Consolidated Financial statements of

OSHAWA POWER AND UTILITIES CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
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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, 2024
- 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, 2024, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 29, 2025

OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Balance Sheet
(In thousands of dollars)

December 31, 2024, with comparative information for 2023

	2024	2023

Assets and Regulatory Balances

	2024	2023
Current assets:		
Cash (including customer deposits of $2,094; (2023 - $2,262)	$ 7,790	$ 10,302
Restricted cash (note 9)	947	729
Accounts receivable (notes 11 and 14)	21,469	18,081
Unbilled revenue	16,751	14,431
Inventory	116	203
Income tax receivable	391	842
Prepaid expenses and other	970	910
Non-current asset held for sale (note 22)	200	–
Total current assets	48,634	45,498
Non-current assets:		
Property, plant and equipment, net (note 2)	229,979	210,884
Intangible assets, net (note 3)	7,338	7,768
Deferred income tax assets (note 7)	147	141
Investment in ZooShare Biogas LP (note 15)	3,286	3,712
Right-of-use assets (note 12)	2,135	1,669
Unrealized gain on interest rate swap (note 14)	1,254	3,691
Other assets	197	164
Total non-current assets	244,336	228,029
Total assets	292,970	273,527
Regulatory balances (note 4)	8,819	11,127
Total assets and regulatory balances	$ 301,789	$ 284,654

Liabilities, Regulatory Balances and Equity

	2024	2023
Current liabilities:		
Accounts payable for power - IESO (note 13 and 14)	$ 10,429	$ 10,500
Accounts payable and accrued liabilities (note 14)	10,602	14,531
Current portion of deferred contributions (note 6)	713	756
Customer advance payments (note 14)	502	512
Current portion of lease liability (note 12 and 14)	363	371
Deferred Revenue	890	398
Current portion of long-term liabilities (note 5)	2,177	6,308
Total current liabilities	25,676	33,376
Non-current liabilities:		
Long-term debt (note 9)	113,800	94,030
Asset retirement obligation (note 14)	962	917
Customer advance deposits	1,592	1,750
Lease liability (note 12)	1,514	1,100
Deferred contributions (note 6)	47,661	45,053
Deferred revenue	933	–
Post-employment non-pension retirement benefits (note 8)	8,459	11,192
Deferred income tax liabilities (note 7)	8,556	7,837
Total non-current liabilities	183,477	161,879
Total liabilities	209,153	195,255

Regulatory balances (note 4)	5,576	3,969
Equity:		
Capital stock (note 10)	23,064	23,064
Retained earnings	62,310	58,832
Accumulated other comprehensive income	921	2,713
Total equity attributable to the Corporation	86,295	84,609
Non-controlling interests (note 16)	765	821
Total equity	87,060	85,430
Commitment and contingencies (note 13)		
Subsequent events		
Total liabilities, regulatory balances and equity	$ 301,789	$ 284,654

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_ __________ Director Barbara Boyd ____________________________ Director

Denise Carpenter, Board Chair Barbara Boyd, Finance & Audit Committee Chair

OSHAWA POWER AND UTILITIES CORPORATION

Consolidated Statement of Comprehensive Income
(In thousands of dollars)

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

	2024	2023
Revenue:		
Sale of electrical energy (note 19)	$ 151,220	$ 134,200
Distribution revenue (note 19)	30,828	29,026
Energy management services	5,814	4,683
Regulated service revenue	1,289	1,186
Combined heat and power, net	1,421	1,360
Service revenue	233	370
Fibre optic	1,198	1,017
Amortization of developer contributions (note 6)	1,466	1,328
Generation revenue	1,663	1,599
Other	127	214
	195,259	174,983
Expenses:		
Cost of electrical energy	150,328	135,397
Energy management services	4,119	2,619
Operations, maintenance and administrative (note 20)	21,808	18,419
Depreciation - property, plant and equipment, intangible assets and right-of-use assets	9,767	9,691
	186,022	166,126
Income from operations	9,237	8,857
(Loss) gain on disposal of property, plant and equipment	(221)	60
Loss on impairment (note 2 and 22)	(473)	(2,666)
Interest income	451	781
Interest expense (note 9)	(3,082)	(3,141)
Income before income taxes	5,912	3,891
Provision for income taxes (note 7)	451	(422)
Net income	5,461	4,313
Net movements in regulatory balances, net of tax (note 4)	(789)	1,082
Net income after net movement in regulatory balances	4,672	5,395
Other comprehensive income:		
Unrealized loss in fair value of derivatives designated as cash flows, net of income taxes	(2,438)	(1,864)
Loss in fair value of derivatives designated as cash flow hedges, transferred to net income, net of income taxes	646	494
Remeasurement of post-employment benefits, net of income taxes	2,711	(2,721)
Net movements in regulatory balances related to other comprehensive income, net of income taxes	(2,711)	2,721
	(1,792)	(1,370)
Total comprehensive income	$ 2,880	$ 4,025
Net income after net movement in regulatory balances attributable to:		
Corporation	$ 4,678	$ 5,436
Non-controlling interest (note 16)	(6)	(41)
	$ 4,672	$ 5,395
Total comprehensive income attributable to:		
Corporation	$ 2,886	$ 4,066
Non-controlling interest (note 16)	(6)	(41)
	$ 2,880	$ 4,025

