | Disposals/<br>retirements | December 31,<br>2023 |
|---------------------------------|--------------------|----------------------------|---------------------------|----------------------|
| <b>Cost</b>                     |                    |                            |                           |                      |
| Deferred IRU lease              | \$ 231             | \$ —                       | \$ —                      | \$ 231               |
| Computer software               | 2,817              | 998                        | —                         | 3,815                |
| HONI contribution               | 4,174              | 7                          | —                         | 4,181                |
| FIT contracts                   | 4,237              | —                          | —                         | 4,237                |
|                                 | <b>\$ 11,459</b>   | <b>\$ 1,005</b>            | <b>\$ —</b>               | <b>\$ 12,464</b>     |
| <b>Accumulated depreciation</b> |                    |                            |                           |                      |
| Deferred IRU                    | \$ 222             | \$ 39                      | \$ —                      | \$ 261               |
| Computer software               | 2,599              | 240                        | —                         | 2,839                |
| HONI contribution               | 599                | 160                        | —                         | 759                  |
| FIT contracts                   | 502                | 335                        | —                         | 837                  |
|                                 | <b>\$ 3,922</b>    | <b>\$ 774</b>              | <b>\$ —</b>               | <b>\$ 4,696</b>      |
| Carrying amount                 | <b>\$ 7,537</b>    | <b>\$ 231</b>              | <b>\$ —</b>               | <b>\$ 7,768</b>      |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 3. Intangible assets (continued):

|                                 | January 1,<br>2022 | Additions/<br>amortization | Disposals/<br>retirements | December 31,<br>2022 |
|---------------------------------|--------------------|----------------------------|---------------------------|----------------------|
| <b>Cost</b>                     |                    |                            |                           |                      |
| Deferred IRU lease              | \$ 231             | \$ –                       | \$ –                      | \$ 231               |
| Computer software               | 2,790              | 27                         | –                         | 2,817                |
| HONI contribution               | 4,135              | 39                         | –                         | 4,174                |
| FIT contracts                   | 4,237              | –                          | –                         | 4,237                |
|                                 | <b>\$ 11,393</b>   | <b>\$ 66</b>               | <b>\$ –</b>               | <b>\$ 11,459</b>     |
| <b>Accumulated depreciation</b> |                    |                            |                           |                      |
| Deferred IRU                    | \$ 210             | \$ 12                      | \$ –                      | \$ 222               |
| Computer software               | 2,427              | 172                        | –                         | 2,599                |
| HONI contribution               | 413                | 186                        | –                         | 599                  |
| FIT contracts                   | 167                | 335                        | –                         | 502                  |
|                                 | <b>\$ 3,217</b>    | <b>\$ 705</b>              | <b>\$ –</b>               | <b>\$ 3,922</b>      |
| Carrying amount                 | <b>\$ 8,176</b>    | <b>\$ (639)</b>            | <b>\$ –</b>               | <b>\$ 7,537</b>      |

## 4. Regulatory balances:

Regulatory debits balances consist of the following:

|                                       | January 1,<br>2023 | Balances<br>arising<br>in the<br>year | Recovery/<br>reversal | December 31,<br>2023 |
|---------------------------------------|--------------------|---------------------------------------|-----------------------|----------------------|
| Regulatory debit balances:            |                    |                                       |                       |                      |
| Retail settlement<br>variance - power | \$ –               | \$ (3,585)                            | \$ 4,054              | \$ 469               |
| Retail settlement<br>variance - other | 7,465              | 314                                   | (2,540)               | 5,239                |
| Deferred income taxes                 | 3,034              | 2,385                                 | –                     | 5,419                |
| Post-employment<br>benefits deferral  | –                  | –                                     | –                     | –                    |
| Regulatory debit<br>balances - other  | 125                | (125)                                 | –                     | –                    |
| Total                                 | <b>\$ 10,624</b>   | <b>\$ (1,011)</b>                     | <b>\$ 1,514</b>       | <b>\$11,127</b>      |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 4. Regulatory balances (continued):

|                                       | January 1,<br>2022 | Balances<br>arising<br>in the<br>year | Recovery/<br>reversal | December 31,<br>2022 |
|---------------------------------------|--------------------|---------------------------------------|-----------------------|----------------------|
| Regulatory debit balances:            |                    |                                       |                       |                      |
| Retail settlement<br>variance - other | \$ 2,502           | \$ 4,963                              | \$ –                  | \$ 7,465             |
| Deferred income taxes                 | 1,802              | 1,232                                 | –                     | 3,034                |
| Post-employment<br>benefits deferral  | 1,098              | (1,098)                               | –                     | –                    |
| Regulatory debit<br>balances - other  | 28                 | 97                                    | –                     | 125                  |
| <b>Total</b>                          | <b>\$ 5,430</b>    | <b>\$ 5,194</b>                       | <b>\$ –</b>           | <b>\$ 10,624</b>     |

Regulatory credit balances consist of the following:

|  | January 1,<br>2023 | Balances<br>arising<br>in the<br>year | Recovery/<br>reversal | December 31,<br>2023 |
|--|--------------------|---------------------------------------|-----------------------|----------------------|
| Regulatory credit balances:                          |                    |                                       |                       |                      |
| Retail settlement<br>variance - power                | \$ 4,161           | \$ (4,161)                            | \$ –                  | \$ –                 |
| Retail settlement<br>variance - global<br>adjustment | 1,338              | (647)                                 | (676)                 | 15                   |
| Regulatory Asset Recovery<br>Account ("RARA")        | 538                | 2,434                                 | (1,441)               | 1,531                |
| Post-employment<br>benefits deferral                 | 4,343              | (2,721)                               | –                     | 1,622                |
| Regulatory credit<br>balances - other                | 798                | 136                                   | (133)                 | 801                  |
| <b>Total</b>   | <b>\$ 11,178</b>   | <b>\$ (4,959)</b>                     | <b>\$ (2,250)</b>     | <b>\$ 3,969</b>      |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 4. Regulatory balances (continued):

