



Financial Statements

Year Ended December 31, 2021

(Expressed in thousands of dollars)



Financial Statements
Year Ended December 31, 2021

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KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Energy+ Inc.

Opinion

We have audited the financial statements of Energy+ Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 International Financial Reporting Standards (IFRS), 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly curved line.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 4, 2022



Statements of Financial Position

As at December 31, 2021, with comparative information for 2020

(in thousands of Canadian dollars)

	December 31, 2021	December 31, 2020
Assets		
Current Assets:		
Cash and cash equivalents (note 4)	\$ 17,142	\$ 22,214
Accounts receivable	15,160	15,875
Unbilled revenue	17,853	17,502
Inventories (note 5)	2,761	2,044
Other assets	477	786
Total current assets	53,393	58,421
Non-Current Assets:		
Property, plant & equipment (note 6)	205,614	193,011
Goodwill (note 7)	18,965	18,965
Total non-current assets	224,579	211,976
Total Assets	277,972	270,397
Regulatory deferral account debit balances (note 8)	8,941	8,016
Deferred taxes associated with regulatory deferral accounts	(3,245)	(2,804)
	5,696	5,212
Total Assets and Regulatory Deferral Account Debit Balances	\$ 283,668	\$ 275,609



Statements of Financial Position (continued)
As at December 31, 2021, with comparative information for 2020
(in thousands of Canadian dollars)

	December 31, 2021	December 31, 2020
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 27,355	\$ 27,870
Payable in lieu of corporate taxes	121	449
Intercompany debt (note 15)	4,235	5,085
Customer deposits (note 12)	12,217	9,054
Lease liabilities – current (note 13)	273	352
Current liabilities	\$ 44,201	\$ 42,810
Non-Current Liabilities		
Long-term debt (note 9)	104,265	104,239
Customer deposits (note 12)	3,760	3,487
Employee future benefits (note 11)	2,728	2,622
Deferred revenue	26,457	23,163
Deferred tax liability (note 10)	9,001	7,776
Lease liabilities (note 13)	3,415	3,389
Total non-current liabilities	149,626	144,676
Total Liabilities	193,827	187,486
Shareholder's Equity		
Share capital (note 14)	38,224	38,224
Accumulated other comprehensive gain (note 11)	189	107
Retained earnings	61,084	57,792
Total shareholder's equity	99,497	96,123
Total Liabilities and Shareholder's Equity	293,324	283,609
Regulatory deferral account credit balances (note 8)	2,589	2,579
Regulatory asset associated with deferred tax liability	(12,245)	(10,579)
	(9,656)	(8,000)
Total Liabilities, Equity and Regulatory Deferral Account Credit Balances	\$ 283,668	\$ 275,609

See accompanying notes to financial statements.



Statements of Comprehensive Income
Year Ended December 31, 2021, with comparative information for 2020
(in thousands of Canadian dollars)

	2021	2020
Revenues:		
Energy sales (note 16)	\$ 189,316	\$ 218,284
Distribution revenue (note 16)	36,395	34,982
Other income from operations (note 17)	2,894	2,744
Total revenues	228,605	256,010
Expenses:		
Energy purchases	190,134	222,602
Operating expenses	20,848	19,103
Depreciation and amortization and related costs	6,709	6,545
Total expenses	217,691	248,250
Income from operating activities	10,914	7,760
Other expenses:		
Loss on disposal of property, plant, and Equipment	336	459
Finance income (note 18)	(170)	(169)
Finance charges (note 18)	4,252	4,631
Income before payments in lieu of corporate taxes	6,496	2,839
Income tax expense (note 10)	1,942	1,855
Income for the year before net movements in regulatory deferral account balances	4,554	984
Net movements in regulatory deferral account balances, net of tax	1,860	5,261
Net income for the year after net movements in regulatory deferral account balances	6,414	6,245
Other comprehensive income (loss), net of tax:		
Actuarial gain (loss) on employee future benefits (note 11)	111	(92)
Income tax recovery (expense) on other comprehensive income (loss)	(29)	24
Other comprehensive income (loss), net of tax	82	(68)
Total comprehensive income, for the year	\$ 6,496	\$ 6,177

See accompanying notes to financial statements.



Statements of Changes in Equity
Year Ended December 31, 2021, with comparative information for 2020
(in thousands of Canadian dollars)

	Share Capital	Acc. Other Comprehensive (Loss) Gain	Retained Earnings	Total
Balance, January 1, 2020	\$ 38,224	\$ 175	\$ 54,816	\$ 93,215
Net Income	-	-	6,245	6,245
Other comprehensive loss	-	(68)	-	(68)
Dividends	-	-	(3,269)	(3,269)
Balance, December 31, 2020	38,224	107	57,792	96,123
Net Income	-	-	6,414	6,414
Other comprehensive gain	-	82	-	82
Dividends	-	-	(3,122)	(3,122)
Balance, December 31, 2021	\$ 38,224	\$ 189	\$ 61,084	\$ 99,497

See accompanying notes to financial statements.