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, 2024, with comparative information for 2023

	Capital stock	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to the Corporation	Non-controlling interest	Total
Balance, January 1, 2023	$ 23,064	$ 54,496	$ 4,083	$ 81,643	$ 932	$ 82,575
Net income after net movements in 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
Net income after net movements in regulatory balances	–	4,678	–	4,678	(6)	4,672
Other comprehensive income	–	–	(1,792)	(1,792)	–	(1,792)
Dividends paid (note 10)	–	(1,200)	–	(1,200)	(50)	(1,250)
Balance, December 31, 2024	$ 23,064	$ 62,310	$ 921	$ 86,295	$ 765	$ 87,060

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, 2024, with comparative information for 2023

	2024	2023
Cash flows provided by (used in):		
Operating activities:		
Net income after net movements in regulatory balances	$ 4,672	$ 5,395
Adjustments:		
Net movements in regulatory balances	789	(1,082)
Depreciation - property, plant and equipment, intangible assets and right-of-use leases	9,767	9,691
Amortization of developer contributions	(1,466)	(1,328)
Provision for income taxes	451	(422)
Post-employment non-pension retirement benefits expense	577	479
Interest expense	3,082	3,141
Interest income	(451)	(781)
Share of loss in Zooshare Biogas LP	426	164
Loss on impairment	473	2,666
Loss (gain) on disposal of property, plant and equipment	221	(60)
Payment against lease liability	(426)	(448)
Contributions and deposits received from developers (note 6)	4,031	3,642
Income taxes refunded/(paid)	47	(101)
Post-employment non-pension retirement benefit payments	(599)	(588)
Changes in working capital balances related to operations:		
Increase in accounts receivable	(3,388)	(5,535)
(Increase) decrease in unbilled revenue	(2,320)	56
(Increase) decrease in other assets	(33)	12
Decrease in inventory	87	–
(Increase) decrease in prepaid expenses and other	(63)	35
(Decrease) increase in accounts payable and accrued liabilities and accounts payable for power - IESO	(4,000)	2,019
Increase in lease liability	808	1,175
Decrease in customer advance payments	(10)	(80)
Increase in asset retirement obligation	45	33
Decrease in customer advance deposits	(158)	(227)
Increase (decrease) in deferred revenue	1,425	(2)
(Decrease) increase in other current liabilities	(4,131)	4,608
Decrease (increase) in long term debt	4,123	(4,219)
Change related to regulatory disposition balances	1,728	(1,521)
Cash provided by operating activities	15,707	16,722
Financing activities:		
Dividends paid	(1,250)	(1,175)
Repayment of loan principal	(1,053)	(1,007)
Proceeds from long-term debt	16,482	10,039
Interest paid on long-term debt	(3,431)	(3,394)
Cash provided by financing activities	10,748	4,463
Investing activities:		
Additions to property, plant and equipment and intangible assets	(29,458)	(24,613)
Proceeds from sale of property, plant and equipment	40	140
Interest income received	451	781
Cash used in investing activities	(28,967)	(23,692)
Decrease in cash	(2,512)	(2,507)
Cash, beginning of year	10,302	12,809
Cash, end of year	$ 7,790	$ 10,302

See accompanying notes to consolidated financial statements.