|  | January 1,<br>2022 | Balances<br>arising<br>in the<br>year | Recovery/<br>reversal | December 31,<br>2022 |
|--|--------------------|---------------------------------------|-----------------------|----------------------|
| Regulatory credit balances:                          |                    |                                       |                       |                      |
| Retail settlement<br>variance - power                | \$ 4,707           | \$ (546)                              | \$ –                  | \$ 4,161             |
| Retail settlement<br>variance - global<br>adjustment | 466                | 872                                   | –                     | 1,338                |
| Regulatory Asset Recovery<br>Account ("RARA")        | 487                | 11                                    | 40                    | 538                  |
| Post-employment<br>benefits deferral                 | –                  | 4,343                                 | –                     | 4,343                |
| Regulatory credit<br>balances - other                | 918                | (120)                                 | –                     | 798                  |
| <b>Total</b>   | <b>\$ 6,578</b>    | <b>\$ 4,560</b>                       | <b>\$ 40</b>          | <b>\$ 11,178</b>     |

The "Balances arising in the year" column consists of new additions to regulatory balances (for both debits and credits). The "Recovery/reversal" column consists of amounts disposed through OEB-approved rate riders or transactions reversing an existing regulatory balance. Net movements in regulatory balances, net of tax, is \$1,082 (2022 - \$4,952).

The regulatory balances of the Corporation consist of the following:

### (a) Retail settlement variances:

The retail settlement variances relate to charges the Corporation has incurred for transmission services, generation and wholesale market operations from the IESO, that were not settled with customers during the year through approved rates. The nature of the settlement variances is such that the balance can fluctuate between debit and credit over time and are reported at year-end dates in accordance with rules prescribed by the OEB. Under rate regulation, the variances that would be recorded as revenue or expense when incurred under IFRS are deferred until collected or repaid through future rates. The Corporation has accrued interest on the regulatory debit or credit balances, as directed by the OEB.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 4. Regulatory balances (continued):

On December 8, 2022, the Corporation received approval from the OEB for the disposition of certain regulatory account balances. The disposition is to be adjusted through customer rates over two years, with the remaining \$1,273 expected to be recognized in 2024. On December 14, 2023, the Corporation received approval from the OEB for the disposition of certain regulatory account balances. The disposition is to be adjusted through customer rates over one year with (\$3,662) expected to be recognized in 2024. The remaining deferral balances are expected to be approved for disposition in future periods.

### (i) Retail settlement variance - power:

The retail settlement variance – power account is established for the purpose of recording the net difference in energy cost only. Net difference refers to the difference between the amount charged by the IESO on the settlement invoice for the energy cost and the amount billed to customers for the energy cost.

On December 8, 2022, the Corporation received approval for the disposition of the December 31, 2021 balance in its 2023 rate application to the OEB. Settlement will occur over a 24-month period commencing on January 1, 2023. On December 14, 2023, the Corporation received approval for the disposition of the December 31, 2022 balance in its 2024 rate application to the OEB. Settlement will occur over a 12-month period commencing on January 1, 2024. The remaining deferral balances are expected to be approved for disposition in future periods.

### (ii) Retail settlement variance - global adjustment:

The global adjustment variance account is established for the purpose of recording the net difference in the global adjustment attributable to customers. Net difference refers to the difference between the amount charged or credited by the IESO for the global adjustment, and the amount billed to customers for the global adjustment.

The global adjustment arises mainly due to a difference between the spot price charged by the IESO to market participants and the blended price paid by the IESO under the various contracts with electricity generators and suppliers.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 4. Regulatory balances (continued):

On December 8, 2022, the Corporation received approval for the disposition of the December 31, 2021 balance in its 2023 rate application to the OEB. Settlement will occur over a 24-month period commencing on January 1, 2023. On December 14, 2023, the Corporation received approval for the disposition of the December 31, 2022 balance in its 2024 rate application to the OEB. Settlement will occur over a 12-month period

The remaining deferral balances are expected to be approved for disposition in future periods.

### (ii) Retail settlement variances - other:

This item refers to a set of accounts that will separately capture information relating to wholesale market service charges, non-recurring wholesale market service charges, retail transmission network service charges and retail transmission connection service charges. Retail settlement variances – other, is used to record the net difference between the amount paid in the month to the IESO for the services listed above and the amount billed to customers and retailers in the month based on OEB approved rates.

On December 8, 2022, the Corporation received approval for the disposition of the December 31, 2021 balance in its 2023 rate application to the OEB. Settlement will occur over a 24-month period commencing on January 1, 2023. The remaining deferral balances are expected to be approved for disposition in future periods.

### (b) RARA:

Effective May 2006, the RARA was approved by the OEB. This account is used to record the disposition of deferral and variance account balances, by means of a rate rider, for which approval to recover (or refund) has been granted by the OEB as part of the regulatory process. The balance remaining as at December 31, 2023 represents the opening balance approved for recovery, amounts collected during the year, and the deferral and variance account balances approved for disposition by the OEB on December 8, 2022 as part of the Corporation's cost of service application for rates effective January 1, 2023. This rate expires December 31, 2024.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 4. Regulatory balances (continued):

### (c) Deferred income taxes to be paid to customers:

An offset to deferred income tax assets relating to the regulated business has been recorded in the accounts as a regulatory debit balance. As deferred income tax assets are realized, the asset for deferred income taxes to be collected from customers will be settled through OEB approved rates.

### (d) Post-employment benefits deferral:

This regulatory balance accumulates the actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments. The balance arising during the year ended December 31, 2023 is primarily related to the actuarial gain recorded. No disposition is currently planned as the balance is derived mainly from actuarial valuation changes and not monetary income or expense.

