Consolidated Financial Statements of

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

And Auditor’s Independent Report thereon

Year ended December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc.

Opinion

We have audited the consolidated financial statements of Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. (the "Corporation"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

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

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 22, 2024

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current assets:				
Accounts receivable (note 4)	$	14,188,546	$	13,545,984
Unbilled revenue:				
Distribution		2,268,131		2,225,303
Energy sales		9,845,624		9,303,947
Payments in lieu of taxes recoverable (note 7)		76,111		417,148
Inventory		463,729		528,789
Prepaid expenses		1,121,091		1,123,599
Restricted cash		2,417,673		2,093,547
		30,380,905		29,238,317
Property, plant and equipment (note 5)		144,841,025		139,856,635
Intangible assets (note 6)		1,902,094		1,893,976
Right-of-use assets (note 19)		1,699,766		1,946,749
Investment in associates (note 20)		244,121		1,069,229
Total assets		179,067,911		174,004,906
Regulatory deferral account debit balances (note 8)		23,263,043		23,297,180
Total assets and regulatory balances	$	202,330,954	$	197,302,086

See accompanying notes to consolidated financial statements.

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Financial Position (continued)

December 31, 2023, with comparative information for 2022

	2023	2022
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness	$ 1,523,574	$ 180,230
Accounts payable and accrued liabilities	9,176,902	9,770,835
Payable for energy purchases	9,366,074	8,811,760
Current portion of deferred revenue (note 18)	497,649	485,656
Current portion of finance lease obligations (note 19)	46,338	45,432
Current portion of long-term obligations (note 9)	1,216,410	1,412,608
	21,826,947	20,706,521
Deferred revenue (note 18)	12,190,545	11,113,750
Promissory note payable (note 17)	52,340,819	52,340,819
Deferred payment in lieu of taxes (note 7)	3,977,466	4,244,455
Finance lease obligations (note 19)	283,586	329,925
Long-term obligations (note 9)	25,556,321	26,365,337
Total liabilities	116,175,684	115,100,807
Shareholder's equity:		
Share capital (note 11)	22,431,779	22,431,779
Retained earnings	58,564,486	53,938,649
Accumulated other comprehensive income	1,289,065	1,640,628
	82,285,330	78,011,056
Total liabilities and shareholder's equity	198,461,014	193,111,863
Regulatory deferral account credit balances (note 8)	3,869,940	4,190,223
Commitments and contingencies (note 13)		
Guarantees (note 14)		
	$ 202,330,954	$ 197,302,086

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Income and Comprehensive Income

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

	2023	2022
Revenue: (note 12)		
Energy sales	$ 102,852,575	$ 104,989,039
Distribution	27,695,056	26,412,341
	130,547,631	131,401,380
Other operating revenue	17,547,481	16,587,239
	148,095,112	147,988,619
Expenses:		
Cost of energy	102,241,258	106,785,204
Operating and administration	28,215,991	26,037,866
Depreciation of property, plant and equipment	7,206,756	6,608,984
Amortization of intangible assets	102,379	128,155
Interest on promissory note payable (note 17)	3,794,709	3,794,709
Interest on long-term obligations	997,797	776,425
Loss on disposal of property, plant and equipment	435,493	377,139
	142,994,383	144,508,482
Other income (loss):		
Share of comprehensive income (loss) of associates (note 20)	45,826	(219,807)
Income before tax and regulatory items	5,146,555	3,260,330
Payment in lieu of taxes (note 7)	108,035	1,941,694
Net income	5,038,520	1,318,636
Net movement in regulatory balances, net of tax (note 8)	(412,683)	469,274
Net income after net movements in regulatory balances, net of tax	4,625,837	1,787,910
Other comprehensive income:		
Item that may be subsequently reclassified to net income:		
Change in fair value of cash flow hedge (note 9)	(279,737)	1,100,308
Items that will not be reclassified to net income:		
Remeasurement of employee future benefit obligation (note 10)	(770,655)	6,878,171
Net movement in regulatory balances related to other comprehensive income (note 8)	698,829	(6,328,218)
Total comprehensive income	$ 4,274,274	$ 3,438,171

See accompanying notes to consolidated financial statements.

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Changes in Equity

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

		Share Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total
Balance, January 1, 2022	$	22,431,779	52,150,739	(9,633)	$	74,572,885
Net income after net movement in regulatory balances, net of tax		-	1,787,910	-		1,787,910
Other comprehensive income		-	-	1,650,261		1,650,261
Balance, December 31, 2022		22,431,779	53,938,649	1,640,628		78,011,056
Net income after net movement in regulatory balances, net of tax		-	4,625,837	-		4,625,837
Other comprehensive loss		-	-	(351,563)		(351,563)
Balance, December 31, 2023	$	22,431,779	58,564,486	1,289,065	$	82,285,330

See accompanying notes to consolidated financial statements.

GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Comprehensive income	$ 4,274,274	$ 3,438,171
Items not involving cash:		
Depreciation of property, plant and equipment	7,724,878	7,067,971
Amortization of intangible assets	102,379	128,155
Payment in lieu of taxes	108,035	1,941,694
Non-cash employee future benefit obligation recovery (expense)	1,597,899	(6,058,254)
Loss (gain) on swap contract	279,737	(1,258,510)
Share of comprehensive (income) loss of associates	(45,826)	219,807
Amortization of right-of-use assets and non-cash reduction of lease obligation	201,550	202,439
Amortization on deferred revenue	(175,536)	(350,478)
Loss on disposal of property, plant and equipment	435,493	377,139
	14,502,883	5,708,134
Change in non-cash operating working capital (note 21)	(1,333,798)	7,047,895
	13,169,085	12,756,029
Payment in lieu of taxes (paid) recovered	(33,987)	189,993
Employee future benefits paid	(671,446)	(567,514)
	12,463,652	12,378,508
Investing activities:		
Purchase of property, plant and equipment	(13,233,727)	(13,091,647)
Purchase of intangibles	(110,497)	(73,296)
Contributions in aid of construction	1,867,608	1,247,591
Proceeds on disposal of property, plant and equipment	88,966	343,304
(Decrease) increase in developer contributions	(1,309,840)	236,794
	(12,697,490)	(11,337,254)
Financing activities:		
Repayment of long-term obligations	(785,380)	(755,377)
(Decrease) increase in cash during the year	(1,019,218)	285,877
Cash, beginning of year	1,913,317	1,627,440
Cash, end of year	$ 894,099	$ 1,913,317
Comprised of:		
Restricted cash	$ 2,417,673	$ 2,093,547
Bank indebtedness	(1,523,574)	(180,230)
	$ 894,099	$ 1,913,317

See accompanying notes to consolidated financial statements.

Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. (the "Corporation") was incorporated under the *Business Corporations Act* (Ontario) on October 1, 2000. The incorporation was required in accordance with the *Electricity Act, 1998 Ontario* (the "EA"). The Corporation is located in the City of Greater Sudbury. The address of the Corporation's registered office is 500 Regent Street, P.O Box 250/500 rue Regent; CP 250, Sudbury ON P3E 3Y2.

The Corporation is an investment holding company with its wholly owned subsidiaries involved in the distribution of electricity, provision of broadband telecommunications services, competitive rental and customer support services.

The consolidated financial statements comprise the Corporation and its subsidiaries as at and for the year ended December 31, 2023.

1. Basis of presentation:

(a) Statement of compliance:

The Corporation's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on April 22, 2024.

(b) Basis of accounting:

These consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

These consolidated 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 dollar.

(c) Use of estimates and judgments:

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

- Note 5 – Property, plant and equipment
- Note 8 – Regulatory balances
- Note 10 – Employee future benefits
- Note 13 – Commitments and contingencies

1. Basis of presentation (continued):

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

i) Measurement of fair values:

When measuring the fair value of an asset or liability, the Corporation uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities:

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurements.

The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changed occurred.

(d) Rate regulation:

The Corporation is regulated by the Ontario Energy Board (“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, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

1. Basis of presentation (continued):

(d) Rate regulation (continued):

Rate setting:

i) Distribution revenue:

For the distribution revenue related to electricity sales, the Corporation typically 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 "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.

On November 2, 2021 the Corporation filed an IRM requesting a 3.00% increase to distribution rates for the period of May 1, 2022 to April 30, 2023. The IRM was approved on March 24, 2022.

On November 22, 2022, the Corporation filed an IRM requesting a 3.40% increase to distribution rates for the period of May 1, 2023 to April 30, 2024. The IRM was approved on March 23, 2023.

On October 11, 2023, the Corporation filed an IRM requesting a 4.50% increase to distribution rates for the period of May 1, 2024 to April 30, 2025. The IRM was approved on March 21, 2024.

ii) 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.

2. Material accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these consolidated financial statements.

(a) Regulation:

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unregulated environment and regulated entities that did not adopt IFRS 14, Regulatory Accounts (“IFRS 14”).

(b) Regulatory balances:

The Corporation has adopted IFRS 14 as an interim standard giving entities conducting rate-regulated activities the option of continuing to recognize regulatory balances according to their previous GAAP. Regulatory balances provide useful information about the Corporation’s financial position, financial performance and cash flows. IFRS 14 will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

The Corporation has determined that certain asset and liability balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the Accounting Procedures Handbook for Electricity Distributors. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Corporation’s regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory asset and liability balances on the Corporation’s balance sheet, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account asset 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 liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account asset 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 asset 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.