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 combined heat and power plants 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. 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, 2025, when the Corporation's Board of Directors approved and authorized the consolidated financial statements.

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 issued 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.

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 14, 2023 approving rates and charges effective January 1, 2024.

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.

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.

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.

(In thousands of dollars)

1. Material accounting policies (continued):

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

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%

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.

1. Material accounting policies (continued):

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

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

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

The Corporation 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, 2024, the Corporation recognized the obligation to decommission certain buildings located at 100 Simcoe Street South.

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.

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 consolidated statement of 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.

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 receivable.

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.

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.

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.

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.

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 consolidated balance sheet and amortization is presented as revenue from deferred contributions on the consolidated 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.

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.

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities with the next financial year is included in the following notes.

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 - ECL.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

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) Current and Non-Current Liabilities:

The Corporation has adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) from 1 January 2024. The amendments apply retrospectively and clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period. Despite the change in policy, there is no retrospective impact on the comparative statement of financial position, as the corporation had no convertible notes as of December 31 2023. All other liabilities were not impacted by the amendment.

(w) 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, 2026:

- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.

(b) Effective January 1, 2027:

- Presentation and Disclosure in Financial Statements - IFRS 18
- Subsidiaries without Public Accountability: Disclosures – IFRS 19

(In thousands of dollars)

2. Property, plant and equipment:

Property, plant and equipment consist of the following as at December 31, 2024:

	January 1, 2024	Additions/ transfers/ depreciation	Disposals/ impairments/ retirements	December 31, 2024
Cost				
Transmission and distribution:				
Transformers	$ 71,501	$ 2,548	$ (627)	$ 73,422
Underground distribution	73,032	4,563	–	77,595
Poles, towers and fixtures	69,182	3,836	(113)	72,905
Station equipment	28,360	2,238	–	30,598
Overhead distribution	35,280	(1,142)	(87)	34,051
Meters	17,073	802	(82)	17,793
Combined heat and power plant engines	7,119	–	–	7,119
Generation assets	6,078	–	–	6,078
	307,625	12,845	(909)	319,561
Construction in progress	10,434	14,678	–	25,112
Other property, plant and equipment:				
Vehicle fleet	6,266	61	(368)	5,959
Equipment and furniture	11,771	468	–	12,239
Fibre optics network	4,202	634	(743)	4,093
Computer hardware	4,657	40	–	4,697
Buildings	6,043	(268)	–	5,775
Land	294	–	–	294
	33,233	935	(1,111)	33,057
Total cost	$ 351,292	$ 28,458	$ (2,020)	$ 377,730
Accumulated depreciation				
Transmission and distribution:				
Transformers	$ 34,759	$ 1,323	$ (457)	$ 35,625
Underground distribution	27,215	1,705	–	28,920
Poles, towers and fixtures	19,097	1,384	(101)	20,380
Station equipment	11,903	688	–	12,591
Overhead distribution	9,637	534	(74)	10,097
Meters	10,525	510	(78)	10,957
Combined heat and power plant engines	4,131	258	–	4,389
Generation assets	2,024	419	–	2,443
	119,291	6,821	(710)	125,402
Other property, plant and equipment:				
Vehicle fleet	3,898	306	(307)	3,897
Equipment and furniture	10,281	612	–	10,893
Fibre optics network	2,174	233	(70)	2,337
Computer hardware	3,720	337	–	4,057
Buildings	1,044	121	–	1,165
	21,117	1,609	(377)	22,349
Total accumulated depreciation	$ 140,408	$ 8,430	$ (1,087)	$ 147,751
Carrying amount	$ 210,884	$ 20,028	$ (933)	$ 229,979

(In thousands of dollars)

2. Property, plant and equipment (continued):

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

	January 1, 2023	Additions/ transfers/ depreciation	Disposals/ impairments/ retirements	December 31, 2023
Cost				
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 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
Total cost	$ 333,499	$ 22,763	$ (4,970)	$ 351,292
Accumulated depreciation				
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 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
Total accumulated depreciation	$ 134,172	$ 8,460	$ (2,224)	$ 140,408
Carrying amount	$ 199,327	$ 14,303	$ (2,746)	$ 210,884

(In thousands of dollars)

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 $2,666. 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, 2024, ascribed interest capitalized to property, plant and equipment as prescribed by the OEB amounted to $373 (2023 - $298). In the absence of rate regulation, additions to property, plant and equipment would have been $373 lower (2023 - $298 lower) and interest expense would have been $373 higher (2023 - $298 higher).