Statements of Cash Flows

Year Ended December 31, 2021, with comparative information for 2020
(in thousands of Canadian dollars)

	2021	2020
Cash provided by (used in):		
Operating activities		
Total comprehensive income	\$ 6,496	\$ 6,177
Items not affecting cash:		
Depreciation and amortization	6,709	6,745
Amortization on right-of-use assets	172	123
Interest on lease liabilities	250	9
Amortization of deferred revenue	(620)	(536)
Amortization of deferred financing costs	26	18
Loss on disposal of capital assets	336	459
Increase in non-current customer deposits	273	438
Income taxes expense	1,971	1,832
Employee future benefits	106	107
	15,719	15,372
Income taxes paid	(1,074)	(33)
Capital contributions received	3,914	4,281
Net change in non-cash operating working capital (note 22)	2,604	9,209
	21,163	28,829
Financing activities		
Repayment of long-term debt (note 9)	-	(35,000)
Issuance of long-term debt (note 9)	-	55,000
Deferred financing costs	-	(333)
Repayment of intercompany debt	(850)	(700)
Dividends paid (note 14)	(3,122)	(3,269)
Payments of lease liabilities	(303)	(132)
	(4,275)	15,566
Investing activities		
Purchase of property, plant and equipment	(19,867)	(15,583)
Proceeds on disposal of property, plant and equipment	47	3
Net movements in regulatory balances	(2,140)	(5,539)
	(21,960)	(21,119)
Increase (decrease) in cash and cash equivalents	(5,072)	23,276
(Bank indebtedness) cash and cash equivalents, beginning of year	22,214	(1,062)
Cash and cash equivalents (bank indebtedness), end of year	\$ 17,142	\$ 22,214

See accompanying notes to financial statements.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

1. Reporting Entity:

Energy+ Inc. (the "Corporation") is a rate regulated, municipally owned electricity distribution corporation incorporated under the laws of Ontario, Canada. The address of the Corporation's registered office is 1500 Bishop St., Cambridge, Ontario, Canada.

Energy+ Inc. delivers electricity and related utility services to approximately 68,000 customers in the City of Cambridge, the Township of North Dumfries, and within the County of Brant.

The Corporation is a wholly owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus"), whose shareholders are the City of Cambridge ("Cambridge") and the Township of North Dumfries ("North Dumfries").

Merger Participation Agreement

On September 1, 2021, the Corporation entered into a Merger Participation Agreement ("MPA") with: Cambridge, North Dumfries; The Corporation of the City of Brantford ("Brantford"); Energy Plus; Cambridge and North Dumfries Energy Solutions Inc. ("Energy Solutions"); Brantford Energy Corporation ("BEC"); Brantford Power Inc. ("BPI"), and Brantford Hydro Inc. ("BHI"). BEC is the parent company of BPI and BHI.

The MPA provides terms and conditions under which Energy Plus and BEC will amalgamate (the "HoldCo Amalgamation"), and immediately following the HoldCo Amalgamation, the Corporation will amalgamate with BPI ("LDC Amalgamation") and continue as a corporation amalgamated under the laws of Ontario.

The merger is subject to the approval of the Ontario Energy Board ("OEB") based on a Mergers, Acquisitions, Amalgamations and Divestitures Application ("MAADs Application") process.

In November 2021, the Corporation and BPI filed a MAADs Application with the OEB pursuant to the Handbook to Electricity Distributor and Transmitter Consolidation seeking approval for the amalgamation of the two companies. The MAADs Application included a request for OEB approval for the continuation of regulated rates and charges of the predecessor LDCs of the Corporation. On March 17, 2022 the OEB issued a Decision and Order approving the amalgamation. The Corporation anticipates a closing date on or before May 2, 2022. The Corporation expects that the merger contemplated under the MPA will result in more efficient and enhanced service delivery through lower operating costs while providing significant benefits for communities and shareholders.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on March 31, 2022.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

- i. Financial instruments, where held, are measured at fair value and any change in value is recorded through profit or loss.
- ii. Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 23.

(d) Functional and presentation currency:

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

(e) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

2. Basis of presentation (continued):

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

- i. Note 3 (k) Revenue recognition: determination of the performance obligation for contributions from customers and the related amortization period.
- ii. Note 3 (l) Leases: measurement of leases, including term and discount rate.
- iii. Note 6 Property, plant and equipment: estimation of useful lives of its property, plant and equipment.
- iv. Note 11 Employee future benefits: estimation provided by third party actuarial firm.