### (e) Regulatory accrued interest:

Interest is earned or charged on regulatory balances at OEB prescribed rates and are recorded to the related regulatory account.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 5. Current portion of long-term debt liabilities:

The current portion of long-term liabilities consists of the following:

|                           | 2023            | 2022            |
|---------------------------|-----------------|-----------------|
| Customer advance deposits | \$ 1,085        | \$ 694          |
| Long-term debt (note 9)   | 5,223           | 1,006           |
|                           | <u>\$ 6,308</u> | <u>\$ 1,700</u> |

## 6. Deferred contributions:

The continuity of deferred contributions is as follows:

|   | 2023             | 2022             |
|---|------------------|------------------|
| Deferred contributions, net, beginning of year  | \$ 43,495        | \$ 42,443        |
| Deferred contributions received                 | 4,867            | 1,673            |
| Deferred developer deposits received (refunded) | (1,225)          | 703              |
| Deferred contributions recognized as revenue    | (1,328)          | (1,324)          |
| Deferred contributions, net, end of year        | 45,809           | 43,495           |
| Less current portion                            | 756              | 1,109            |
| Deferred contributions long-term portion        | <u>\$ 45,053</u> | <u>\$ 42,386</u> |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 7. 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 rates. The reconciliation between the statutory and effective tax rates is provided as follows:

|  | 2023     | 2022     |
|--|----------|----------|
| Income before income taxes   | \$ 3,891 | \$ 143   |
| Net movements in regulatory balances                               | 1,082    | 4,952    |
| Net income after net movements in regulatory balances, before PILs | \$ 4,973 | \$ 5,095 |
| Combined Canadian federal and Ontario statutory income tax rate    | 26.50%   | 26.50%   |
| Expected provision for PILs at statutory tax rates                 | \$ 1,317 | \$ 1,350 |
| Property, plant and equipment                                      | (437)    | (593)    |
| Post-employment non-pension benefits                               | (29)     | 10       |
| Corporate minimum taxes  | 164      | 46       |
| Other  | (1,358)  | (853)    |
| Cost allocations   | (79)     | (29)     |
| Provision for income taxes   | \$ (422) | \$ (69)  |
| Effective tax rates  | (8.53%)  | (1.35%)  |

Income tax expense as presented in the consolidated statements of comprehensive income is as follows:

|   | 2023     | 2022     |
|---|----------|----------|
| Current tax expense:                                      |          |          |
| Current income tax expense (recovery)                     | \$ (161) | \$ (552) |
| Deferred tax expense:                                     |          |          |
| Origination and reversal of temporary differences         | 2,124    | 1,717    |
| Deferred taxes transferred to regulatory credits (note 4) | (2,385)  | (1,234)  |
|   | (261)    | 483      |
| Income tax expense charged to net income for the year     | \$ (422) | \$ (69)  |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 7. Income taxes (continued):

|   | 2023     | 2022       |
|---|----------|------------|
| Deferred income taxes related to items recognized in OCI during the year: |          |            |
| Net gain (loss) on revaluation of cash flow hedges                        | \$ (178) | \$ 848     |
| Unrealized gain (loss) on derivatives designated as cash flow hedges      | 672      | (3,202)    |
| Deferred income taxes charged to OCI                                      | \$ 494   | \$ (2,354) |

As at December 31, 2023, the Corporation has recognized \$5,419 in regulatory debit balances and a corresponding offset to deferred income tax assets (2022 - \$3,034).

Deferred income taxes:

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The net deferred income tax assets (liabilities) consist of the following:

|   | Net balance,<br>January 1,<br>2023 | Recognized in<br>OCI | Recognized<br>in Income<br>Statement | Net balance,<br>December 31,<br>2023 |
|---|------------------------------------|----------------------|--------------------------------------|--------------------------------------|
| Components of deferred income tax assets:     |                                    |                      |                                      |                                      |
| PP&E  | \$ (365)                           | —                    | \$ 14                                | \$ (351)                             |
| Employee post-employment non-pension benefits | —                                  | —                    | —                                    | —                                    |
| Non-capital losses                            | 470                                | —                    | 22                                   | 492                                  |
| Deferred income tax assets                    | \$ 105                             | \$ —                 | \$ 36                                | \$ 141                               |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 7. Income taxes (continued):

|  | Net balance,<br>January 1,<br>2022 | Recognized in<br>regulatory<br>balances | Recognized<br>in Income<br>Statement | Net balance,<br>December 31,<br>2022 |
|--|------------------------------------|---|--------------------------------------|--------------------------------------|
| Components of deferred<br>income tax assets:     |                                    |   |                                      |                                      |
| PP&E   | \$ —                               | \$ (386)                                | \$ 21                                | \$ (365)                             |
| Employee post-employment<br>non-pension benefits | —                                  | —                                       | —                                    | —                                    |
| Non-capital losses                               | —                                  | 419                                     | 51                                   | 470                                  |
| Other taxable temporary<br>differences           | 881                                | (881)                                   | —                                    | —                                    |
| Deferred income tax assets                       | \$ 881                             | \$ (848)                                | \$ 72                                | \$ 105                               |

|   | Net balance,<br>January 1,<br>2023 | Recognized in<br>regulatory<br>balances | Recognized<br>in OCI | Recognized in<br>the consolidated<br>statement of<br>income | Net balance,<br>December 31,<br>2023 |
|---|------------------------------------|---|----------------------|---|--------------------------------------|
| Components of deferred<br>income tax liabilities:   |                                    |   |                      |   |                                      |
| PP&E  | \$ (8,695)                         | \$ (2,592)                              | \$ —                 | \$ 812  | \$ (10,475)                          |
| Employee<br>post-employment<br>non-pension benefits | 2,274                              | 692                                     | —                    | —   | 2,966                                |
| Non-capital losses                                  | 1,141                              | —                                       | —                    | (630)   | 511                                  |
| Other taxable temporary<br>differences              | 582                                | (485)                                   | —                    | 43  | 140                                  |
| Other taxable temporary<br>differences - OCI        | (1,473)                            | —                                       | 494                  | —   | (979)                                |
| Deferred income tax liabilities                     | \$ (6,171)                         | \$ (2,385)                              | \$ 494               | \$ 225  | \$ (7,837)                           |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 7. Income taxes (continued):