3. Intangible assets:

	January 1, 2024	Additions/ amortization	Disposals/ retirements	December 31, 2024
Cost				
Deferred IRU lease	$ 231	$ –	$ –	$ 231
Computer software	3,815	513	–	4,328
HONI contribution	4,181	–	–	4,181
FIT contracts	4,237	–	–	4,237
	$ 12,464	$ 513	$ –	$ 12,977
Accumulated depreciation				
Deferred IRU	$ 261	$ (30)	$ –	$ 231
Computer software	2,839	471	–	3,310
HONI contribution	759	167	–	926
FIT contracts	837	335	–	1,172
	$ 4,696	$ 943	$ –	$ 5,639
Carrying amount	$ 7,768	$ (430)	$ –	$ 7,338

(In thousands of dollars)

3. Intangible assets (continued):

	January 1, 2023	Additions/ amortization	Disposals/ retirements	December 31, 2023
Cost				
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
	$ 11,459	$ 1,005	$ –	$ 12,464
Accumulated depreciation				
Deferred IRU	$ 222	$ 39	$ –	$ 261
Computer software	2,599	240	–	2,839
HONI contribution	599	160	–	759
FIT contracts	502	335	–	837
	$ 3,922	$ 774	$ –	$ 4,696
Carrying amount	$ 7,537	$ 231	$ –	$ 7,768

(In thousands of dollars)

4. Regulatory balances:

Regulatory debits balances consist of the following:

	January 1, 2024	Balances arising in the year	Recovery/ reversal	December 31, 2024
Regulatory debit balances:				
Retail settlement variance - power	$ 469	$ (990)	$ 787	$ 266
Retail settlement variance – global adjustment	–	1,153	481	1,634
Retail settlement variance - other	5,239	(5,239)	–	–
Deferred income taxes	5,419	1,313	–	6,732
Post-employment benefits deferral	–	–	–	–
Regulatory debit balances - other	–	–	–	–
Regulatory Asset Recovery Account (“RARA”)	–	2,129	(1,942)	187
Total	$ 11,127	$ (1,634)	$ (674)	$ 8,819

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

(In thousands of dollars)

4. Regulatory balances (continued):

Regulatory credit balances consist of the following:

	January 1, 2024	Balances arising in the year	Recovery/ reversal	December 31, 2024
Regulatory credit balances:				
Retail settlement variance - power	$ –	$ –	$ –	$ –
Retail settlement variance - global adjustment	15	(15)	–	–
Retail settlement variance – other	–	(4,373)	5,169	796
Regulatory Asset Recovery Account ("RARA")	1,531	(1,531)	–	–
Post-employment benefits deferral	1,622	2,711	–	4,333
Regulatory credit balances - other	801	(142)	(212)	447
Total	$ 3,969	$ (3,350)	$ 4,957	$ 5,576

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

4. Regulatory balances (continued):

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 $(789) (2023 - $1,082).

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.

On December 12, 2024, 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 ($1,026) expected to be recognized in 2025. 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 12, 2024, the Corporation received approval for the disposition of the December 31, 2023 balance in its 2025 rate application to the OEB. Settlement will occur over a 12-month period commencing on January 1, 2025. The remaining deferral balances are expected to be approved for disposition in future periods.

4. Regulatory balances (continued):

(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.

On December 12, 2024, the Corporation received approval for the disposition of the December 31, 2023 balance in its 2025 rate application to the OEB. Settlement will occur over a 12-month period commencing on January 1, 2025. 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 12, 2024, the Corporation received approval for the disposition of the December 31, 2023 balance in its 2025 rate application to the OEB. Settlement will occur over a 12-month period commencing on January 1, 2025. The remaining deferral balances are expected to be approved for disposition in future periods.

4. Regulatory balances (continued):

(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, 2024 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 14, 2023 as part of the Corporation's 2024 rate application for rates effective January 1, 2024. This rate expires December 31, 2024.

(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, 2024 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.

