North Bay Hydro Distribution Limited

Financial Statements

For the year ended December 31, 2024

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Contents

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Independent Auditor's Report

To the Shareholder of North Bay Hydro Distribution Limited

Opinion

We have audited the financial statements of North Bay Hydro Distribution Limited (the Company), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including all material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
April 29, 2025

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

As of December 31	2024	2023
Assets		
Current assets		
Cash and cash equivalents (Note 19)	**$ 9,116,032**	$ 10,596,952
Accounts receivable (Note 7)	**8,785,372**	10,556,598
Unbilled service revenue	**8,067,206**	7,317,803
Payments in lieu of taxes receivable (Note 8)	**1,160**	223,546
Inventory (Note 11)	**1,519,366**	1,288,174
Prepaid expenses	**640,891**	613,179
Total current assets	**28,130,027**	30,596,252
Non-current assets		
Property, plant and equipment (Note 4)	**99,499,477**	93,396,664
Investment in associate (Note 6)	**34,509**	14,966
Interest rate swap (Note 16)	**1,640,884**	2,912,271
Advances to corporate shareholder	**100**	100
Intangible assets (Note 22)	**354,927**	621,121
Goodwill	**3,322,007**	3,322,007
Total non-current assets	**104,851,904**	100,267,129
Total assets	**132,981,931**	130,863,381
Regulatory deferral accounts (Note 3)	**5,330,305**	3,858,132
Regulatory deferred taxes (Notes 3 and 8)	**4,317,313**	3,489,565
Total assets and regulatory deferral account balances	**$142,629,549**	$138,211,078

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

As of December 31	2024	2023
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 10 & 16)	**$ 15,636,759**	$ 17,060,734
Deferred revenue	**206,473**	725,085
Current portion of customer deposits (Note 7)	**52,235**	61,181
Current portion of long-term debt (Note 16)	**5,377,340**	5,485,876
Total current liabilities	**21,272,807**	23,332,876
Non-current liabilities		
Customer deposits (Note 7)	**539,144**	572,191
Contributions in aid of construction (Note 5)	**8,466,032**	7,270,777
Employee future benefits (Note 9)	**2,916,267**	2,970,393
Long-term debt (Note 16)	**51,150,410**	48,746,121
Deferred income taxes (Note 8)	**4,317,313**	3,489,565
Total non-current liabilities	**67,389,166**	63,049,047
Total liabilities	**88,661,973**	86,381,923
Shareholder's equity		
Share capital (Note 13)	**19,511,701**	19,511,701
Retained earnings	**32,321,221**	30,850,517
Accumulated other comprehensive income	**1,009,358**	1,018,771
Total shareholder's equity	**52,842,280**	51,380,989
Total liabilities and shareholder's equity	**141,504,253**	137,762,912
Regulatory deferral accounts credit balances (Note 3)	**1,125,296**	448,166
Total equity, liabilities and regulatory deferral account credit balances	**$142,629,549**	$138,211,078

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

Signed on behalf of the Board of Directors by:

Signed by: Christopher Winrow FD8A9A8A228C488... Director

Signed by: David Wolfe 953C81E226784C1... Director

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

As of December 31	2024	2023
Revenue		
Electricity sales	**$ 84,227,711**	$ 76,694,542
Other	**1,104,672**	1,034,754
	85,332,383	77,729,296
Expenses		
Cost of power	**66,923,135**	60,088,164
Operating expenses (Note 14)	**9,465,300**	8,758,060
Depreciation and amortization	**4,051,531**	4,014,654
Loss on disposal of property, plant and equipment	**(34,331)**	59,011
Loss on foreign exchange	**4,868**	6,148
	80,410,503	72,926,037
Income from operating activities	**4,921,880**	4,803,259
Finance income (Note 15)	**590,834**	575,262
Finance costs (Note 15)	**(1,746,255)**	(1,609,895)
Investment income (Note 6)	**19,542**	-
Change in interest rate swap (Note 16)	**(1,271,388)**	(1,552,143)
Income before provision for payment in lieu of taxes	**2,514,613**	2,216,483
Provision for payment in lieu of taxes (Note 8)		
Current	**94,702**	85,085
Deferred	**831,143**	747,236
	925,845	832,321
Income for the year before net movements in regulatory deferral account balances	**1,588,768**	1,384,162
Net movement in regulatory deferral account balances related to profit	**184,669**	207,289
Net movement in regulatory deferral account balances arising to deferred tax movement	**827,749**	727,513
Net income for the year	**2,601,186**	2,318,964
Other comprehensive (loss) income:		
Remeasurement of employee future benefits, net of tax recovery (2024 - $3,394) (2023 - $19,723) (Note 9)	**(9,413)**	(54,704)
Total net and comprehensive income for the year	**$ 2,591,773**	$ 2,264,260