2. Material accounting policies (continued):

(b) Regulatory balances (continued):

Regulatory deferral account liability balances are recognized if it is probable that future billings in an amount at least equal to the liability balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The liability 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 liability 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. In 2023, the interest rate was 4.73% for the first quarter, 4.98% for the second and third quarter and 5.49% for the fourth quarter. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable.

In the event that the disposition of these balances is assessed to no longer be probable based on management's judgment, the balances are recorded in the Corporation's consolidated statement of income and comprehensive income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the statement of financial position as regulatory deferral account debit/credit balances and on the statement of income and comprehensive income as net movements in regulatory balances, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

(c) Basis of consolidation:

These consolidated financial statements include the accounts of the following Corporations:

— Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc.;

— Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc.;

— Greater Sudbury Telecommunications Inc./Telecommunications du Grand Sudbury Inc.;

— 1627596 Ontario Inc.; and

— ConverGen Inc.

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases.

All significant intercompany accounts and transactions have been eliminated.

2. Material accounting policies (continued):

(d) Financial instruments:

At initial recognition, the Corporation measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. 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. They 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.

Hedging items and hedged items are presented in the financial statements in the same manner as other assets and liabilities. For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, is reported as a component of accumulated other comprehensive income (loss). Any gains or losses that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations.

(e) Restricted cash:

Restricted cash represents the balance collected on behalf of the City of Greater Sudbury (the “City”) in performing water and wastewater billing services.

(f) Revenue recognition:

i) Sale and distribution of electricity:

Energy sales are recognized as the electricity is delivered to customers and include the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Energy revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of energy is recorded on the basis of power used.

For customer billings related to 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 has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

2. Material accounting policies (continued):

(f) Revenue recognition (continued):

ii) Capital contributions:

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 are not accounted for under IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). 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. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

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. 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.

iii) Other operating revenue:

Other revenue includes revenue from services ancillary to the electricity distribution, and other regulatory service charges. Other revenue includes electricity generation, other charges, and service contracts and rentals. Revenue earned from electricity generation, rentals and other charges is recognized as the service is rendered, when it is measurable and collection of the receivable is probable. Revenues earned from service contracts fall within the scope of IFRS 15 Revenue from Contracts with Customers and revenue is recognized over the period that services are provided. Commission expenses are considered to be incremental costs in obtaining service contracts and are recorded as a contract asset and recognized as an expense over the contract period as the services are provided.

2. Material accounting policies (continued):

(g) Capital inventory:

Capital inventory, which is included within capital inventory and construction in progress, comprising of material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(h) Property, plant and equipment:

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment ("PP&E") have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized as a gain or loss on disposition of PP&E in the consolidated statement of income and comprehensive income.

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

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in income as incurred.

Depreciation is calculated over the depreciable amount and is recognized in income on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is cost. Land and capital inventory are not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

Buildings	15 - 50 years
Distribution equipment	20 – 50 years
Other fixed assets	5 – 25 years

2. Material accounting policies (continued):

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

Depreciation is taken at 50% of the above rates in the year of acquisition.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(i) Intangible assets:

i) Computer software:

Computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

ii) Land rights:

Payments to obtain rights to assess land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title.

iii) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

iv) Amortization:

Amortization is recognized within profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than land rights and goodwill, from the date that they are available for use. The estimated useful lives are:

Computer software	5 years
Land rights	Not amortized
Goodwill	Not amortized

Amortization is taken at 50% of the above rates in the year of acquisition.

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively, if appropriate.

(j) Impairment:

i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for that asset.

2. Material accounting policies (continued):

(j) Impairment (continued):

ii) Non-financial assets:

The carrying amounts of the Corporation’s non-financial assets, other than capital 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 income 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.

(k) 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.

2. Material accounting policies (continued):

(l) Employee future benefits:

i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the "Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

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. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in accumulated other comprehensive income. As part of the settlement proposal for its 2020 Cost of Service application, the Corporation was approved for the recovery of the actuarial gains and losses. Additional information with respect to this regulatory balance is presented in note 8 (e).

(m) 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 a developer contribution within long-term obligations. When the capital project is completed, the amount is transferred to 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.

2. **Material accounting policies (continued):**

(n) Leased assets:

At inception of a contract, the Corporation will assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, 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 lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

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

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Finance income and finance costs:

Finance income comprises interest earned on cash and on regulatory assets.

Finance costs comprise interest expense on borrowing and regulatory liabilities. Finance costs are recognized as an expense.

2. Material accounting policies (continued):

(p) Payment in lieu of taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in income or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case, the tax is also recognized directly in other comprehensive income, respectively.

The income tax expense comprises current and deferred tax. Income tax expense is recognized in income or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case, the tax is also recognized directly in other comprehensive income, respectively.

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 regulation. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes ("PILS") are referred to as income taxes.

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.

(q) Investment in associates:

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20 and 50 percent of the voting power of another entity.