On March 11, 2020, the World Health Organization declared the COVID outbreak a global pandemic ("COVID" or "pandemic"). Throughout 2020 and 2021, the Ontario Government has implemented a number of emergency orders and/or other legislation to address the COVID related risks. The Corporation continues to monitor and adhere to guidance provided by the Province of Ontario and public health experts in an effort to ensure employee, customer, and public safety.

The financial impacts of COVID have been reflected in the financial statements. While the pandemic has resulted in incremental operating costs and lost revenues, the Corporation has analyzed the impact of the pandemic on its estimates and assumptions that affect its financial results as at and for the year ended December 31, 2021 and has determined that there was no material impact.

The Corporation continues to assess the impact of COVID to the Corporation's financial results and operations. The current challenging economic climate may lead to adverse changes in cash flows, working capital and debt requirements, which may also have a direct impact on the Corporation's operating results and financial position in the future.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

2. Basis of presentation (continued):

(f) Rate regulation:

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

Rate setting:

Distribution revenue

For the distribution revenue included in electricity sales, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

In August 2020, the Corporation filed a 2021 IRM application requesting new rates effective January 1, 2021. The OEB issued a Decision to approve the Corporation's 2021 rates on December 10, 2020. The approved rates were effective January 1, 2021.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

2. Basis of presentation (continued):

(f) Rate regulation (continued):

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

In response to the COVID pandemic, the Ontario Government took measures to support consumers with respect to electricity rates. The impacts of these measures were passed on to customers without a mark-up and did not have an impact to net income in 2020 or 2021.

On December 22, 2020, the Government of Ontario announced that in support of Ontarians during the provincewide shutdown, electricity rates would be held at 8.5 cents per kWh for low-volume consumers from January 1, 2021 to February 22, 2021.

In 2020, the Government of Ontario issued an emergency order to defer Global Adjustment charges for large customers who pay market electricity rates using a capped rate of 11.5 cents per kWh from April to June 2020. The deferred costs were recovered from large customers from January to December 2021. The impact of the deferral was offset by the government's initiative to shift a portion of non-hydro renewable energy contract costs to the tax base.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements. The details of the changes in accounting policies are disclosed in note 24.

(a) Financial instruments:

Financial assets are classified into one of three primary categories depending on the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: (i) amortized costs; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL").

At the time of initial recognition, financial assets included in the categories of amortized cost or FVOCI are measured at fair value plus transaction costs, and financial assets included in the category of FVTPL are measured at fair value with transaction costs expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Inventory:

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



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(c) Property, plant, and equipment ("PP&E"):

Property, plant, and equipment are measured at historical cost or deemed cost, less accumulated depreciation and any accumulated impairment losses, if applicable.

If significant parts of an item of PP&E have different useful lives, then they are accounted for as separate major components of PP&E.

The cost of PP&E represents the original cost, consisting of direct materials and labour, contracted services, engineering costs, directly attributable overheads, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Costs incurred to remove an existing asset from service that are not directly attributable to site preparation for the construction of new assets are expensed.

The carrying amount of a replaced item of PP&E is derecognized and the related loss is included as a loss on disposal of PP&E. The gain or loss on disposal of an item of PP&E is determined as the difference between the sale proceeds less the carrying amount of the asset and costs of removal and is recognized in the statements of income.

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

Right-of-use assets are recognized for contracts that are, or contain, leases.

Work in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Land is not depreciated.

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative years are as follows:

	Estimated Service Life
Buildings	5 – 80 years
Transformer Station Equipment	15 – 60 years
Distribution Transformers	20 – 80 years
Distribution System	15 – 99 years
Meters	10 – 45 years
System Supervisory Equipment	15 years
Right-of-Use Assets	20-40 years
Other Capital Assets	3 – 20 years



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(d) Goodwill:

Goodwill arising on the acquisition of subsidiaries or an amalgamation is measured at cost and is not amortized.

(e) Impairment:

i. *Financial assets measured at amortized cost:*

Loss allowances for accounts receivable and unbilled revenue are measured at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life. Expected credit losses are recognized in profit or loss.

ii. *Non-financial assets:*

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). 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.

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

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

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(f) Provisions:

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

(g) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates, which was 0.57% throughout 2021.

(h) Customer deposits:

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Corporation's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(i) Employee benefits:

i. Pension plan

The Corporation provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards.

Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings.