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

For the year ended December 31

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2023	$ 19,511,701	$ 1,073,475	$ 30,153,615	$ 50,738,791
Net income for the year	-	-	2,318,964	2,318,964
Other comprehensive income, net of tax	-	(54,704)	-	(54,704)
Dividends paid	-	-	(1,622,062)	(1,622,062)
Balance on December 31, 2023	**$19,511,701**	**$ 1,018,771**	**$30,850,517**	**$51,380,989**
Net income for the year	-	-	**2,601,186**	**2,601,186**
Other comprehensive income, net of tax	-	**(9,413)**	-	**(9,413)**
Dividends paid	-	-	**(1,130,482)**	**(1,130,482)**
Balance on December 31, 2024	**$19,511,701**	**$ 1,009,358**	**$32,321,221**	**$52,842,280**

The accompanying notes are an integral part of these financial statements.

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

As of December 31	2024	2023
Cash provided by (used in)		
Operating activities		
Total net and comprehensive income for the year	$ **2,591,773**	$ 2,264,260
Adjustments to reconcile income to net cash used in operating activities:		
Depreciation and amortization	**4,051,531**	4,014,654
Amortization of contributions in aid of construction	**(206,243)**	(166,858)
Deferred income taxes	**831,143**	747,236
Employee future benefit expenses	**171,259**	287,663
Gain on disposal of property, plant and equipment	**(34,331)**	59,011
Investment income from associate	**(19,543)**	-
Change in interest rate swap	**1,271,388**	1,552,143
	8,656,977	8,758,109
Net change in non-cash working capital balances (Note 12)	**(733,081)**	1,758,525
Net cash flows from operating activities	**7,923,896**	10,516,634
Investing activities		
Proceeds on disposal of property, plant and equipment	**102,003**	25,775
Purchase of property, plant and equipment	**(10,222,017)**	(8,449,927)
Dividends from associate	**-**	445,360
Changes in regulatory deferral account balances	**(1,622,791)**	(1,200,500)
Net cash from used in investing	**(11,742,805)**	(9,179,292)
Financing activities		
Proceeds on contributions received in aid of construction	**1,401,498**	1,355,667
Dividends paid	**(1,130,482)**	(1,622,062)
Employee future benefits paid	**(228,780)**	(213,237)
Repayment of long-term debt	**(5,504,247)**	(5,235,381)
Advances of long-term debt	**7,800,000**	6,060,000
Net cash used in financing activities	**2,337,989**	344,987
(Decrease) increase in cash and cash equivalents during the year	**(1,480,920)**	1,682,329
Cash and cash equivalents, beginning of year	**10,596,952**	8,914,623
Cash and cash equivalents, end of year	$ **9,116,032**	$ 10,596,952

The accompanying notes are an integral part of these financial statements.

1. Corporate Information

North Bay Hydro Distribution Limited's (the "Company") main business activity is the distribution of electricity under authority of the Ontario Energy Board ("OEB") Act, 1998. The Company owns and operates an electricity distribution system, which delivers electricity to 24,630 customers located in North Bay, Ontario and 3,391 customers located in the Espanola service territory which includes Espanola and the township of Sables-Spanish River which includes Massey.

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

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

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

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

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

The sole shareholder of the Company is North Bay Hydro Holdings Limited, which is owned by the Corporation of the City of North Bay.

2. Basis of Preparation

i) Statement of compliance

The financial statements of North Bay Hydro Distribution Limited have been prepared by management in accordance with IFRS accounting standards as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on April 16, 2025.

ii) Basis of measurement

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

iii) Judgement and estimates

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

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

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

2. Basis of Preparation (continued)

iv) Financial instruments

Financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, and current and long-term debt.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the periods presented, the Company does not have any financial assets measured at FVOCI.

Subsequent measurement of financial assets

<u>Financial assets at amortized cost</u>

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Basis of Preparation (continued)

iv) Financial instruments (continued)

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, accounts receivable, and unbilled revenues fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented, the Company does not have any financial assets measured at FVTPL.

Impairment of financial assets

The Company assesses impairment using forward-looking information to recognize expected credit losses - the "expected credit loss (ECL) model." The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2"); and
- ("Stage 3") would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. Basis of Preparation (continued)

iv) Financial instruments (continued)

Accounts receivable

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses its historical experience and adjusts historical rates to reflect current and forward looking macroeconomic factors affecting the client's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics.