2. Material accounting policies (continued):

(q) Investment in associates (continued):

Associates are accounted for using the equity method and are recognized initially at cost. The financial statements include the Corporation’s share of the income and expenses and equity movements of the associate, after adjustments to align the accounting policies with those of the Corporation and other adjustments arising from the elimination of intercompany transactions, from the date that significant influence commences until the date that significant influence ceases. When the Corporation’s share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

(r) Future changes in accounting policy:

Certain amendments to standards are effective for annual periods beginning after January 2024 and earlier application is permitted; however, the Corporation has not early adopted them in preparing these financial statements.

3. Changes in material accounting policies:

The Corporation adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) on January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4. Accounts receivable:

	2023	2022
Electricity	$ 10,620,731	$ 9,945,989
Other	4,212,047	4,373,449
	14,832,778	14,319,438
Allowance for doubtful accounts:		
Balance, beginning of year	(773,454)	(1,072,871)
(Increase) decrease in provision	(382,146)	490,889
Accounts receivable write-offs (recoveries)	511,368	(191,472)
Balance, end of year	(644,232)	(773,454)
	$ 14,188,546	$ 13,545,984

5. Property, plant and equipment:

Cost:

		Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress		Total
Balance, January 1, 2022	$	19,981,127	209,876,682	70,319,683	3,662,493	$	303,839,985
Additions (net of transfers)		200,585	5,522,081	4,348,610	3,020,371		13,091,647
Disposals/retirements		-	(1,682,349)	(953,753)	-		(2,636,102)
Balance, December 31, 2022		20,181,712	213,716,414	73,714,540	6,682,864		314,295,530
Additions (net of transfers)		73,467	8,563,340	3,538,050	1,058,870		13,233,727
Disposals/retirements		(49,715)	(2,239,025)	(1,286,121)	-		(3,574,861)
Balance, December 31, 2023	$	20,205,464	220,040,729	75,966,469	7,741,734	$	323,954,396

Accumulated depreciation:

		Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress		Total
Balance, January 1, 2022	$	8,473,200	109,000,952	51,812,431	-	$	169,286,583
Depreciation charges		507,349	3,756,798	2,803,824	-		7,067,971
Disposals		-	(1,157,559)	(758,100)	-		(1,915,659)
Balance, December 31, 2022		8,980,549	111,600,191	53,858,155	-		174,438,895
Depreciation charges		506,281	4,239,593	2,979,004	-		7,724,878
Disposals		(38,176)	(1,730,811)	(1,281,415)	-		(3,050,402)
Balance, December 31, 2023	$	9,448,654	114,108,973	55,555,744	-	$	179,113,371

Carrying amounts:

		Land and Buildings	Distribution Equipment	Other Fixed Assets	Capital Inventory and Construction in Progress		Total
At December 31, 2022	$	11,201,163	102,116,223	19,856,385	6,682,864	$	139,856,635
At December 31, 2023		10,756,810	105,931,756	20,410,725	7,741,734		144,841,025

6. Intangible assets:

(a) Cost:

	Computer Software	Goodwill and land rights	Total
Balance, at January 1, 2022	$ 2,099,819	1,682,343	$ 3,782,162
Additions	73,296	–	73,296
Balance, at December 31, 2022	2,173,115	1,682,343	3,855,458
Additions	90,233	20,264	110,497
Balance, at December 31, 2023	$ 2,263,348	1,702,607	$ 3,965,955

(b) Accumulated amortization:

	Computer Software	Goodwill and land rights	Total
Balance, at January 1, 2022	$ 1,833,327	–	$ 1,833,327
Amortization charges	128,155	–	128,155
Balance, at December 31, 2022	1,961,482	–	1,961,482
Amortization charges	102,379		102,379
Balance, at December 31, 2023	$ 2,063,861	–	$ 2,063,861

	Computer Software	Goodwill and land rights	Total
At December 31, 2022	$ 211,633	1,682,343	$ 1,893,976
At December 31, 2023	$ 199,487	1,702,607	$ 1,902,094

7. Payment in lieu of taxes (PILS):

	2023	2022
Current tax	$ 375,024	$ 305,307
Payment (recovery) in lieu of deferred taxes	(266,989)	1,636,387
	$ 108,035	$ 1,941,694
Rate reconciliation before net movements in regulatory balances:		
Comprehensive income before PILS and regulatory items	$ 4,794,992	$ 4,910,591
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
PILS using the Corporation's statutory rate	1,270,673	1,301,307
Other	(883,391)	231,822
Regulatory movements	(279,247)	408,565
Payment in lieu of taxes	$ 108,035	$ 1,941,694

The tax effect of temporary differences that give rise to deferred tax liabilities as of December 31, 2023 are as follows:

	Plant and Equipment	Employee Benefits	Non-capital loss carried forward/ CMT Credit	Regulatory Adjustment	Other	2023 Total
Balance, January 1	$(3,316,896)	3,879,625	1,445,640	(5,977,501)	(275,323)	$ (4,244,455)
Change in deferred tax balance	(437,586)	245,511	140,372	44,982	273,710	266,989
Balance, December 31	$(3,754,482)	4,125,136	1,586,012	(5,932,519)	(1,613)	$ (3,977,466)

7. Payment in lieu of taxes (PILS) (continued):

The tax effect of temporary differences that give rise to deferred tax liabilities as of December 31, 2022 are as follows:

	Plant and Equipment	Employee Benefits	Non-capital loss carried forward/ CMT Credit	Regulatory Adjustment	Other	2022 Total
Balance, January 1	$(2,532,000)	5,635,467	2,060,001	(7,776,211)	4,675	$(2,608,068)
Change in deferred tax balance	(784,896)	(1,755,842)	(614,361)	1,798,710	(279,998)	(1,636,387)
Balance, December 31	$(3,316,896)	3,879,625	1,445,640	(5,977,501)	(275,323)	$ (4,244,455)

8. Regulatory balances:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2023	Balances arising in the period	Recovery/ (reversal)	December 31, 2023
IFRS deferral (a)	$ 1,597,512	$ 170,457	$ (798,443)	$ 969,526
Cost of service (c)	267,255	(27,527)	–	239,728
Group 1 variance accounts (d)	2,640,436	(85,231)	(398,192)	2,157,013
OPEB regulatory deferrals (e)	18,525,566	884,019	–	19,409,585
Incremental pole rental revenue (j)	237,607	219,679	–	457,286
Deferred rate implementation (f)	28,804	1,101	–	29,905
Regulatory assets	$ 23,297,180	$ 1,162,498	$ (1,196,635)	$ 23,263,043
Advanced Capital Module - Cressey (i)	$ 322,730	$ (135,923)	$ 313,015	$ 499,822
Tax related variance accounts (g)	347,496	2,122	–	349,618
Deferred payment in lieu of taxes (h)	3,449,653	(455,888)	–	2,993,765
LRAMVA (b)	70,793	(43,609)	–	27,184
Fixed charge billing error	(449)	–	–	(449)
Regulatory liabilities	$ 4,190,223	$ (633,298)	$ 313,015	$ 3,869,940

8. Regulatory balances (continued):

	January 1, 2022	Balances arising in the period	Recovery/ (reversal)	December 31, 2022
IFRS deferral (a)	$ 2,218,640	$ 170,457	$ (791,585)	$ 1,597,512
Cost of service (c)	369,668	(102,413)	–	267,255
Group 1 variance accounts (d)	1,037,166	1,398,984	204,286	2,640,436
OPEB regulatory deferrals (e)	26,530,762	(8,005,196)	–	18,525,566
Incremental pole rental revenue (j)	–	237,607	–	237,607
Deferred rate implementation (f)	335,305	807	(307,308)	28,804
Regulatory assets	$ 30,491,541	$ (6,299,754)	$ (894,607)	$ 23,297,180
Advanced Capital Module - Cressey (i)	$ 141,784	$ (135,923)	$ 316,869	$ 322,730
Tax related variance accounts (g)	362,807	(15,311)	–	347,496
Deferred payment in lieu of taxes (h)	4,054,151	(604,498)	–	3,449,653
LRAMVA (b)	47,996	22,797	–	70,793
Fixed charge billing error	918,902	–	(919,351)	(449)
Regulatory liabilities	$ 5,525,640	$ (732,935)	$ (602,482)	$ 4,190,223

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of the Corporation's future number of electricity customers as well as estimates of future electricity consumption by customers.

The Corporation has received approval from the OEB to establish its regulatory deferral account balances.

The regulatory balances of the Corporation consist of the following:

a) IFRS deferral:

As part of its 2020 Cost of Service application, the Corporation was approved to dispose of the costs accumulated between 2013 and 2019 related to the IFRS-CGAAP transitional property, plant and equipment losses that did not form part of its 2013 rate base. The Corporation will recover these costs over a 5-year period. For the year ended December 31, 2023, the Corporation recorded an increase of $170,457 (2022 – $170,457) and recovered $798,443 (2022 – $791,585) from rate payers related to this balance.

b) LRAMVA:

The Lost Revenue Adjustment Mechanism variance account (“LRAMVA”) was established to capture the variance between the Conservation and Demand Management (“CDM”) adjustment to a distributor’s OEB-approved load forecast and the actual CDM results at the customer rate class level. When disposing of this regulatory asset, the Corporation must provide evidence to the OEB to support the claim. The Corporation was approved to dispose of these funds for recovery from rate payers through its 2021 IRM application and for repayment to ratepayers as part of its 2022 IRM application.