OMERS is a defined benefit plan, however, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan and the Corporation recognizes the expense related to this plan as an employee benefit expense in net income when contributions are due.

ii. Post-employment benefits other than pension

The Corporation pays certain medical, dental, and life insurance benefits under unfunded defined benefit plans on behalf of its retired employees.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and current service cost are actuarially determined by applying the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings.

iii. Short-term employee benefits

The Corporation provides a short-term non-vesting sick-leave benefit to its employees. Actuarial gains and losses on accumulated sick leave credits are recognized in the statements of comprehensive income in the period in which they arise.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(j) Deferred revenue and assets transferred from customers:

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Revenue recognition:

i. Energy sales and distribution revenue

The Corporation assesses each contract with the customer to identify the performance obligation. Revenue is recognized when the control of the goods or services has been transferred to the customer at a point in time or over time. The transaction price and the payment terms are agreed upon in the contract between the Corporation and the customer.

Revenues from energy sales and electricity distribution are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer. The billing cycles and payment terms are on a monthly basis.

Energy sales arise from charges to customers for electricity consumed, based on regulated rates. Energy sales include amounts billed or billable to customers for commodity charges, retail transmission charges, and wholesale market service charges at current rates. Energy sales are presented on a gross basis as the Corporation has determined that it is acting as a principal for these electricity charges.

Distribution revenue is recorded based on OEB approved distribution tariff rates established to recover the costs incurred by the Corporation in delivering electricity to customers.



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

3. Significant accounting policies (continued):

(k) Revenue recognition (continued):

ii. Capital contributions

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

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions do not meet the criteria of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue.

iii. Other revenue

Other revenue, which includes revenue from services ancillary to the distribution of electricity, revenue from water billing services, and other billable services is recognized as the services are rendered.

Government grants and the related performance incentive payments under Conservation and Demand Management (CDM) programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.



Notes to Financial Statements
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3. Significant accounting policies (continued):

(I) Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- i. The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- ii. The Corporation has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- iii. The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either the Corporation has the right to operate the asset, or the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use-asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those for property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.



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3. Significant accounting policies (continued):

(l) Leases (continued):

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

At inception of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each of the lease components based on their relative stand-alone prices. For the property leases, the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(m) Finance income and finance charges:

Finance income is recognized as it accrues in net income and comprises interest earned on cash and cash equivalents.

Finance charges are computed using the effective interest rate method and are recognized as an expense. Finance charges comprise: (i) interest on borrowings; (ii) interest on deposits; and (iii) standby fees.

(n) Payments in lieu of corporate taxes:

Payments in lieu of corporate taxes expense, also referred to as income tax expense, comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.



Notes to Financial Statements
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3. Significant accounting policies (continued):

(n) Payments in lieu of corporate taxes (continued):

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

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

(o) Business combinations

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

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

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

4. Cash and Cash Equivalents

Cash and cash equivalents consist of overnight deposits at a Canadian chartered bank.



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5. Inventories

	2021	2020
Stores	\$ 2,733	\$ 2,019
Other	28	25
	<u>\$ 2,761</u>	<u>\$ 2,044</u>

6. Property, Plant & Equipment

(a) Cost or Deemed Cost

	Land and Buildings	Distribution System	Other Assets	Right-of-Use Assets	Work-in-Progress	Total
Balance at January 1, 2021	\$ 6,040	\$ 197,498	\$ 14,153	\$ 4,008	\$ 4,959	\$226,658
Additions	24	13,256	1,356	13	5,218	19,867
Disposals/retirements	-	(922)	(449)	-	-	(1,371)
Balance at December 31, 2021	<u>\$ 6,064</u>	<u>\$ 209,832</u>	<u>\$ 15,060</u>	<u>\$ 4,021</u>	<u>\$10,177</u>	<u>\$245,154</u>
Balance at January 1, 2020	\$ 4,149	\$187,057	\$ 13,298	\$ 343	\$ 3,715	\$208,562
Additions	1,891	11,535	884	3,665	1,244	19,219
Disposals/retirements	-	(1,094)	(29)	-	-	(1,123)
Balance at December 31, 2020	<u>\$ 6,040</u>	<u>\$197,498</u>	<u>\$ 14,153</u>	<u>\$ 4,008</u>	<u>\$ 4,959</u>	<u>\$226,658</u>

(b) Accumulated depreciation

	Land and Buildings	Distribution System	Other Assets	Right-of-Use Assets	Work-in-Progress	Total
Balance at January 1, 2021	\$ 1,120	\$ 22,160	\$ 10,121	\$ 246	\$ -	\$ 33,647
Depreciation charge	160	5,327	1,222	172	-	6,881
Disposals/retirements	-	(556)	(432)	-	-	(988)
Balance at December 31, 2021	<u>\$ 1,280</u>	<u>\$ 26,931</u>	<u>\$ 10,911</u>	<u>\$ 418</u>	<u>\$ -</u>	<u>\$ 39,540</u>
Balance at January 1, 2020	\$ 938	\$ 17,704	\$ 8,676	\$ 123	\$ -	\$ 27,441
Depreciation charge	182	5,089	1,474	123	-	6,868
Disposals/retirements	-	(633)	(29)	-	-	(662)
Balance at December 31, 2020	<u>\$ 1,120</u>	<u>\$ 22,160</u>	<u>\$ 10,121</u>	<u>\$ 246</u>	<u>\$ -</u>	<u>\$ 33,647</u>