|   | Net balance,<br>January 1,<br>2022 | Recognized in<br>regulatory<br>balances | Recognized<br>in OCI | Recognized in<br>the consolidated<br>statement of<br>income | Net balance,<br>December 31,<br>2022 |
|---|------------------------------------|---|----------------------|---|--------------------------------------|
| Components of deferred<br>income tax liabilities:   |                                    |   |                      |   |                                      |
| PP&E  | \$ (6,468)                         | \$ (1,581)                              | \$ —                 | \$ (646)  | \$ (8,695)                           |
| Employee<br>post-employment<br>non-pension benefits | 3,706                              | (1,432)                                 | —                    | —   | 2,274                                |
| Non-capital losses                                  | 78                                 | (34)                                    | —                    | 1,097   | 1,141                                |
| Other taxable temporary<br>differences              | (192)                              | 1,780                                   | —                    | (1,006)   | 582                                  |
| Other taxable temporary<br>differences - OCI        | —                                  | 881                                     | (2,354)              | —   | (1,473)                              |
| Deferred income tax liabilities                     | \$ (2,876)                         | \$ (386)                                | \$ (2,354)           | \$ (555)  | \$ (6,171)                           |

As at December 31, 2023, the Corporation has \$1,003 non-capital losses for income tax purposes (2022 - \$1,610), which are available to offset net income for 20 years before expiring.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 8. Employee benefits:

### (a) Pension costs

The Corporation's eligible employees participate in a defined benefit pension plan through OMERS. As at December 31, 2023, the OMERS plan was 97.0% funded (December 31, 2022 - 95.0%). 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.

For the year ended December 31, 2023, the Corporation's contributions were \$888 (2022 - \$755). OMERS contribution rates were 9.0% up to the year's maximum pensionable earnings ("YMPE") and 14.6% over the YMPE for normal retirement age ("NRA") of 65 (2022 - 9.0% up to YMPE and 14.6% over YMPE for NRA of 65).

### (b) Post-employment non-pension retirement benefits:

The Corporation provides post-employment benefits, principally supplemental health and dental coverage, for employees who retire from active employment.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 8. Employee benefits (continued):

### (c) Accrued benefit obligations:

The Corporation measures its accrued benefit obligations as at December 31 of each year. The latest actuarial valuation was performed as at December 31, 2023.

Changes in post-employment non-pension retirement benefits:

|   | 2023      | 2022      |
|---|-----------|-----------|
| Post-employment non-pension retirement benefits,<br>beginning of year | \$ 8,580  | \$ 13,983 |
| Net periodic benefits cost accrued                                    | 479       | 567       |
| Benefits paid   | (588)     | (529)     |
| Recognized gain   | 2,721     | (5,441)   |
| Post-employment non-pension retirement benefits,<br>end of year       | \$ 11,192 | \$ 8,580  |

Components for net periodic benefit costs:

|  | 2023   | 2022   |
|--|--------|--------|
| Current service cost                           | \$ 60  | \$ 153 |
| Imputed interest cost                          | 419    | 414    |
| Net periodic benefit cost accrual for the year | \$ 479 | \$ 567 |

Significant actuarial assumptions:

|  | 2023  | 2022  |
|--|-------|-------|
| Discount rate applied to the calculation of future benefits                | 4.65% | 5.05% |
| Rate of compound compensation increase<br>used in determining future costs | 3.00% | 3.00% |

The current service cost for a year is equal to the actuarial present value of benefits attributed to employees' services rendered during the year. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 8. Employee benefits:

The actuarial valuation as at December 31, 2023 assumed health care costs would increase 7% (2022 - 7%) in the year following the valuation. This rate of increase is then reduced annually to a rate of 4% six years following the valuation (2022 - 4% after six years).

Dental costs are assumed to increase by 4% per year (2022 - 4%) beginning in the year following the valuation.

The dispensing fee portion of health care costs is limited to twelve dollars and ninety-nine cents; the current maximum allowed under the benefits plan.

### (d) Sensitivity analysis:

The main actuarial assumptions underlying the valuation are as follows:

#### (i) Interest (discount) rate:

Assumed interest rates have a significant effect on the amounts reported for the total accrued benefit obligations and expense. A 1% change in assumed interest rates would have the following effects for 2023:

|  | Increase   | Decrease |
|--|------------|----------|
| Accrued benefit obligations, December 31, 2023 | \$ (1,288) | \$ 1,590 |

#### (ii) Health care cost trend rate:

The health care cost trend is estimated to increase at a declining rate from 7% to 4% over six years following the valuation. Dental costs are presumed to increase by 4%, beginning in the year following valuation. The approximate effect on the accrued benefit obligations if the health care cost trend rate assumption was increased or decreased by 1% is as follows:

|  | Increase | Decrease |
|--|----------|----------|
| Accrued benefit obligations, December 31, 2023 | \$ 1,012 | \$ (917) |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 9. Debt:

The Corporation's long-term debt consists of the following:

|   | 2023      | 2022      |
|---|-----------|-----------|
| i) Term Loan, ten year interest rate swap agreement, maturing October 22, 2028, converting the obligation to fixed rate of 3.649%                       | \$ 60,000 | \$ 60,000 |
| ii) Term Loan, ten year interest rate swap agreement, maturing December 21, 2030, converting the obligation to fixed rate of 2.227%                     | \$ 20,000 | \$ 20,000 |
| iii) Term Loan, five year four month interest rate swap agreement, maturing October 22, 2028, converting the obligation to fixed rate of 4.60%          | \$ 10,000 | \$ —      |
| iv) Term Loan, maturing March 2028, at an annual rate of 5.778% compounded quarterly, with blended interest and principal payments of \$119 per quarter | \$ 1,786  | \$ 2,147  |
| v) Term Loan, maturing October 1, 2032, at an annual rate of 4.18%, with blended interest and principal payments of \$83 per quarter                    | \$ 2,387  | \$ 2,614  |
| vi) Term Loan, maturing October 6, 2026, at an annual rate of 4.368%, with blended interest and principal payments of \$3 per quarter                   | \$ 114    | \$ 122    |
| vii) Term Loan, maturing October 15, 2026, at an annual rate of 4.52%, with blended interest and principal payments of \$17 per quarter                 | \$ 418    | \$ 466    |
| viii) Term Loan, maturing January 1, 2034, at an annual rate of 4.54%, with blended interest and principal payments of \$145 per quarter                | \$ 4,548  | \$ 4,910  |
| Total debt  | \$ 99,253 | \$ 90,259 |
| Less current portion  | 5,223     | 1,006     |
| Total long term debt  | \$ 94,030 | \$ 89,253 |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 9. Debt (continued):

### (a) Long-term facilities:

- (i - iii) As of December 31, 2023 the Corporation has entered into term loans totalling \$90,000 with Toronto-Dominion Commercial Bank (the "Bank"). The debt is at a variable rate of banker's acceptance rate plus 0.80% and 0.55%.

Subject to payment of any unwinding costs or receipt of benefits for unwinding the interest rate swap agreements, the Corporation has the flexibility of pre-paying the debt at its option. The corporation has committed to an additional \$10,000 credit facility not drawn upon as of December 31, 2023.

- (iv) Oshawa PUC Energy Services Inc.'s term loan for construction of the Durham College CHP plant. The Corporation is required to maintain a debt services reserve account in an amount equal to three months' future debt service costs related to the term loan. As at December 31, 2023, the restricted cash balance in connection with the debt service reserve amount is \$133 (2022 - \$128).

The term loan is supported by a fixed and floating first charge on the Durham College CHP asset, a general security agreement and an assignment of the Corporation's interest in all material contracts relating to the Durham College CHP plant.

- (v) 2252112 Ontario Inc.'s term loan requires the Corporation to maintain a debt service reserve account in an amount equal to two quarters' future debt service costs related to the term loan. As at December 31, 2023, the restricted cash balances in connection with the debt service reserve amounts are \$279 (2022 - \$311).

The term loan is supported by a fixed and floating first charge on the underlying solar assets, a general security agreement and an assignment of the Corporation's interest in all material contracts relating to the solar assets.

- (vi) 2252112 Ontario Inc.'s term loan requires the Corporation to maintain a debt service reserve account in an amount equal to two quarters' future debt service costs related to the term loan. As at December 31, 2023, the restricted cash balance in connection with the debt service reserve amount is \$7 (2022 - \$7).

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 9. Debt (continued):

The term loan is supported by a fixed and floating first charge on the underlying solar assets, a general security agreement and an assignment of the Corporation's interest in all material contracts relating to the solar assets.

- (vii) Clinton Solar LP's term loan requires the Corporation to maintain a debt services reserve account in an amount equal to six months' future debt service costs related to the term loan. As at December 31, 2023, the restricted cash balance in connection with the debt service reserve amount is \$33 (2022 - \$33).

The term loan is supported by a fixed and floating first charge on the underlying solar assets, a general security agreement and an assignment of the Corporation's interest in all material contracts relating to the solar assets.

- (viii) 2825411 Ontario Inc.'s term loan requires the Corporation to maintain a debt services reserve account in an amount equal to two quarter's future debt service costs related to the term loan. As at December 31, 2023, the restricted cash balance in connection with the debt service reserve amount is \$310 (2022 - \$298).

The term loan is supported by a fixed and floating first charge on the underlying wind turbine, a general security agreement and an assignment of the Corporation's interest in all material contracts relating to the wind turbine.

The above borrowing facilities are subject to financial tests and other covenants. These financial covenants are to be tested quarterly. In addition, the debt facilities with the Bank are subject to other customary covenants and events of default, including an event of cross-default (for non-payment of other debts of certain subsidiaries) of amounts in excess of \$5,000. Non-compliance with such covenants could result in accelerated payments of amounts due under the facilities and their termination. The Corporation was in compliance with all of the above-mentioned covenants as at December 31, 2023, except for a debt service coverage ratio covenant associated with the term loan in 2825411 Ontario Inc. Subsequent to December 31, 2023, on March 20, 2024 a waiver for the breach in covenant was received from Equitable Life of Canada reducing the debt service coverage ratio for the next four quarters ending December 31, 2024. No cross default events were identified.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 9. Debt (continued):

Future principal repayments for the term debt are as follows:

|                       |    |        |
|-----------------------|----|--------|
| Less than 1 year      | \$ | 5,223  |
| Between 1 and 5 years |    | 72,888 |
| More than 5 years     |    | 21,142 |
|                       | \$ | 99,253 |

### b) Short-term facilities:

The Corporation has an operating line of credit for a maximum amount of \$20,000 to assist with its working capital requirements. As of December 31, 2023, there were no outstanding balances on this line of credit (2022 - nil).

Interest on short-term debt was nil (2022 - nil) at an effective interest rate of 2.47%.

## 10. Capital stock:

Capital stock consists of the following:

|                         | 2023      | 2022      |
|-------------------------|-----------|-----------|
| Authorized:             |           |           |
| Unlimited common shares |           |           |
| Issued:                 |           |           |
| 1,000 common shares     | \$ 23,064 | \$ 23,064 |

During the year ended December 31, 2023, the Corporation declared and paid a dividend on common shares aggregating \$1,175 (2022 – \$1,870).