For the year ended December 31, 2023, the Corporation has recorded a liability of $27,184 (2022 – $70,793) and was approved to dispose of a liability of $70,793 (2022 – $48,008).

8. Regulatory balances (continued):

c) Cost of service accrual:

The Ontario Energy Board's Accounting Procedure Handbook allows for the deferral of regulatory expenses, that by approval or direction of the Board, are to be spread over future periods. During 2019 and 2020, the Corporation worked on and received approval of its Cost of Service application. The amounts in this account reflect the associated costs incurred to the end of 2020. The amount in this account will be amortized to the income statement annually over 5 years by charges to this account. For the year ended December 31, 2023, the Corporation recognized $107,985 (2022 - $107,985) within operating expenses and recorded an increase of $70,000 (2022 – $Nil) related to its future application.

d) Group 1 variance accounts:

Group 1 variance accounts consist of retail settlement variance accounts. These accounts represent the difference between the amount paid by the Corporation to its power supplier for the cost of energy and the amount billed by the Corporation to its customers as energy sales, and related carrying costs, which are recorded on the statement of financial position as retail settlement variances until their final disposition is decided by the OEB. The Corporation recognizes retail settlement variances as an asset or liability based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process. The retail settlement variance asset represents the surplus of amounts billed by the IESO for the cost of energy compared to the amounts charged to customers as energy sales.

Settlement of the deferral accounts is done on an annual basis through the rate application to the OEB. The net balance of the retail settlement variances must meet a certain threshold in order to dispose of these balances. The Corporation was approved to dispose of a portion of these balances for recovery from rate payers through its 2022 IRM application. The amount included in the 2023 IRM application did not exceed the threshold and therefore the balance was not requested for disposition. The amount included in the 2024 IRM application representing balances as of December 31, 2022 was approved for disposal.

e) OPEB regulatory deferrals:

As part of its 2020 Cost of Service application, the Corporation was approved to establish a new "Other Post-Employment Benefit ("OPEB") Cash to Accrual Transitional Amount" deferral account. The Corporation previously recovered OPEBs through rates on a cash basis and has transitioned to recover on an accrual basis in 2020. Guidance was provided to utilities with respect to the transition between cash and accrual methods of recovery of the OPEB obligation through rates within the *Report of the Ontario Energy Board – Regulatory Treatment of Pension and OPEB costs* dated September 14, 2017. Included within the balance recorded at December 31, 2023 is $26,089,910 (2022 - $26,089,910) relating to the recovery of the OPEB obligation utilizing an accrual approach which will be recovered through ratepayers in future years.

8. Regulatory balances (continued):

e) OPEB regulatory deferrals (continued):

The Corporation was also approved to establish a new “OPEB Actuarial Gains and Losses Deferral Account” to record the cumulative actuarial gains and losses for future recovery or repayment to ratepayers should the gains and losses that are tracked in this account not substantially offset over time. The balance arising during the year ended December 31, 2023 is comprised of an actuarial loss of $698,829 (2022 – gain of $6,328,218) and an associated deferred tax liability impact of $185,190 (2022 – asset of $1,676,978). At December 31, 2023, the cumulative net position is an actuarial gain payable to rate payers in future rates.

These balances represent management’s best estimate of the transitional balance and the expected recovery based on the guidance available as of the date of these financial statements. The balance will be reviewed with the Corporation’s next Cost of Service application and a mechanism to recover the balance will be proposed at that time. The final decision on the approval of disposition will be subject to a prudence review in the next Cost of Service proceeding with any adjustment recorded in the period the approval for disposition is received.

f) Deferred rate implementation:

As part of the Corporation’s settlement proposal for its 2020 Cost of Service application, it requested approval to defer the implementation of its May 1, 2020 rate increase in line with the option allowed to other distributors by the OEB for May 1, 2020 rate increases in order to offer relief to customers as a result of the COVID-19 pandemic. The Corporation’s request was approved and its May 1, 2020 rate increase was deferred to November 1, 2020. This account represents the revenue that was foregone during the period of May 1 to October 31, 2020 and the amounts subsequently recovered from ratepayers. The Corporation was approved to begin recovering this balance over a 1-year period as part of its 2021 IRM application. For the year ended December 31, 2023, the Corporation recovered $19 from rate payers (2022 - $307,308).

g) Tax related variance accounts:

This balance arose from the revenue requirement impact of accelerated capital cost allowance deductions from the Accelerated Investment Incentive tax measure which received Royal Assent on June 21, 2019. Any balance in this account will be proposed for disposition as part of the Corporation’s next Cost of Service application.

h) Deferred payment in lieu of taxes:

This regulatory deferral account relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of deferred tax assets and other approved recoveries. As at December 31, 2023, the Corporation has recorded a deferred tax liability of $2,993,765 (2022 - $3,449,653) with respect to its rate-regulated activities. In the absence of rate regulation this regulatory balance and the retained earnings impact would not be recorded.