Notes to Financial Statements
(in thousands of Canadian dollars)
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6. Property, Plant & Equipment (continued):

(c) Carrying amounts

	Land and Buildings	Distribution System	Other Assets	Right -of-Use Assets	Work -in- Progress	Total
At December 31, 2021	\$ 4,784	\$182,901	\$ 4,149	\$ 3,603	\$10,177	\$205,614
At December 31, 2020	4,920	175,338	4,032	3,762	4,959	193,011

In December 2020, the Corporation entered into a Joint Use Agreement with BPI, a local distribution company that operates in the City of Brantford, Ontario, that provides for: (i) the construction and lease of dedicated space to serve as the operations centre to service customers in the Brant County service territory; and (ii) the sharing of additional operations space and services, including indoor and outdoor warehousing, vehicle maintenance and fueling stations. A right-of-use asset of \$3,283, and corresponding lease liability of \$3,254, were recorded for the dedicated portion of the leased space.

In 2020, the Corporation entered into a Lease Agreement with Grand River Energy Solutions Corp., an associate company, for the construction and lease of solar PV roof-top equipment located at the Corporation's registered office. A right-of-use asset, and corresponding lease liability of \$382, were recorded.

7. Goodwill:

Management has determined that the Corporation's rate-regulated operations are one cash-generating unit. As the goodwill corresponds to the rate-regulated operations, the goodwill was allocated to that cash-generating unit. The Corporation performed an impairment test as at December 31, 2021 based on an estimate of the Corporation's fair value less selling costs. Fair value was determined using a multiple of regulated rate base approach, which is a valuation technique used in the industry for purchase and sale transactions. The recoverable amount of goodwill determined in the analysis was greater than the carrying value and no impairment was recorded.



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8. Regulatory deferral account balances

Regulatory deferral account balances can arise as a result of the rate-making process (note 2(f)).

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory deferral account balances. The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2020	Balances arising in the period	Recover/ reversal	2021	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances					
Retail settlement variances	\$ 5,571	\$ 1,805	\$ (1,456)	\$ 5,920	< 2
Regulatory variances disposition	1,486	(358)	622	1,750	< 2
Other regulatory assets	676	283	-	959	3
IFRS/CGAAP transitional amounts	178	-	-	178	3
Other	105	29	-	134	3
Total amount related to regulatory deferral account debit balances	\$ 8,016	\$ 1,759	\$ (834)	\$ 8,941	

	2020	Balances arising in the period	Recovery/ reversal	2021	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances					
Retail settlement variances	\$ 1,660	\$ 590	\$ (821)	\$ 1,429	< 2
PILs and taxes – CCA changes	622	217	-	839	3
IFRS/CGAAP transitional amounts	105	-	-	105	3
Other	192	37	(13)	216	3
Total amount related to regulatory deferral account credit balances	\$ 2,579	\$ 844	\$ (834)	\$ 2,589	

Settlement of the retail settlement variance accounts is generally done on an annual basis through application to the OEB. An application was approved by the OEB on December 10, 2020 for the net disposition of retail settlement variances of \$616 to customers over a period of 12 months from January 1, 2021 to December 31, 2021.



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8. Regulatory deferral account balances (continued):

The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

9. Long-term debt:

Long-term debt is comprised of:

	2021	2020
Series A, Senior Unsecured debentures 3.929%, interest payable semi-annually, and maturing January 27, 2045	\$ 50,000	\$ 50,000
Series B, Senior Unsecured debentures 2.968%, interest payable semi-annually, and maturing August 10, 2060	55,000	55,000
Less: Unamortized cost of debt issuance	(735)	(761)
	\$ 104,265	\$ 104,239

Interest expense on long-term debt:

	2021	2020
Sun Life Assurance Company of Canada	\$ -	\$ 1,523
Series A Senior Unsecured Debentures	1,965	1,959
Series B Senior Unsecured Debentures	1,632	642



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10. Payments in lieu of corporate taxes ("PILs"):

The provision for payments in lieu of corporate taxes recognized in income is as follows:

	2021	2020
Current PILs		
Current year	\$ 747	\$ 692
Deferred PILs		
Origination and reversal of temporary differences (excludes other comprehensive income)	1,195	1,163
Income tax expense	\$ 1,942	\$ 1,855

i. *Reconciliation of effective tax rate*

PILs varies from amounts which would be computed applying the Corporation's combined statutory income tax rate as follows:

	2021	2020
Basic rate applied to income before payments in lieu of corporate taxes	26.5%	26.5%
Increase (decrease) in PILs resulting from:		
Permanent differences	0.1%	0.2%
Change in regulatory accounts impacting current tax	3.1%	38.5%
Other	0.2%	0.1%
Effective rate applied to income before payments in lieu of corporate taxes	29.9%	65.3%

ii. *Deferred tax balances*

Significant components of the Corporation's deferred tax balances are as follows:

	2021	2020
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (17,459)	\$ (15,360)
Deferred revenue – contributed capital	7,011	6,138
Right-of-use leases	977	991
Intangible capital	(327)	(298)
Employee future benefits	723	695
Other	74	58
	\$ (9,001)	\$ (7,776)



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11. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability and the expense for the year were based on results and assumptions determined by actuarial valuation as at December 31, 2021.

Information about the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2021	2020
Defined benefit obligation, beginning of year	\$ (2,622)	\$ (2,514)
Current service cost	(305)	(117)
Interest cost	(56)	(65)
Benefits paid during the year	144	166
Actuarial gain (loss) recognized in other comprehensive (loss) income	111	(92)
Accrued benefit liability, end of year	\$ (2,728)	\$ (2,622)

Components of net benefit expense recognized are as follows:

	December 31, 2021	December 31, 2020
Current service cost	\$ (305)	\$ (117)
Interest cost	(56)	(65)
Net expense recognized	\$ (361)	\$ (182)

Actuarial gains and (losses) recognized in other comprehensive income:

	2021	2020
Cumulative amount at January 1	\$ 107	\$ 175
Recognized during the period (net of tax)	82	(68)
Cumulative amount at December 31	189	107
Net actuarial gain (loss) recognized, net of tax	\$ 82	\$ (68)



Notes to Financial Statements
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11. Employee future benefits (continued):

The significant actuarial assumptions used in the valuation are as follows:

- i. Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2021, was 2.8% (2020 – 2.5%);
- ii. Salary levels - future general salary and wage levels were assumed to increase at 2.1% (2020 -2.1%) per annum; and
- iii. Health care cost trends – the health care cost trend for prescription drugs is estimated to increase at an inclining rate of 4.4% in 2021 to 5.3% over five years. Other medical and dental expenses are estimated to increase at an inclining rate of 4.7% in 2021 to 5.6% over five years.

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	\$ 2,847	\$ 119
1% decrease in health care trend rate	2,621	107

12. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

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

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



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12. Customer deposits (continued):

Customer deposits comprise:

	2021	2020
Current:		
Customer deposits	\$ 1,002	\$ 1,266
Construction deposits	11,215	7,788
	<u>\$ 12,217</u>	<u>\$ 9,054</u>
Non-Current:		
Customer deposits	\$ 3,760	\$ 3,487

13. Lease liabilities:

The Corporation has entered into lease agreements for buildings used in administrative and service-related functions, as well as a lease for Solar PV roof-top equipment, representing right-of-use assets (note 6). Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the overall term of the Lease. The Corporation has determined the lease terms based on all available information as at the reporting date.

Maturity analysis – contractual undiscounted cash flows	2021	2020
Less than one year	\$ 273	\$ 352
One to five years	1,428	1,437
More than five years	8,943	9,158
Total undiscounted lease liabilities at December 31	<u>10,644</u>	<u>10,947</u>
Interest included on the liabilities included in the statement of financial position at December 31	(6,956)	(7,206)
Lease liabilities – current	<u>273</u>	<u>352</u>
Lease liabilities – non-current	<u>\$ 3,415</u>	<u>\$ 3,389</u>



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14. Share capital:

	2021	2020
Authorized		
Unlimited common shares		
Issued		
1,001 common shares	\$ 38,224	\$ 38,224

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. In 2021, the Corporation declared and paid a dividend to its shareholder in the amount of \$3,122 (2020 - \$3,269).

15. Related party transactions:

(a) Intercompany debt comprises:

	2021	2020
Township of North Dumfries	\$ 3,020	\$ 3,020
4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice and payable to related party		
Energy Plus intercompany loan	1,215	2,065
	\$ 4,235	\$ 5,085

(b) Intercompany transactions:

i. Township of North Dumfries

During the year, interest of \$151 (2020 - \$151) was paid to the Township of North Dumfries.



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15. Related party transactions (continued):

ii. Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of \$20 (2020 - \$29) was paid to Energy Plus on the intercompany loan.

The Corporation provided the following services to Energy Plus during the year:

	2021	2020
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 6	\$ 6

iii. Cambridge and North Dumfries Energy Solutions Inc.