## 11. Related party transactions:

### (a) Balances and transactions with related parties:

The Corporation transacts business with the City and its affiliates in the normal course of business at commercial rates. Accounts receivable represent receivables from the City primarily for electricity, street lighting and construction services.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 11. Related party transactions (continued):

These transactions are summarized below:

|   | 2023            | 2022            |
|---|-----------------|-----------------|
| Revenue:  |                 |                 |
| City facilities (from electricity distribution) | \$ 3,598        | \$ 3,335        |
| Streetlights (from electricity distribution)    | 1,221           | 1,325           |
| Fibre optic leases to the City                  | 282             | 282             |
|   | <u>\$ 5,101</u> | <u>\$ 4,942</u> |
| Expenses:                                       |                 |                 |
| 100 Simcoe Street South Office                  | \$ 351          | \$ 348          |
| Property taxes                                  | 137             | 150             |
|   | <u>\$ 488</u>   | <u>\$ 498</u>   |
| Accounts receivable:                            |                 |                 |
| Facilities and streetlights                     | \$ 728          | \$ 336          |
|   | <u>\$ 728</u>   | <u>\$ 336</u>   |

During the year ended December 31, 2023, the Corporation declared and paid dividends of \$1,100 (2022 - \$1,800) to the City of Oshawa.

### (b) Key management personnel compensation:

Key management personnel are comprised of the Corporation's senior leadership team. The compensation paid or payable to key management personnel is as follows:

|                                | 2023            | 2022            |
|--------------------------------|-----------------|-----------------|
| Short-term employment benefits | \$ 1,285        | \$ 998          |
| Employee future benefits       | 163             | 131             |
|                                | <u>\$ 1,448</u> | <u>\$ 1,129</u> |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## **12. Leases:**

The Corporation leases its premises under a lease with the City. The Corporation's lease expires November 30, 2026.

The Corporation has a contractual agreement to lease office equipment over a period of 74 months. The lease operates from June 1, 2024 and expires October 31, 2026.

A wholly owned subsidiary, 2252112 Ontario Inc., leases the rooftops of various premises from the City for the installation of solar panels. The lease is for a period of 25 years, and the specific site operational rent is based on a charge of \$55 per kilowatt as measured by system capacity. In addition, 2252112 Ontario Inc. leases the rooftop on a building upon which owned solar panels are affixed. This lease term is from October 7, 2021 to February 10, 2035 with a fixed annual rent.

A wholly owned limited partnership, Clinton Solar LP, leases land upon which owned ground mount solar panels are affixed. The lease term is from October 15, 2021 to May 19, 2031 with a fixed annual rent.

A controlled subsidiary, 2825411 Ontario Inc., leases land upon which an owned wind turbine is situated. The lease term is from October 1, 2021 to July 4, 2034, with options to renew for two additional terms of ten years each with annual rent based on 2% charge on gross revenue earned in respective year.

Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate of 4.06%.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 12. Leases (continued):

Leases as lessee (IFRS 16):

### (a) Right-of-use assets:

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as a long term right-of-use lease assets on the balance sheet.

|                                  | Building | Rooftop solar | IT equipment | Wind   | Total    |
|----------------------------------|----------|---------------|--------------|--------|----------|
| Balance, December 31, 2021       | 464      | 377           | 19           | 221    | 1,081    |
| Depreciation charge for the year | (756)    | (27)          | (13)         | (20)   | (816)    |
| Additions                        | 718      | —             | —            | —      | 718      |
| Balance, December 31, 2022       | 426      | 350           | 6            | 201    | 983      |
| Depreciation charge for the year | (401)    | (26)          | (6)          | (16)   | (449)    |
| Additions                        | 1,135    | —             | —            | —      | 1,135    |
| Balance, December 31, 2023       | \$ 1,160 | \$ 324        | \$ —         | \$ 185 | \$ 1,669 |

### (b) Amounts recognized in profit or loss:

|                               | 2023  | 2022  |
|-------------------------------|-------|-------|
| Interest on lease liabilities | \$ 40 | \$ 18 |

### (c) Amounts recognized in statement of cash flows:

|                               | 2023   | 2022   |
|-------------------------------|--------|--------|
| Total cash outflow for leases | \$ 448 | \$ 400 |

Repayment of lease liabilities is disclosed within financing activities on the consolidated statement of cash flows.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 13. 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 is an Ontario group formed for the purpose of exchanging reciprocal contracts of indemnity of inter-insurance with each other. MEARIE provides general liability insurance to its member utilities.

Insurance premiums charged to each Municipal Electrical Utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience.

The Corporation refers any claims received to MEARIE under the provisions of this plan. No provision has been recorded in these consolidated financial statements in respect of these matters as the Corporation has not received any claim that is not adequately covered by its insurance.

### (b) Income taxes:

The tax returns filed by the Corporation are subject to review and reassessment by the Ministry of Finance for a period of up to five years from the date of filing. Any reassessment may result in a revision to previously determined tax obligations.

### (c) Energy Conservation Agreement:

On December 31, 2014, the Corporation entered into an Energy Conservation Agreement ("ECA") with the IESO for the period from January 1, 2015 to December 31, 2020 to deliver Energy Conservation and Demand Management ("CDM") programs. The agreement provided terms under which the Corporation may engage the IESO to design and pay for province-wide CDM programs in support of the Corporation meeting its CDM targets. As a result of a revocation of the CDM programs in March 2019 by the Minister of Energy, Northern Development and Mines, the IESO has provided the Corporation with notice that the IESO has terminated the ECA effective June 20, 2019, with further wind down activities to be completed by August 31, 2022. The Corporation continues to wind down activities and is subject to audit post completion of programs.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 13. Commitments and contingencies (continued):

Subject to the terms of the agreement, all IESO CDM program costs were to be paid by the IESO. The Corporation effectively acted as a delivery agent for those programs and was entitled to receive all of its estimated administration costs associated with each program. Any administration costs incurred by the Corporation in excess of the pre-approved estimate would not be recoverable. All other program costs incurred by the Corporation (such as customer incentives and goods and services delivered under the programs) were recoverable from the IESO on an invoiced basis in accordance with the agreement.