8. Regulatory balances (continued):

i) Advanced Capital Module – Cressey:

As part of its 2020 Cost of Service application, the Corporation was approved for an Advanced Capital Module ("ACM") for its Cressey Substation. The ACM is a funding mechanism that allows incremental funding requests for discrete projects that are part of a distributor's Distribution System Plan, that will be put into service during the incentive rate-setting term. The mechanism helps promote manageable rate impacts over the long-term. The Cressey Substation was built in 2021 for a total cost of $4,750,994. Accounting guidance provided by the OEB would have the Corporation record the asset as a regulatory asset, to be transferred to capital assets in the distributor's next Cost of Service rebasing year, however the Corporation has recorded the asset and associated accumulated depreciation within property, plant and equipment in accordance with the requirements under IFRS.

For the year ended December 31, 2023, the Corporation collected $313,015 (2022 - $316,869) from customers related to the ACM and has recorded this amount as a regulatory liability.

j) Incremental pole rental revenue:

Pole attachment charges are what electricity distributors charge third parties, such as telecommunications and cable companies, for access to their network of electricity poles. For the charge for 2022, the OEB adjusted the rate electricity distributors were to charge the third-party companies and the corresponding decrease in revenue is included in this account and will be requested for disposition as part of the Corporation's next Cost of Service application.

k) Net movement:

Reconciliation between the net movements in regulatory balances shown in the regulatory deferral account balances table and the net movements presented on the statement of income and comprehensive income is as follows:

	2023	2022
Total movements of regulatory assets per regulatory balances table	$ (34,137)	$ (7,194,361)
Total movements of regulatory liabilities per regulatory balances table	320,283	1,335,417
Total net movements	$ 286,146	$ (5,858,944)
Net movement in regulatory balances, net of tax	$ (412,683)	$ 469,274
Net movement in regulatory balances related to other comprehensive income	698,829	(6,328,218)
Total net movement per financial statements	$ 286,146	$ (5,858,944)

8. Regulatory balances (continued):

For certain regulatory asset and liabilities 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 OEB in determining the item’s treatment for rate-setting purposes. The Corporation continually assesses the likelihood of recovery of each of its regulatory assets and refund of each of its regulatory liabilities and continues to believe that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If at some future date the Corporation determines that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be charged to operations in the period the determination is made.

9. Long-term obligations:

	2023	2022
Employee future benefit obligation (note 10)	$ 15,566,605	$ 14,640,152
Loan payable (a)	777,000	965,000
Interest rate swap at fair value (a), (b) and (f)	(820,571)	(1,100,308)
Multiple draw term loan (b)	369,261	533,807
Customer deposits (d)	1,614,184	1,730,368
Developer contributions (e)	188,660	1,498,500
Bank loan (c) and (f)	9,077,592	9,510,426
	26,772,731	27,777,945
Less: current portion	(1,216,410)	(1,412,608)
	$ 25,556,321	$ 26,365,337

a) On July 12, 2007, ConverGen Inc. was advanced monies under a reducing term, floating rate facility from TD Bank at a face amount of $2,800,000 to finance the construction of a landfill gas generation plant. Concurrent with the entry into the loan facility, to mitigate the Corporation's exposure to interest rate risk, the Corporation entered into an International Swaps and Derivatives Association, 2000 Master Agreement. The interest rate swap is used for non-speculative purposes to convert floating rate debt into fixed rate debt bearing interest at 5.97% per annum. The debt facility has a termination date of July 12, 2027 with an optional exit strategy at five, ten and 15 years. ·

The debt facilities are secured by a general security agreement (GSA) representing a first charge on all of the assets and undertakings of ConverGen Inc. The agreement contains covenants requiring a total debt to total capitalization ratio of less than 50% and an interest coverage ratio of not less than 1.2:1 be maintained by the Corporation and its affiliates: ConverGen Inc., Greater Sudbury Hydro Plus Inc., Greater Sudbury Telecommunications Inc., 1627596 Ontario Inc. and Greater Sudbury Hydro Inc. As of December 31, 2023, the Corporation was in compliance with these covenants.