(In thousands of dollars)

5. Current portion of long-term debt liabilities:

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

	2024	2023
Customer advance deposits	$ 1,077	$ 1,085
Long-term debt (note 9)	1,100	5,223
	$ 2,177	$ 6,308

6. Deferred contributions:

The continuity of deferred contributions is as follows:

	2024	2023
Deferred contributions, net, beginning of year	$ 45,809	$ 43,495
Deferred contributions received	3,264	4,867
Deferred developer deposits received (refunded)	767	(1,225)
Deferred contributions recognized as revenue	(1,466)	(1,328)
Deferred contributions, net, end of year	48,374	45,809
Less current portion	713	756
Deferred contributions long-term portion	$ 47,661	$ 45,053

(In thousands of dollars)

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:

	2024	2023
Income before income taxes	$ 5,912	$ 3,891
Net movements in regulatory balances	(789)	1,082
Net income after net movements in regulatory balances, before PILs	$ 5,123	$ 4,973
Combined Canadian federal and Ontario statutory income tax rate	26.50%	26.50%
Expected provision for PILs at statutory tax rates	$ 1,357	$ 1,317
Property, plant and equipment	(190)	(437)
Post-employment non-pension benefits	(6)	(29)
Corporate minimum taxes	144	164
Other	(755)	(1,358)
Cost allocations	(99)	(79)
Provision for income taxes	$ 451	$ (422)
Effective tax rates	8.80%	(8.53%)

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

	2024	2023
Current tax expense:		
Current income tax expense (recovery)	$ 405	$ (161)
Deferred tax expense:		
Origination and reversal of temporary differences	1,359	2,124
Deferred taxes transferred to regulatory credits (note 4)	1,313	(2,385)
	46	(261)
Income tax expense charged to net income for the year	$ 451	$ (422)

(In thousands of dollars)

7. Income taxes (continued):

	2024	2023
Deferred income taxes related to items recognized in OCI during the year:		
Net loss on revaluation of cash flow hedges	$ (233)	$ (178)
Unrealized gain on derivatives designated as cash flow hedges	879	672
Deferred income taxes charged to OCI	$ 646	$ 494

As at December 31, 2024, the Corporation has recognized $6,732 in regulatory debit balances and a corresponding offset to deferred income tax assets (2023 - $5,419).

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, January 1, 2024	Recognized in OCI	Recognized in the consolidated statement of income	Net balance, December 31, 2024
Components of deferred income tax assets:				
PP&E	$ (351)	–	$ 41	$ (310)
Employee post-employment non-pension benefits	–	–	–	–
Non-capital losses	492	–	(35)	457
Deferred income tax assets	$ 141	$ –	$ 6	$ 147

(In thousands of dollars)

7. Income taxes (continued):

	Net balance, January 1, 2023	Recognized in regulatory balances	Recognized in the consolidated statement of income	Net balance, December 31, 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

	Net balance, January 1, 2024	Recognized in regulatory balances	Recognized in OCI	Recognized in the consolidated statement of income	Net balance, December 31, 2024
Components of deferred income tax liabilities:					
PP&E	$ (10,475)	$ (1,676)	$ –	$ 165	$ (11,986)
Employee post-employment non-pension benefits	2,966	(724)	–	–	2,242
Non-capital losses	511	286	–	(374)	423
Other taxable temporary differences	140	801	–	157	1,098
Other taxable temporary differences - OCI	(979)	–	646	–	(333)
Deferred income tax liabilities	$ (7,837)	$ (1,313)	$ 646	$ (52)	$ (8,556)

(In thousands of dollars)

7. Income taxes (continued):

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

As at December 31, 2024, the Corporation has $880 non-capital losses for income tax purposes (2023 - $1,003), which are available to offset net income for 20 years before expiring.

(In thousands of dollars)

8. Employee benefits:

(a) Pension costs

The Corporation's eligible employees participate in a defined benefit pension plan through OMERS. As at December 31, 2024, the OMERS plan was 98.0% funded (December 31, 2023 - 97.0%). 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, 2024, the Corporation's contributions were $1,049 (2023 - $888). 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 (2023 - 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.

(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, 2024.