Under the terms of the Energy Conservation Agreement with the IESO, income incentives were available in the event that the Corporation outperformed its expected target. Alternatively, financial penalties are possible if the Corporation did not meet minimum requirements as outlined in the Energy Conservation Agreement with the IESO. The Corporation estimates it has met its obligations as outlined in the Energy Conservation Agreement with the IESO and has not recorded a provision in these consolidated financial statements for neither financial incentives nor penalties in respect of these matters. The Corporation is subject to an audit on its compliance with the agreement.

### -(d) Security with IESO:

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. An Irrevocable Standby Letter of Credit in the amount of \$7,000 was issued in October 2012, and renewed in October 2014, in favour of the IESO as collateral support for energy amounts as determined by and payable to the IESO.

Oshawa PUC Energy Services Inc. provides a performance guarantee to the IESO as required for the Durham College CHP power contract, in the form of a letter of credit for \$115 as at December 31, 2023.

### (f) 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 financial position and results of operations or cash flows.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 14. Fair values of financial instruments:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data.

As at December 31, 2023 and 2022, the Corporation did not have any transfers between levels.

The carrying values of cash, restricted cash, accounts receivable, accounts payable for power - IESO, current customer advance payments, and accounts payable and accrued liabilities approximate their fair values due to the short period to maturity of these financial instruments.

The Corporation has designated its financial instruments as follows:

|  | Level | 2023           |            | 2022           |            |
|--|-------|----------------|------------|----------------|------------|
|  |       | Carrying value | Fair value | Carrying value | Fair value |
| Non-current financial assets:          |       |                |            |                |            |
| Unrealized gain on interest rate swaps | 2     | \$ 3,691       | \$ 3,691   | \$ 5,555       | \$ 5,555   |
| Non-current financial liabilities:     |       |                |            |                |            |
| Customer advance deposits              | 1     | \$ 1,750       | \$ 1,750   | \$ 1,997       | \$ 1,977   |
| Long-term debt                         | 3     | 94,030         | 94,702     | 89,253         | 86,325     |

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments as well as related interest rate risk, credit risk and liquidity risk are described below.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

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## 14. Fair values of financial instruments (continued):

Long-term debt:

The fair value of the Corporation's long-term debt is estimated using present value techniques based on borrowing rates at year-end for debt with similar terms and maturities. Long-term debt is shown net of unamortized debt issue costs.

### (a) Credit risk:

Certain of the Corporation's financial assets are exposed to credit risk.

Cash consists of deposits with major commercial banks.

The Corporation, in the normal course of business, is exposed to credit risk from its customers. These accounts receivable are subject to normal industry credit risks. The Corporation records an estimate provision for expected credit losses. The Corporation has insurance in support of certain receivables.

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 expected credit loss allowance of \$1,979 (2022 - \$1,452) to account for these anticipated risks.

Accounts receivable consists of the following:

|   | 2023      | 2022      |
|---|-----------|-----------|
| Receivables from customers                | \$ 16,255 | \$ 10,092 |
| Receivables from other trade and projects | 3,805     | 3,906     |
|   | 20,060    | 13,998    |
| Less expected credit losses               | 1,979     | 1,452     |
| Total accounts receivable                 | \$ 18,081 | \$ 12,546 |

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 14. Fair values of financial instruments (continued):

Credit risk associated with accounts receivable is as follows:

|   | 2023      | 2022      |
|---|-----------|-----------|
| Outstanding for not more than 30 days                       | \$ 15,485 | \$ 10,455 |
| Outstanding for more than 30 days and not more than 90 days | 1,490     | 1,314     |
| Outstanding for more than 90 days                           | 3,085     | 2,229     |
|   | 20,060    | 13,998    |
| Less expected credit losses                                 | 1,979     | 1,452     |
| Total accounts receivable                                   | \$ 18,081 | \$ 12,546 |

The Corporation is also exposed to credit risk from the potential default of any of its counterparties on its interest rate swap agreements. The Corporation mitigates this credit risk by dealing with counterparties who are major financial institutions and which the Corporation anticipates will satisfy their obligations under the contracts.

### (b) Interest rate risk:

The Corporation enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Corporation does not enter into derivatives for speculative purposes. The fair value of the interest rate swap agreements represents an approximation of the amounts the Corporation would have paid to or received from the counterparty to unwind its positions as at year-end.

The Corporation estimates the unrealized gain on interest rate swaps to be \$3,691 as at December 31, 2023. These contracts are designated as hedges, and therefore this gain has been included in OCI.

As at December 31, 2023, the Corporation had three interest rate swap agreements in place with notional amounts of \$10,000 (2022 - \$nil), \$60,000 (2022 - \$60,000) and \$20,000 (2022 - \$20,000) whereby the Corporation pays fixed rates of interest of 4.60%, 3.649% and 2.227% respectively. The swaps are being used to hedge the exposure to changes in the interest rate of its long-term debt which is at a variable rate of banker's acceptance rate plus 0.80% and 0.55%.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 14. Fair values of financial instruments (continued):

### (c) Liquidity risk:

The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. The Corporation monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

|  | Due within<br>1 year | Due between<br>1 and 5 years | Due past<br>5 years | Total     |
|--|----------------------|------------------------------|---------------------|-----------|
| Accounts payable for power - IESO        | \$ 10,500            | \$ —                         | \$ —                | \$ 10,500 |
| Accounts payable and accrued liabilities | 14,531               | —                            | —                   | 14,531    |
| Asset retirement obligation              | —                    | 917                          | —                   | 917       |
| Customer advance payments                | 512                  | —                            | —                   | 512       |
| Lease liability (inclusive of interest)  | 412                  | 976                          | 333                 | 1,721     |
| Interest rate swap                       | 3,095                | 12,379                       | 891                 | 16,365    |
| Long-term debt (inclusive of interest)   | 1,467                | 75,652                       | 24,046              | 101,165   |
| Customer advance deposits                | 1,085                | 1,750                        | —                   | 2,835     |

## 15. Equity-accounted investees:

ZooShare Biogas LP is a joint venture in which the Corporation has joint control and a 49% ownership interest of Class A shares and 50% ownership interest of a General Partnership share unit. The ZooShare Biogas project is principally engaged in production and development of an organic waste receiving structure, anaerobic digester, and CHP system with an 18-year FIT contract established with the IESO.