Based on historical experience of low credit losses, management has determined that there are no impairments during the current and prior year.

Classification and measurement of financial liabilities

The Company’s financial liabilities include accounts payable and accrued liabilities, customer deposits, current debt, and long-term debt.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the financial liability is classified at fair value through profit or loss (FVTPL).

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest-related charges, and, if applicable, changes in fair value recognized in profit or loss, are presented within finance costs or finance income, as appropriate.

2. Basis of Preparation (continued)

v) Standards, amendments and interpretations

Standards and amendments that are not yet effective and have not been adopted early by the Company and are expected to be relevant include:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7);
- IFRS 18 Presentation and Disclosure in Financial Statements; and
- Contracts for Renewable Electricity (Amendments to IFRS 9).

At the date of authorization of these financial statements, all accounting pronouncements which became effective on January 1, 2024 and have therefore been adopted do not have a material impact on the Company's current and future financial results or position.

3. Regulatory Deferral Account Balances

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

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

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

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

Expressed in Canadian Dollars

3. Regulatory Deferral Account Balances (continued)

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

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

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

Regulatory deferral account debit balances

	Remaining Recovery period (years)	**2024**	2023
Cost of Power	1-4	**$ 3,259,565**	$ 3,003,826
Disposition/rec – 2018 - 2022	1-4	**1,483,770**	367,649
LRAMVA	1-4	**139,293**	195,260
Other	1-4	**447,677**	291,397
Total regulatory deferral account debit balances		**$ 5,330,305**	$ 3,858,132

Regulatory deferral account credit balances

	Remaining Recovery period (years)	**2024**	2023
Cost of Power	1-4	**(985,991)**	(286,978)
Disposition/rec - 2018-2022	1-4	**(45,644)**	(67,527)
Other	1-4	**(93,661)**	(93,661)
Total regulatory deferral account credit balances		**$ (1,125,296)**	$ (448,166)

Regulatory deferred taxes

		2024	2023
Deferred taxes - regulatory deferral account debit balance (iv)	5-25	**$ 4,317,313**	$ 3,489,565

3. Regulatory Deferral Account Balances (continued)

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

Cost of Power

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

The OEB allows the variances to be deferred which would normally be recorded as revenue for unregulated businesses under Modified IFRS (MIFRS). Net cost of power variance accounts in 2024 were in a asset position of $4,205,009 as compared to an asset position of $3,409,966 in 2023. This change includes the effect of any dispositions.

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

Disposition/Recovery – 2018 -2024

The Company has residual balances from historical IRM applications with rate riders that have subsequently expired. The Company will seek disposition of the net residual balances in a future rate application. The residual balances are as follows: ($3,417) – 2018 IRM Application (EB-2017-0065), ($1,192) – 2020 IRM Application (EB-2020-0057), ($9,648) – 2021 COS Application for the North Bay rate zone (EB-2020-0043), ($1,507) – 2022 IRM Application for the Espanola rate zone, ($4,774) – 2023 IRM Application for the North Bay rate zone.

On November 22, 2023, the Company filed a IRM rate application (EB 2023 0042) for distribution rates commencing May 1, 2024 for both the North Bay service territory and the Espanola service territory. Included in the application was a request for Group 1 Accounts totalling $1,487,225 owed from customers for the North Bay rate zone and $163,483 owing from customers in the Espanola rate zone. The OEB approved this rate application on March 21, 2024. A two-year rate rider for the North Bay rate zone was approved for Group 1 accounts commencing May 1, 2024 and ending April 30, 2026, and a one-year rate rider for Group 1-Global Adjustment and CBR-Class B. At December 31, 2024, $1,209,176 is owing from customers and will continue to be collected from customers until April 30, 2026. $80,223 is owing for the one-year rate rider to customers and will end April 30, 2025. A two-year rate rider for the Espanola rate zone was also approved for Group 1 accounts commencing May 1, 2024 and ending April 30, 2026. At December 31, 2024, $71,004 is owing from customers and will continue to be collected from customers until April 30, 2026.

3. Regulatory Deferral Account Balances (continued)

On December 31, 2020, Espanola Regional Hydro filed a COS application for 2021 distribution rates (EB-2020-0020) with the OEB which included a request seeking disposition of the balances for regulatory assets and liabilities. On June 10, 2021, the OEB approved the disposition of net regulatory assets of $1,154,068 and net regulatory liabilities of ($244,523) which included Group 1 balances, the pole attachment variance account, PILS variance, and LRAMVA accounts (see below for LRAMVA details). The amounts consisted of principal balances as of December 31, 2019 with carrying charges projected to April 30, 2021 for a net total of $909,544. Rate riders for Group 1 Global Adjustment and Group 2 accounts were refunded to customers over a one year period commencing May 1, 2021 and ending April 30, 2022. The Company will seek disposition of the net residual balance of ($8,944) related to the one year rate rider in a future COS rate application. Rate riders for all other Group 1 accounts, totalling $580,274, are being collected from customers over a five year period commencing May 1, 2021 and ending April 30, 2026. The 5-year rate rider balance as of December 31, 2024 of $264,637 will continue to be collected from customers for several more years as part of the rate mitigation efforts the company agreed to in the application.