The Corporation provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly owned subsidiary corporation of Energy Plus:

	2021	2020
Maintenance of streetlights	\$ 232	\$ 198
Management fees	\$ 11	\$ 11
Accounting and administration fees	\$ 12	\$ 12

iv. Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members.

Key management compensation comprises:

	2021	2020
Directors' fees	\$ 157	\$ 107
Salaries, incentives and other short-term benefits	1,649	1,819
Post-employment benefits	38	22
	\$ 1,844	\$ 1,948



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16. Revenue from contracts with customers:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include services ancillary to the electricity distribution, pole and duct rentals, water and sewer billing services, other regulatory service charges, and capital contributions (note 17).

	2021	2020
Revenue from contracts with customers		
Energy sales	\$ 189,316	\$ 218,284
Distribution revenue	36,395	34,982
	\$ 225,711	\$ 253,266
Other revenue	2,894	2,744
Total revenues	\$ 228,605	\$ 256,010

Energy sales and distribution revenue by customer class comprise:

2021	Energy sales	Distribution revenue	Total revenue from contracts with customers
Residential service	\$ 62,239	\$ 21,136	\$ 83,375
General service	102,282	13,304	115,586
Large users	12,390	857	13,247
Embedded distributors	11,451	353	11,804
Other	954	745	1,699
Total	\$ 189,316	\$ 36,395	\$ 225,711

2020	Energy sales	Distribution revenue	Total revenue from contracts with customers
Residential service	\$ 70,632	\$ 20,340	\$ 90,972
General service	118,995	12,804	131,799
Large users	15,317	807	16,124
Embedded distributors	12,216	304	12,520
Other	1,125	727	1,851
Total	\$ 218,284	\$ 34,982	\$ 253,266



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17. Other income from operations:

Other income comprises:

	2021	2020
Regulated service charges	\$ 833	\$ 801
Amortization of deferred revenue	620	536
Pole and other rental income	567	543
Water and sewer billing services	347	328
Late payment charges	163	121
Metering network charges	129	122
Scrap sales	48	52
Conservation and demand management	12	59
Miscellaneous	175	182
Total other income	\$ 2,894	\$ 2,744

18. Finance income and charges:

	2021	2020
Interest income on cash and cash equivalents	\$ (170)	\$ (169)
Finance income	(170)	(169)
Interest expense on long-term debt	3,704	4,305
Interest expense on intercompany debt	151	151
Interest expense on right-of-use leases	250	9
Interest expense	147	166
Finance charges	4,252	4,631
Net finance costs recognized in profit or loss	\$ 4,082	\$ 4,462



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19. Commitments:

(i) *Credit Facility*

The Corporation has a Credit Facility Agreement ("Credit Facility") with a Canadian chartered bank which provides that the Corporation may borrow up to \$40,000 to finance general corporate requirements, capital investments, and working capital requirements, with the ability to borrow an additional \$20,000 under an accordion with additional approval. Borrowings may be in the form of Bankers' Acceptances ("BAs"), prime rate loans, letters of credit, and/or current account overdrafts. Interest rates payable on the Credit Facility are based on a margin relative to the prime or BA rate. A standby fee is paid on any unutilized portion of the Credit Facility. The Credit Facility matures on March 29, 2022.

Subsequent to the year-end, the Corporation entered into an agreement to extend the maturity date to June 30, 2022.

(ii) *Construction of New Administrative Office*

In June 2019, the Corporation acquired land and a portion of an existing building, referred to as the Southworks facility, in the Gaslight District in Cambridge, Ontario. The Corporation is currently renovating the building to make it suitable for a new administrative office. As part of the renovation plans, the Corporation has entered into various agreements for project management, construction management services, and various construction contracts. The renovations are currently underway and are expected to be completed by March 31, 2022 at an estimated total cost of \$8,600. Included in work-in-progress at December 31, 2021 is \$7,460 in costs associated with the renovations.

(iii) *Obligations under Capital Cost Recovery Agreement*

The Corporation is party to a connection and a cost recovery agreement ("CCRA") with Hydro One Network Inc. (HONI) whereby HONI agreed to build 115kV Switching Facilities at the Brant Transformer Station ("Brant TS") to provide additional capacity to meet the existing and future load growth expected on the transmission circuits. The Switching Facilities were placed into service on April 26, 2019. The Brant TS is jointly owned by the Corporation and BPI.