As of December 31, 2023, the Corporations' equity share recognized in the financial statements was a loss of \$164 (2022 - \$182). The Corporation did not make any capital contributions in 2022 or 2023 to ZooShare Biogas LP.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 15. Equity-accounted investees (continued):

|                    | 2023     | 2022     |
|--------------------|----------|----------|
| ZooShare Biogas LP | \$ 3,712 | \$ 3,876 |

The following table summarizes the financial information of ZooShare Biogas LP as included in its own financial statements, adjusted for fair value adjustments at acquisition and difference in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Corporation's interest in the limited partnership.

|   | 2023            | 2022            |
|---|-----------------|-----------------|
| Non-current assets  | \$ 11,158       | \$ 11,676       |
| Current assets  | 519             | 360             |
| Non-current liabilities   | (1,562)         | (1,687)         |
| Current liabilities   | (1,793)         | (1,694)         |
| <b>Net assets (at 100%)</b>                                       | <b>\$ 8,322</b> | <b>\$ 8,655</b> |
| Corporation's share of net assets (49%)                           | \$ 4,078        | \$ 4,241        |
| Elimination of Class B capital contribution asset                 | (366)           | (365)           |
| <b>Carrying amount of interest in joint venture</b>               | <b>\$ 3,712</b> | <b>\$ 3,876</b> |
| Total comprehensive loss for the year ended<br>December 31 (100%) | \$ (334)        | \$ (370)        |
| Corporation's share of total comprehensive<br>loss (49%)          | \$ (164)        | \$ (182)        |

## 16. Non-controlling interests:

2825411 Ontario Inc. is Canadian corporation, jointly owned by 2825909 Ontario Inc., a subsidiary of the Corporation, and Ottawa Renewable Energy Co-operative Inc. ("OREC") with equal ownership interest of the Class A shares, with voting rights allocated 60% to 2825909 Ontario Inc. and 40% to OREC. OREC's interests in 2825411 Ontario Inc. is accounted for as a NCI.



# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 16. Non-controlling interests (continued):

As of December 31, 2023, the non-controlling interest's share in the loss included in these consolidated financial statements was \$41 (2022 – gain of \$17). The Corporation paid a dividend of \$75 (2022 - \$70) to OREC.

The following table summarizes the financial information of 2825411 Ontario Inc. as included in its own financial statements and reconciled to the carrying amount in the Corporation's consolidated financial statements:

|  | 2023     | 2022     |
|--|----------|----------|
| Non-current assets                                 | \$ 5,888 | \$ 6,424 |
| Current assets                                     | 649      | 865      |
| Non-current liabilities                            | (161)    | (4,739)  |
| Current liabilities                                | (4,734)  | (686)    |
| Net assets (at 100%)                               | \$ 1,642 | \$ 1,864 |
| Net assets attributable to NCI (50%)               | \$ 821   | \$ 932   |
| Total comprehensive (loss) profit (100%)           | \$ (82)  | \$ 33    |
| Total comprehensive loss attributable to NCI (50%) | \$ (41)  | \$ 17    |
| Cash flows from operating activities               | \$ 382   | \$ 477   |
| Cash flows from financing activities               | (566)    | (508)    |
| Cash flows used in investing activities            | -        | (7)      |
| Net decrease in cash                               | \$ (184) | \$ (38)  |

## 17. Collateral:

As part of its electricity purchase agreement with the IESO, an Irrevocable Standby Letter of Credit in the amount of \$7,000 was issued in October 2012, and renewed in October 2014, in favour of the IESO, as collateral support for energy amounts as determined by and payable to the IESO.

As part of the amended lease dated June 30, 2023 an irrevocable standby letter of credit in the amount of \$500 was issued in favour of the City as collateral support to fund the cost of demolition if not undertaken by the Corporation.

# OSHAWA POWER AND UTILITIES CORPORATION

Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2023

## 18. Capital management

The Corporation defines capital as shareholder's equity. The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; maintain financial capacity and access to capital to support future development of the business while taking into consideration current and future industry, market and economic risks and conditions; and utilize short-term funding sources to manage its working capital requirements.

## 19. Revenue:

Sale of electrical energy and distribution revenue consists of the following:

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| Sale of electrical energy                               | \$ 134,200        | \$ 135,920        |
| Distribution revenue                                    | 29,026            | 27,226            |
| <b>Total electrical energy and distribution revenue</b> | <b>\$ 163,226</b> | <b>\$ 163,146</b> |
| Residential rate classes                                | \$ 88,723         | \$ 89,244         |
| Commercial rate classes                                 | 73,388            | 72,501            |
| Street lighting   | 1,115             | 1,401             |
| <b>Total electrical energy and distribution revenue</b> | <b>\$ 163,226</b> | <b>\$ 163,146</b> |

## 20. Operations, maintenance and administration:

Operations, maintenance and administrative expense consists of the following:

|   | 2023             | 2022             |
|---|------------------|------------------|
| Salaries, benefits and payroll                          | \$ 8,318         | \$ 7,836         |
| External services                                       | 4,084            | 4,398            |
| Communication, postage and printing                     | 1,084            | 1,066            |
| Utilities, insurance, rent and municipal taxes          | 748              | 730              |
| OEB regulatory fee, license and permits                 | 619              | 607              |
| Vehicle expenses  | 537              | 534              |
| Administrative charges                                  | 419              | 462              |
| Expected credit losses                                  | 1,120            | 420              |
| Repairs and Maintenance                                 | 583              | 385              |
| Other   | 907              | 436              |
| <b>Total operations, maintenance and administrative</b> | <b>\$ 18,419</b> | <b>\$ 16,874</b> |