Lost Revenue Adjustment Mechanism Variance Account (LRAMVA)

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

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

Espanola Regional Hydro had not been before the OEB in a COS application since 2012, and the company requested disposition of lost revenue from the historical period of 2011 - 2020 and persistence to 2021 in its 2021 COS. The OEB approved recovery of $329,270, including carrying charges to April 30, 2021, over a five year period commencing May 1, 2021 and ending April 30, 2026. The 5-year rate rider balance as of December 31, 2024 of $139,293 will continue to be collected from customers for several more years as part of the rate mitigation efforts the company agreed to in the application.

Deferred Income Taxes

The recovery from, or refund to, customers of future income taxes through future rates is recognized as a regulatory deferral account balance. The Company has recognized a deferred tax asset of $Nil (2023 – $Nil) arising from the recognition of regulatory deferral account balances and a corresponding regulatory deferral account debit balance of $4,317,313 (2023 - $3,489,565). The deferred tax asset balance is presented within the total regulatory deferral account balances presented in the statement of financial position.

3. Regulatory Deferral Account Balances (continued)

Other

In their respective COS applications, both North Bay Hydro and Espanola Hydro updated their rates to reflect changes to the OEB approved pole attachment charges for distributors. The OEB previously established a variance account for electricity distributors to record the revenue difference between these new rates and previously approved rates. It was anticipated that a pole attachment variance would no longer be required. In 2022, the OEB decreased the rates that distributors are allowed to charge customers with rates escalating by inflation January 1 each year. As a result, the company has included $430,880 in the deferral account. This amount will change annually, depending on the rates set by the OEB, and will be collected or refunded to customers accordingly in the next COS application.

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

Future Applications

On October 30,2024, the Company filed a IRM rate application (EB-2024-0045) for distribution rates commencing May 1, 2025 for both the North Bay service territory and the Espanola service territory. The application includes an annual delivery rate adjustment of 3.30% for the North Bay service territory and Espanola. As part of this application, North Bay Hydro did not request any disposition of Group 1 accounts for either service territory. The OEB approved this rate application on March 20, 2025.

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

Expressed in Canadian Dollars

4. Property, Plant and Equipment

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

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

The estimated useful lives are as follows:

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

Land is not depreciated.

Expressed in Canadian Dollars

4. Property, Plant and Equipment (continued)

	Electrical Distribution Assets	General Assets	Work in Progress	Total
Cost				
Balance at January 1, 2023	**$ 147,610,442**	**$ 15,674,611**	**$ 2,275,548**	**$ 165,560,601**
Additions	8,724,167	877,769	902,805	**10,504,741**
Disposals/Reallocation	(761,614)	(134,413)	(2,054,813)	**(2,950,840)**
Balance at December 31, 2023	**155,572,995**	**16,417,967**	**1,123,540**	**173,114,502**
Balance at January 1, 2024	**155,572,995**	**16,417,967**	**1,123,540**	**173,114,502**
Additions	7,504,960	2,264,165	1,355,613	**11,124,738**
Disposals/Reallocation	(489,272)	(486,446)	(902,721)	**(1,878,439)**
Balance at December 31, 2024	**$ 162,588,683**	**$ 18,195,686**	**$ 1,576,432**	**$ 182,360,801**
Depreciation				
Balance at January 1, 2023	**$ 64,941,103**	**$ 11,573,262**	**$ -**	**$ 76,514,365**
Depreciation of the year	3,129,979	884,674	-	**4,014,653**
Disposals	(690,450)	(120,730)	-	**(811,180)**
Balance at December 31, 2023	**67,380,632**	**12,337,206**	**-**	**79,717,838**
Balance at January 1, 2024	**67,380,632**	**12,337,206**	**-**	**79,717,838**
Depreciation of the year	3,323,006	728,525	-	**4,051,531**
Disposals	(787,315)	(120,730)	-	**(908,045)**
Balance at December 31, 2024	**$ 69,916,323**	**$ 12,945,001**	**$ -**	**$ 82,861,324**
Net Carrying Amounts				
At December 31, 2023	**$ 88,192,363**	**$ 4,080,761**	**$ 1,123,540**	**$ 93,396,664**
At December 31, 2024	**$ 92,672,360**	**$ 5,250,685**	**$ 1,576,432**	**$ 99,499,477**