Changes in post-employment non-pension retirement benefits:

	2024	2023
Post-employment non-pension retirement benefits, beginning of year	$ 11,192	$ 8,580
Net periodic benefits cost accrued	577	479
Benefits paid	(599)	(588)
Recognized (gain) loss	(2,711)	2,721
Post-employment non-pension retirement benefits, end of year	$ 8,459	$ 11,192

(In thousands of dollars)

8. Employee benefits (continued):

Components for net periodic benefit costs:

	2024	2023
Current service cost	$ 69	$ 60
Imputed interest cost	508	419
Net periodic benefit cost accrual for the year	$ 577	$ 479

Significant actuarial assumptions:

	2024	2023
Discount rate applied to the calculation of future benefits	4.70%	4.65%
Rate of compound compensation increase 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.

The actuarial valuation as at December 31, 2024 assumed health care costs would increase 7% (2023 - 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 (2023 - 4% after six years).

Dental costs are assumed to increase by 4% per year (2023 - 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.

8. Employee benefits (continued):

(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 2024:

	Increase	Decrease
Accrued benefit obligations, December 31, 2024	$ (940)	$ 1,157

(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, 2024	$ 826	$ (690)

(In thousands of dollars)

9. Debt:

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

		2024	2023
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	$ 10,000
iv)	Term Loan, fifty two month interest rate swap agreement, maturing October 22, 2028, converting the obligation to fixed rate of 4.398%	$ 11,700	$ –
v)	Term Loan, four year interest rate swap agreement, maturing October 22, 2028, converting the obligation to fixed rate of 3.848%	$ 5,000	$ –
vi)	Term Loan, maturing March 2028, at an annual rate of 5.778% compounded quarterly, with blended interest and principal payments of $119 per quarter	$ 1,404	$ 1,786
vii)	Term Loan, maturing October 1, 2032, at an annual rate of 4.18%, with blended interest and principal payments of $83 per quarter	$ 2,152	$ 2,387
viii)	Term Loan, maturing October 6, 2026, at an annual rate of 4.368%, with blended interest and principal payments of $3 per quarter	$ 106	$ 114
ix)	Term Loan, maturing October 15, 2026, at an annual rate of 4.52%, with blended interest and principal payments of $17 per quarter	$ 368	$ 418
x)	Term Loan, maturing January 1, 2034, at an annual rate of 4.54%, with blended interest and principal payments of $145 per quarter	$ 4,170	$ 4,548
	Total debt	$ 114,900	$ 99,253
	Less current portion	1,100	5,223
	Total long term debt	$ 113,800	$ 94,030

9. Debt (continued):

(a) Long-term facilities:

(i - iv) As of December 31, 2024 the Corporation has entered into term loans totalling $106,700 (2023 - $90,000) with Toronto-Dominion Commercial Bank (the "Bank"). The debt is at a variable rate of the daily Canadian Overnight Repo Rate Average (CORRA) plus 1.095% and 0.845%.

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 $5,000 credit facility not drawn upon as of December 31, 2024.

(v) 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, 2024, the restricted cash balance in connection with the debt service reserve amount is $139 (2023 - $133).

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.

(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, 2024, the restricted cash balances in connection with the debt service reserve amounts are $450 (2023 - $246).

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) 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, 2024, the restricted cash balance in connection with the debt service reserve amount is $7 (2023 - $7).

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.

(viii) 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, 2024, the restricted cash balance in connection with the debt service reserve amount is $33 (2023 - $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.

(ix) 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, 2024, the restricted cash balance in connection with the debt service reserve amount is $318 (2023 - $310).

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, 2024.

(In thousands of dollars)

9. Debt (continued):

Future principal repayments for the term debt are as follows:

Less than 1 year	$ 1,100
Between 1 and 5 years	91,671
More than 5 years	22,129
	$ 114,900

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, 2024, there were no outstanding balances on this line of credit (2023 - nil).

10. Capital stock:

Capital stock consists of the following:

	2024	2023
Authorized:		
Unlimited common shares		
Issued:		
1,000 common shares	$ 23,064	$ 23,064

During the year ended December 31, 2024, the Corporation declared and paid a dividend on common shares aggregating $1,250 (2023 – $1,175).

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.