Under the terms of the CCRA, the Corporation has agreed to an allocation of the costs of the project based on the expected future load growth. Annually, at the anniversary of the In-Service Date, if the expected future load growth does not meet an agreed upon load level, the Corporation may be subject to an allocation of a true-up adjustment based on the difference between the total capital cost of construction and the projected network revenue to be earned by HONI. The difference would represent a debt obligation of the Corporation based on the extent that the actual and forecast HONI revenue through the CCRA term is less than the amount of HONI revenue projected at the time the project was constructed. The Corporation's commitment is estimated at approximately \$5,688.



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19. Commitments (continued):

(iii) *Obligations under Capital Cost Recovery Agreement (continued):*

In general terms, investments in regulated electricity distribution assets are recoverable from customers in future rate applications based on the rate-making policies of the OEB.

20. Pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2021, the Corporation made employer contributions of \$1,280 to OMERS (2020 - \$1,278). The Corporation estimates that a contribution of \$1,310 to OMERS will be made during the next fiscal year.

21. Employee benefits:

	2021	2020
Salaries, wages and benefits	\$ 13,985	\$ 13,423
Contributions to OMERS	1,280	1,278
CPP and EI remittances	564	513
Expenses related to defined benefit plans	361	182
	\$ 16,190	\$ 15,396

22. Cash flow information:

Net change in non-cash operating working capital comprises:

	2021	2020
Accounts receivable	\$ 715	\$ 3,105
Unbilled revenue	(351)	2,641
Inventories	(717)	360
Other assets	309	(328)
Accounts payable and accrued liabilities	(515)	2,550
Current customer deposits	3,163	881
	\$ 2,604	\$ 9,209



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23. Financial instruments and risk management:

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt, Series A Senior Unsecured Debentures at December 31, 2021 is \$56,209 (2020 - \$60,891) and Series B Senior Unsecured Debentures at December 31, 2021 is \$51,303 (2020 - \$57,161). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2021 was 3.17% (2020 - 2.69%) for Series A and 3.28% for Series B (2020 - 2.8%).

Financial risks

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

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Cambridge, Township of North Dumfries and within the County of Brant. One customer in the City of Cambridge accounts for a balance in excess of 6.9% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of a loss allowance and the amount of the related credit loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the loss allowance at December 31, 2021 is \$1,414 (2020 - \$1,311). A credit loss of \$245 (2020 - \$394) was recognized during the year.

At December 31, 2021, approximately \$1,008 (2020 - \$775) is considered 60 days past due. One customer in the Region of Waterloo accounts for a balance of \$699 of the accounts receivable over 60 days, of which an amount of \$384 has been included in the loss allowance. The Corporation has over 68,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2021, the Corporation holds security deposits in the amount of \$4,763 (2020 - \$4,752).



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

23. Financial instruments and risk management (continued):

Financial risks (continued):

(b) Market risk:

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

A 1% increase in the interest rate at December 31, 2021 would have increased interest expense on the long-term debt, including the current portion, by \$1,050 (2020 - \$1,050), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$40,000 (2020 - \$40,000) revolving credit facility with the ability to borrow an additional \$20,000 with approval. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. Borrowings under the credit facilities may be in the form of prime rate loans; current account overdrafts, Bankers' Acceptances; or Letters of Credit and/or Letters of Guarantee in Canadian currency. As at December 31, 2021, NIL had been drawn under the credit facility (2020 - NIL).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(d) Capital disclosures:

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

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2021, shareholder's equity amounts to \$99,497 (2020 - \$96,123) and long-term debt amounts, including the current portion, to \$104,265 (2020 - \$104,239).



Notes to Financial Statements
(in thousands of Canadian dollars)
Year Ended December 31, 2021

24. Changes in accounting policies:

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Corporation effective January 1, 2021:

- a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)
- b) COVID-19 Related Rent Concessions (Amendment to IFRS 16)

The amendments and clarifications did not have an impact on the financial statements.

25. Emerging accounting changes:

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation and it is still to be determined if any will have a material impact on the Corporation's financial statements.

- a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- b) Reference to the Conceptual Framework (Amendments to IFRS 3)
- c) Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- d) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- e) Annual Improvements to IFRS Standards 2018–2020
- f) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- g) Definition of Accounting Estimate (Amendments to IAS 8)
- h) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes.



Corporate Directory
Year Ended December 31, 2021

Directors

Anita Davis, Chair	Martyn Champ
Peter Ferraro	Susan Foxton
Kathryn McGarry	Ian Miles
Gerry Remers	Sandra Vos
Lynn Woeller	

Management

Ian Miles	President and CEO
Jane Hale-McDonald, CHRP, ARD	Vice President, Human Resources
Sarah Hughes, CPA, CA, C. Dir.	Chief Financial Officer
Paul Martinello, BSc., MBA	Vice President, Information Technology Services
Ron Sinclair, P.Eng	Vice President, Engineering
Ernie Vidovic, EIT, CET	Vice President, Operations