Expressed in Canadian Dollars

5. Revenue Recognition

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

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

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

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

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

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

	December 31, 2024	December 31, 2023
Deferred contributions, net, beginning of year	**$ 7,270,777**	$ 6,081,968
Contributions in aid of construction received	**1,401,498**	1,355,667
Contributions in aid of construction recognized as distribution revenue	**(206,243)**	(166,858)
Deferred contributions, net, end of year	**$ 8,466,032**	$ 7,270,777

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

Expressed in Canadian Dollars

6. Investment in Associate

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

This equity interest is measured using the equity method of accounting whereby the Company's share of Associate income or loss is recognized to the carrying value of the Associate as well as any Dividends received. In 2024 the Company recorded income of $19,542 (2023 - ($Nil)) and received dividends in the amount of $Nil (2023 - $445,360). At December 31, 2024 the Associate had total assets of $228,192 (2023 - $2,945,051) and shareholders' equity of $247,493 (2023 - $259,290).

7. Accounts Receivable, Unbilled Revenue and Customer Deposits

	December 31, 2024	December 31, 2023
Customer accounts receivable	**$ 9,079,962**	$ 10,840,534
Loss allowance	**(294,590)**	(283,936)
Total accounts receivable	**$ 8,785,372**	$ 10,556,598

i. Recognition and initial measurement

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

ii. Classification and subsequent measurement

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

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

iii. Fair value measurement

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

iv. Credit risk

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

Due to its short-term nature, the carrying amount of the accounts receivable due from related parties and other accounts receivable approximates its fair value. Unbilled service revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has 24,630 customers located in North Bay and 3,391 customers located in Espanola, the majority of which are residential. The Company considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Company, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually required payments when due, which is generally within 30 days of the billing date.

The Company reviews commercial and industrial customer accounts on an individual basis and considered historical loss, payment experience, payment arrangements and economic conditions, as well as the aging and arrears status of the account in the determination of impairment. For residential accounts, the Company took a similar approach on an aggregate level as well as undertaking an overall analysis of historical write-offs, provisions, subsequent recoveries and payment patterns to determine the reasonability of the impairment. The Company considers the current economic and credit conditions to determine the loss allowance of its accounts receivable. The Company continues to actively monitor its exposure to credit risk.

Expressed in Canadian Dollars

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

iv. Credit risk (continued)

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

	December 31, 2024			December 31, 2023		
	Gross Receivable	**Allowance**	**Net of Allowance**	Gross	Allowance	Net of Allowance
Less than 30 days past billing date	**$ 7,122,527**	**$ 24,497**	**$ 7,098,030**	$ 9,480,897	$ 39,454	$ 9,441,443
30-60 days past billing date	**1,046,015**	**18,819**	**1,027,196**	690,797	36,364	654,433
61-90 days past billing date	**257,349**	**19,754**	**237,595**	185,532	30,012	155,520
More than 90 days past billing date	**654,071**	**231,520**	**422,551**	483,306	178,104	305,202
	$ 9,079,962	**$ 294,590**	**$ 8,785,372**	$ 10,840,532	$ 283,934	$ 10,556,598

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

	2024	2023
Balance January 1	**$ 283,934**	$ 258,646
Additions (provision for credits loss)	**217,163**	228,441
Accounts written off, net of recoveries	**(206,507)**	(203,153)
Balance, December 31	**$ 294,590**	$ 283,934

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

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

	2024	2023
Customer deposits - Current	**$ 52,235**	$ 61,181
Customer deposits - Long-term	**539,144**	572,191
Total customer deposits	**$ 591,379**	$ 633,372

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

v. Recognition and initial measurement

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

vi. Classification and subsequent measurement

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

vii. Fair value measurement

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

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

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

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

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

Expressed in Canadian Dollars

8. Payments in Lieu of Taxes Payable (continued)

a. Expense

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

	2024	2023
Income before provision for payment in lieu of income taxes	**$ 2,514,613**	$ 2,216,483
Regulatory assets/liabilities added (deducted) for tax purposes	**(795,043)**	(410,708)
Capital cost allowance (greater than) less than amortization expense	**(1,993,398)**	(3,124,903)
Loss carryforwards and other	**(1,031,891)**	(292,027)
Change in interest rate swap	**1,271,388**	1,552,144
Loss on disposal of assets	**34,331**	59,011
Income (loss) for tax purposes	**-**	-
Statutory tax rate	**26.5 %**	26.5 %
Provision for PILs before items below	**-**	-
Prior year under provisions and minimum taxes	**94,702**	85,085
Current provision for payment in lieu of taxes	**$ 94,702**	$ 85,085