(In thousands of dollars)

11. Related party transactions (continued):

These transactions are summarized below:

		2024		2023
Revenue:				
City facilities (from electricity distribution)	$	3,762	$	3,598
Streetlights (from electricity distribution)		1,157		1,221
Fibre optic leases to the City		517		282
	$	5,436	$	5,101
Expenses:				
100 Simcoe Street South Office	$	353	$	351
Property taxes		156		137
	$	509	$	488
Accounts receivable:				
Facilities and streetlights	$	319	$	728
	$	319	$	728

During the year ended December 31, 2024, the Corporation declared and paid dividends of $1,200 (2023 - $1,100) 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:

		2024		2023
Short-term employment benefits	$	1,612	$	1,285
Employee future benefits		205		163
	$	1,817	$	1,448

12. Leases:

The Corporation leases its premises under a lease with the City. The Corporation's lease expires May 31, 2028.

The Corporation has a contractual agreement to lease office equipment over a period of 36 months. The lease operates from October 1, 2024 and expires September 30, 2027.

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 3.05%.

(In thousands of dollars)

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 long term right-of-use lease assets on the consolidated balance sheet.

	Building	Rooftop solar	IT equipment	Wind	Total
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
Depreciation charge for the year	(346)	(27)	(4)	(17)	(394)
Additions	808	–	52	–	860
Balance, December 31, 2024	$ 1,622	$ 297	$ 48	$ 168	$ 2,135

(b) Amounts recognized in the consolidated statement of comprehensive income:

	2024	2023
Interest on lease liabilities	$ 24	$ 40

(c) Amounts recognized in the consolidated statement of cash flows:

	2024	2023
Total cash outflow for leases	$ 426	$ 448

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

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 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. The Corporation completed related wind down activities with the IESO in September 2024.

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.

(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, 2024.

(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.

14. Fair values of financial instruments:

(In thousands of dollars)

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, 2024 and 2023, 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:

		2024		2023	
	Level	Carrying value	Fair value	Carrying value	Fair value
Non-current financial assets:					
Unrealized gain on interest rate swaps	2	$ 1,254	$ 1,254	$ 3,691	$ 3,691
Non-current financial liabilities:					
Customer advance deposits	1	$ 1,592	$ 1,592	$ 1,750	$ 1,750
Long-term debt	3	113,800	115,378	94,030	94,702

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.

14. Fair values of financial instruments (continued):

(In thousands of dollars)

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 $2,384 (2023 - $1,979) to account for these anticipated risks.

Accounts receivable consists of the following:

	2024	2023
Receivables from customers	$ 16,433	$ 16,255
Receivables from other trade and projects	7,420	3,805
	23,853	20,060
Less expected credit losses	2,384	1,979
Total accounts receivable	$ 21,469	$ 18,081

(In thousands of dollars)

14. Fair values of financial instruments (continued):

Credit risk associated with accounts receivable is as follows:

	2024	2023
Outstanding for not more than 30 days	$ 14,551	$ 15,485
Outstanding for more than 30 days and not more than 90 days	3,820	1,490
Outstanding for more than 90 days	5,482	3,085
	23,853	20,060
Less expected credit losses	2,384	1,979
Total accounts receivable	$ 21,469	$ 18,081

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 $2,438 as at December 31, 2024. These contracts are designated as hedges, and therefore this gain has been included in OCI.

As at December 31, 2024, the Corporation had five interest rate swap agreements in place, whereby the Corporation pays fixed rates of interest. 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 the daily Canadian Overnight Repo Rate Average (CORRA) plus 1.095% and 0.845%.

	2024	2023

Term Loan, fixed rate 3.649%	$ 60,000	$ 60,000
Term Loan, fixed rate 2.227%	$ 20,000	$ 20,000
Term Loan, fixed rate 4.60%	$ 10,000	$ 10,000
Term Loan, fixed rate 4.398%	$ 11,700	$ –
Term Loan, fixed rate 3.848%	$ 5,000	$ –
Total debt	$ 106,700	$ 90,000

(In thousands of dollars)

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 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable for power - IESO	$ 10,429	$ –	$ –	$ 10,429
Accounts payable and accrued liabilities	10,602	–	–	10,602
Asset retirement obligation	–	962	–	962
Customer advance payments	502	–	–	502
Lease liability	363	1,291	223	1,877
Interest rate swap	3,802	11,851	445	16,098
Long-term debt (inclusive of interest)	1,463	92,659	22,276	116,398
Customer advance deposits	1,077	1,592	–	2,669

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, 2024, the Corporation’s equity share recognized in the consolidated financial statements was a loss of $426 (2023 - $164). The Corporation did not make any capital contributions in 2023 or 2024 to ZooShare Biogas LP.