b. Deferred taxes

	2024	2023
Property, plant and equipment	**$ (5,818,398)**	$ (4,752,122)
Financial instruments asset/liability	**(434,834)**	(771,752)
Employee future benefits	**772,811**	787,155
Deferred revenue contributions in aid of construction	**2,243,498**	1,926,756
Regulatory Assets/Liabilities, loss carryforwards and other	**(1,080,390)**	(679,602)
Total deferred tax liabilities	**$ (4,317,313)**	$ (3,489,565)

9. Employee Future Benefits

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

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

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

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

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

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

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

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

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

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

Expressed in Canadian Dollars

9. Employee Future Benefits (continued)

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

	2024	2023
Prepaid benefit liability, beginning of year	$ 2,970,393	$ 2,938,522
Expense for the year	151,747	166,181
Benefits paid during the year	(228,780)	(213,237)
Actuarial losses recognized in comprehensive income	22,907	78,927
Prepaid benefit liability, end of year	2,916,267	2,970,393
Fair value of plan assets	-	-

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

	2024	2023
Total service cost of the plan for the year	29,667	34,203
Interest on average liabilities	122,080	131,978
Total Expense for the year	$ 151,747	$ 166,181

The main actuarial assumptions employed for the valuations are based on the full actuarial report performed in 2022. In 2024, the Company hired an outside consulting firm to update the actuarial valuation report based on changes to the discount rate.

In addition to the above information, the consultant also provided sensitivity analysis at December 31, 2024 below. The sensitivity analysis shows the change in the present value of the defined benefit obligation at December 31, 2024 by increasing or decreasing the discount rate and claim cost trend rates by 1% increments. The sensitivity is done separately for each assumption, while keeping other assumptions the same.

	Base Amount	Discount Rate +1%	Discount Rate -1%	Trend +1%	Trend -1%
PV DBO Dec.31/24	$ 2,723,100	$ 2,507,300	$ 2,972,500	$ 2,954,700	$ 2,521,100
% Difference		-8%	9%	8%	-7%
$ Difference		$ (215,800)	$ 249,400	$ 231,600	$ (202,000)

Expected average remaining service life of active employees 15.5 years.

9. Employee Future Benefits (continued)

a. General Inflation / Salary Levels

In 2022, the actuarial report was based on salary scale assumption based on the Corporation's management of 3% per annum. This change reflected the Corporation's bargaining agreements and consideration for increases in the salary scale in the long term. As such, in 2024 there was no inflation rate used in the valuation.

The obligation at year end, of the present value of future liabilities and the expense for the year ended, were determined using a discount rate of 4.50% (2023 - 4.60%). The discount rate for 2024 reflects the assumed long-term yield on high quality bonds as at December 31, 2024 (most recent valuation date).

b. Medical Costs

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

c. Dental Costs

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

d. Retirement Age

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

The Company's sick accrual is included above in the amount of $193,200 (2023 - $203,300) and is the accumulation of non-vested sick leave benefits under IAS 19 standards for financial reporting purposes. The Company hired an outside consulting firm to assess the future payments to be made because of the Company's employees' sick leave bank hours in 2022. The discount rate used in 2024 was 4.50% (2023 – 4.60%). The future general salary and wage levels were assumed to increase at 3.0% per annum.

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

10. Related Party Transactions

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

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

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

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

Expressed in Canadian Dollars

10. Related Party Transactions (continued)

	Sale of Goods		Purchase of Goods		Amounts owed to (from)	
	Year Ended December 31, 2024	Year Ended December 31, 2023	**Year Ended December 31, 2024**	Year Ended December 31, 2023	**Year Ended December 31, 2024**	Year Ended December 31, 2023
NBHS						
Operating expense recovery	$ 625,333	$ 610,196	$ -	$ -	$ -	$ -
Electricity sales	167,371	155,619	-	-	-	-
Contributed capital costs	-	1,065	-	-	-	-
Other revenue	2,984	1,898	63,329	52,732	-	-
Total statement of comprehensive income	$ 795,688	$ 768,778	$ 63,329	$ 52,732	$ -	$ -
Accounts receivable	$ -	$ -	$ -	$ -	$ (591,173)	$ (472,965)
Accounts payable	-	-	-	-	722,810	879,336
Loan receivable	-	-	-	-	-	-
Total statement of financial position	$ -	$ -	$ -	$ -	$ 131,637	$ 406,371
Hydro Holdings						
Administration fees	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
Hydro holdings total	$ -	$ -	$ 12,000	$ 12,000	$ -	$ -
City of North Bay						
Electricity sales	$ 2,798,408	$ 2,699,128	$ -	$ -	$ -	$ -
Contributed capital cost	115,092	11,700	-	-	-	-
Operating expenses	-	-	231,544	240,873	-	-
Total statement of earnings and retained earnings	$ 2,913,500	$ 2,710,828	$ 231,544	$ 240,873	$ -	$ -
Accounts receivable	$ -	$ -	$ -	$ -	$ (257,020)	$ (316,473)
Accounts payable	-	-	-	-	18,878	28,427
Total statement of financial position	$ -	$ -	$ -	$ -	$ (238,142)	$ (288,046)

Expressed in Canadian Dollars

11. Inventory

Cost of inventories comprised of direct materials, which typically consists of distribution assets not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value. The amount of inventories consumed by the Company and recognized as an expense during 2024 was $218,351 (2023 - $197,176).

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

12. Net Change in Non-cash Working Capital Balances

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

	2024	2023
Accounts receivable	$ **1,771,226**	$ (2,844,008)
Unbilled service revenue	**(749,403)**	219,848
Inventory	**(231,192)**	(101,794)
Prepaid expenses	**(27,712)**	(98,649)
Accounts payable and accrued liabilities	**(1,423,975)**	4,462,984
Payments in lieu of taxes	**222,386**	(341,329)
Customer deposits	**(41,993)**	(66,857)
Intangible Asset	**266,194**	266,194
Deferred revenue	**(518,612)**	262,136
	$ **(733,081)**	$ 1,758,525

Expressed in Canadian Dollars

13. Share Capital

Authorized:

Unlimited Common shares

The issued share capital is as follows:

	2024	2023
1,101 Common Shares	**$ 19,511,701**	$ 19,511,701

14. Operating Expenses by Nature

	2024	2023
Repairs and maintenance	**$ 1,960,067**	$ 1,890,673
Staff Costs	**5,641,211**	5,120,629
General Administration, overhead and recoveries	**1,526,253**	1,400,999
Bad debts	**217,161**	228,444
Property Taxes	**120,608**	117,315
	$ 9,465,300	$ 8,758,060

Management compensation

During the year the company compensated its senior management group $1,982,238 (2023 - $1,678,332), including salaries and benefits.

Expressed in Canadian Dollars

15. Finance Income and Finance Cost

		2024		2023
Finance income:				
Interest income on receivables	$	139,670	$	179,979
Interest income on bank deposits		451,164		395,283
	$	590,834	$	575,262
Finance cost:				
Interest on long term debt	$	1,605,762	$	1,450,014
Net interest on employee future benefits		122,080		131,978
Interest on customer deposits, misc.		18,413		27,903
	$	1,746,255	$	1,609,895

Expressed in Canadian Dollars

16. Long-term Debt

The Company has multiple loans with a Canadian Financial Institution and has entered into interest rate derivative agreements to manage the volatility of interest rates on long-term debt for each. In addition, the company has two additional term loans that are 10 year terms, 30 year amortization periods, and have no interest rate swap derivative agreements attached to them. All loans are to be repaid with combined principal and interest repayments of $548,323 per month on average through 2024.

In 2022 the Company entered in a 5 year financing facility that enables the company to have access to $32,000,000 for funding capital infrastructure with the intention to borrow on an annual basis. In addition to that facility, the company refinanced two existing loans with Infrastructure Ontario (with the predecessor Espanola Regional Hydro Distribution Limited) enabling the company to eliminate that debtor and the restrictive covenants. The 2022 borrowing, done through an interest rate derivative agreement, includes annual borrowing and covers the refinancing of $1,800,000 in Infrastructure Ontario debt.

The fair value of these loans is $54,886,866 (2023 - $51,319,726) which is estimated by obtaining market to market quotes from the Toronto Dominion Bank resulting in an interest rate swap mark to market financial liability (asset) of $(1,640,884) (2023 – ($2,912,271)). The quoted prices generally reflect the estimated amount that the Company would pay (receive) to settle these agreements at the statement of financial position date.

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

Loan details can be found on the table below.