(In thousands of dollars)

15. Equity-accounted investees (continued):

	2024	2023
ZooShare Biogas LP	$ 3,286	$ 3,712

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.

	2024	2023
Non-current assets	$ 10,639	$ 11,158
Current assets	517	519
Non-current liabilities	(1,546)	(1,562)
Current liabilities	(2,157)	(1,793)
Net assets (at 100%)	$ 7,453	$ 8,322
Corporation's share of net assets (49%)	$ 3,652	$ 4,078
Elimination of Class B capital contribution asset	(366)	(366)
Carrying amount of interest in joint venture	$ 3,286	$ 3,712
Total comprehensive loss for the year ended December 31 (100%)	$ (869)	$ (334)
Corporation's share of total comprehensive loss (49%)	$ (426)	$ (164)

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.

(In thousands of dollars)

16. Non-controlling interests (continued):

As of December 31, 2024, the non-controlling interest's share in the loss included in these consolidated financial statements was $6 (2023 – loss of $41). The Corporation paid a dividend of $50 (2023 - $75) 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:

	2024	2023
Non-current assets	$ 5,314	$ 5,888
Current assets	682	649
Non-current liabilities	(3,920)	(161)
Current liabilities	(546)	(4,734)
Net assets (at 100%)	$ 1,530	$ 1,642
Net assets attributable to NCI (50%)	$ 765	$ 821
Total comprehensive (loss) profit (100%)	$ (12)	$ (82)
Total comprehensive loss attributable to NCI (50%)	$ (6)	$ (41)
Cash flows from operating activities	$ 647	$ 382
Cash flows from financing activities	(658)	(566)
Cash flows used in investing activities	-	-
Net decrease in cash	$ (11)	$ (184)

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.

(In thousands of dollars)

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:

	2024	2023
Sale of electrical energy	$ 151,220	$ 134,200
Distribution revenue	30,828	29,026
Total electrical energy and distribution revenue	$ 182,048	$ 163,226
Residential rate classes	$ 103,798	$ 88,723
Commercial rate classes	77,150	73,388
Street lighting	1,100	1,115
Total electrical energy and distribution revenue	$ 182,048	$ 163,226

20. Operations, maintenance and administration:

Operations, maintenance and administrative expense consists of the following:

	2024	2023
Salaries, benefits and payroll	$ 10,686	$ 8,318
External services	4,202	4,084
Communication, postage and printing	1,126	1,084
Utilities, insurance, rent and municipal taxes	957	748
OEB regulatory fee, license and permits	555	619
Vehicle expenses	1,492	537
Administrative charges	207	419
Bad debt expense	649	1,120
Repairs and maintenance	709	583
Other	1,225	907
Total operations, maintenance and administrative	$ 21,808	$ 18,419

(In thousands of dollars)

21. Assets held for sale:

		Current		Non-current (note 2)		December 31, 2024
Other property, plant and equipment:						
Fibre optics network	$	200	$	4,093	$	4,293
Fibre optics network – accumulated depreciation		–		(2,337)		(2,337)
Carrying amount	$	200	$	1,756	$	1,956

		Current		Non-current (note 2)		December 31, 2023
Other property, plant and equipment:						
Fibre optics network	$	–	$	4,202	$	4,202
Fibre optics network – accumulated depreciation		–		(2,174)		(2,174)
Carrying amount	$	–	$	2,028	$	2,028

In 2024, The Corporation reclassified non-financial assets related to LIT Fibre services (in OPUCS) as assets held for sale. The carrying amount of assets classified as held for sale at December 31, 2024, is $200 (2023 - $nil). No liabilities were directly associated with assets classified as held for sale.

Upon classification as held for sale, The Corporation recognized a total impairment charge of $473 in the consolidated statement of comprehensive income. This was comprised of a valuation allowance to adjust the carrying value of the disposal group to the fair value less costs to sell.

All transactions that resulted in the reclassification of assets held for sale at December 31, 2024, are either already completed in 2025 or are expected to be completed during the course of 2025.

There were no assets held for sale in 2023.