	2024	2023
All debts with TD Bank:		
Interest rate derivative, fixed interest rate 2.45%, maturing October 2025	**$ -**	$ 558,062
Interest rate derivative, fixed interest rate 2.36%, maturing November 2026	**508,072**	1,049,761
Interest rate derivative, fixed interest rate 2.88%, maturing October 2027	**1,027,490**	1,565,515
Interest rate derivative, fixed interest rate 3.55%, maturing December 2028	**1,521,067**	1,993,191
Interest rate derivative, fixed interest rate 2.37%, maturing September 2029	**2,216,437**	2,775,001
Sub-total	**$ 5,273,066**	$ 7,941,530

Expressed in Canadian Dollars

16. Long-term Debt (continued)

	2024	2023
Sub-total	$ **5,273,066**	$ 7,941,530
Interest rate derivative, fixed interest rate 1.56%, maturing September 2030	**2,966,724**	3,563,792
Interest rate derivative, fixed interest rate 2.847%, maturing December 2041	**5,224,970**	5,479,261
Interest rate derivative, fixed interest rate 4.96%, maturing November 2042	**4,702,036**	4,875,348
Interest rate derivative, fixed interest rate 4.456%, maturing December 2043	**5,666,864**	5,867,803
Interest rate derivative, fixed interest rate 4.476%, maturing November 2044	**7,532,085**	-
Interest rate derivative, fixed interest rate 2.50%, maturing November 2036	**11,835,672**	12,767,092
Replacement - Shareholder Loan: Interest rate derivative, fixed interest rate 2.928%, maturing October 2044	**6,952,471**	7,225,190
Espanola Acquisition Loan: Term loan, fixed interest rate 1.84%, 30 year amortization, renewal September 2025	**560,504**	578,175
Term loan, fixed interest rate 2.67%, 30 year amortization, renewal March 2026	**436,018**	447,930
	51,150,410	48,746,121
Add amounts due within one year included in current liabilities	**5,377,340**	5,485,876
Total debt	$ **56,527,750**	$ 54,231,997
Total fair value of loan:		
Total loans	$ **56,527,750**	$ 54,231,997
Financial (asset)/liability valuation	**(1,640,884)**	(2,912,271)
Total Fair Value of Loan at December 31, 2024	$ **54,886,866**	$ 51,319,726

Expressed in Canadian Dollars

16. Long-term Debt (continued)

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

2025	$ 5,377,340
2026	4,908,886
2027	4,432,537
2028	4,074,634
2029	3,495,355
Thereafter	34,238,998
	$ 56,527,750

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

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

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

December 31, 2023	**60 days**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable	$ 17,060,734	-	-	-
Long-term debt	924,944	4,560,932	20,306,891	28,439,230
	$ 17,985,678	**$ 4,560,932**	**$ 20,306,891**	**$ 28,439,230**
December 31, 2024	**60 days**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accounts payable	$ 15,636,759	-	-	-
Long-term debt	904,449	4,472,891	16,911,412	34,238,998
	$ 16,541,208	**$ 4,472,891**	**$ 16,911,412**	**$ 34,238,998**

17. Contingencies

The Company belongs to the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a self insurance plan that pools the risks of all of its members. Any losses experienced by MEARIE are shared amongst its members. As at December 31, 2024, the Company has not been made aware of any assessments that would not be covered by MEARIE.

18. Commitments

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

19. Credit Facility/Letters of Credit

The Company has an authorized line of credit under a credit facility agreement with a Canadian chartered bank. The credit limit permitted under this agreement is $7,750,000. At year end the Company had drawn $Nil (2023 - $Nil) under this facility. The interest rate on this facility is equal to the prime rate as defined by the Bank of Canada and cross referenced against TD bank's rate.

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

The Company's general banking agreement which encompasses the line of credit, revolving term facility and the letter of credit contains financial covenants which include a debt to capital ratio lower than 60% and a debt service coverage ratio of not less than 1:2 and positive free cash flow. Distributions in excess of free cash flow are permitted when financed by cash on hand. As at December 31, 2024 the Company was in compliance with these covenants.

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

20. Pension Agreements

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

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2024. The results of this valuation disclosed total actuarial liabilities of $142,489 million (2023 - $136,185 million) in respect of benefits accrued for service with actuarial assets of $139,576 million (2023 - $131,983 million) indicating actuarial deficit of $2,913 million (2023 - $4,202 million). Because OMERS is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Company does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2024 was $615,765 (2023 - $566,272).

21. Capital Disclosures

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

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

As at December 31, 2024 the Company is party to debt agreements that contain various covenants and is restricted from offering loans or paying dividends that would cause a violation of those covenants.

Expressed in Canadian Dollars

22. Intangible Assets

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

	2024	2023
Cost	**$ 1,334,826**	$ 1,334,826
Accumulated amortization	**(979,899)**	(713,705)
	$ 354,927	$ 621,121