9. Long-term obligations (continued):

The unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2023, the Corporation recorded a liability of $19,762 (2022 – $30,903).

b) On January 14, 2011, the Corporation was advanced monies under a reducing term, floating rate facility at a face amount of $2,000,000 to finance the purchase of the smart meters. Concurrent with the entry into the loan facility, to mitigate the Corporation's exposure to interest rate risk, the Corporation entered into an International Swaps and Derivatives Association, 2002 Master Agreement. The interest rate swap is used for non-speculative purposes to convert floating rate debt into fixed rate debt bearing interest at 3.796%. The TD bank multiple draw term loan is secured by a general security agreement representing a first charge on all the borrower's assets and undertakings, and an unlimited guarantee of advances executed by the borrower. The debt facility has a termination date of January 19, 2026. The unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2023, the Corporation recorded an asset of $3,358 (2022 - $5,658).

c) The Corporation entered into a financing agreement on January 12, 2015 with TD Equipment Finance in the amount of $971,604. The financing facility is payable in annual payments of $119,805 including interest at a fixed rate of 4.33% over the 120 month term and is secured by the underlying specified assets under financing. As at December 31, 2023, the net book value of these assets is $641,261 (2022 - $680,125).

d) Customer deposits represent cash deposits from electricity distribution customers and retailers. 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.

e) Upon expansion of the Corporation's electricity distribution customer base, a developer is required to incur the cost to establish any necessary electricity infrastructure. This infrastructure is contributed to the Corporation and the Corporation then assumes the risks and responsibilities associated with the infrastructure. The Corporation is required to perform an analysis of the ongoing economic benefit it receives from the expansion, and a formulaic approach determines if a developer is entitled to recovery of the capital it contributed to the Corporation. These developer contributions represent the Corporation's estimated liability of amounts owed to developers pertaining to these expansions.

f) The Corporation entered into an unsecured debt arrangement with TD Bank in the form of funds available via multiple draws, up to a maximum of $10,000,000 in total debt. The Corporation received a draw of $5,500,000 on March 26, 2020 bearing interest at a fixed rate of 1.976% and a further draw of $4,500,000 on February 19, 2021 bearing interest at a fixed rate of 2.351%. The term of the draws are 10 years with 25-year amortization.

9. Long-term obligations (continued):

The Corporation has a series of interest rate swap contracts corresponding to this debt arrangement that were used to convert floating rate to fixed rate debt. The unrealized gain or loss on these contracts is included as a component of other comprehensive income for the year. As at December 31, 2023, the Corporation recorded an asset of $836,975 (2022 - $1,125,553).

Principal repayments relating to note 9 (a), (b), (c) and (f) for the next 5 years are as follows:

2024	$ 816,756
2025	737,042
2026	582,734
2027	492,860
2028	357,423
Thereafter	7,237,038

10. 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 at December 31, 2023 of $15,566,605 was based on an extrapolation of the last full actuarial valuation performed at December 31, 2022, using a discount rate of 4.65%.

The cost of providing benefits under the benefit plans is actuarially determined using the projected unit credit method, which incorporates management’s best estimate of future salary levels, retirement ages of employees, health care costs, and other actuarial factors. Changes in actuarial assumptions and experience adjustments give rise to actuarial gains and losses. Actuarial gains and losses on medical, dental and life insurance benefits are recognized in OCI as they arise. Actuarial gains and losses related to rate-regulated activities are subsequently reclassified from OCI to a regulatory balance on the consolidated statement of financial position. Eligible actuarial gains and losses are subsequently reclassified to a regulatory balance as discussed in note 8 (e).

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2023	2022
Employee future benefit obligation, beginning of year	$ 14,640,152	$ 21,265,920
Current service cost	104,638	190,500
Interest costs	722,606	629,417
Benefits paid during the year	(671,446)	(567,514)
Actuarial losses (gain) from remeasurement	770,655	(6,878,171)
Employee future benefit obligation, end of year	$ 15,566,605	$ 14,640,152

10. Employee future benefits (continued):

Components of net benefit expense recognized are as follows:

	2023	2022
Current service cost	$ 104,638	$ 190,500
Interest costs	722,606	629,417
Net benefit expense recognized	$ 827,244	$ 819,917

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2023	2022
Cumulative amount at January 1	$ 540,320	$ (9,633)
Recognized during the year	(770,655)	6,878,171
Reclassification to regulatory balance	698,829	(6,328,218)
Cumulative amount at December 31	$ 468,494	$ 540,320

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2023	2022
Accrued benefit obligation:		
Discount rate	4.65%	5.05%
Assumed health care cost trend rates:		
Initial benefit care cost trend rate	4.90%	4.70%
Initial dental benefit cost trend rate	5.10%	4.90%

The main actuarial assumptions utilized for the valuation are as follows:

- General inflation – future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.00% in 2023, and thereafter (2022 – 2.00%).
- Discount (interest) rate – the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2023, was 4.65% (2022 – 5.05%).
- Salary levels – future general salary and wage levels were assumed to increase at 2.31% (2022 – 2.31%) up to December 31, 2023, and 2.50% per annum thereafter.
- Medical costs – medical costs were assumed to be 4.70% for 2023 and increase by 0.20% per annum.
- Dental costs – dental costs were assumed to be 4.90% for 2023 and increase by 0.20% - 0.30% per annum.

11. Share capital:

	2023	2022
Authorized:		
Unlimited common shares		
Issued:		
1,002 common shares	$ 22,431,779	$ 22,431,779

12. Revenues:

The following table disaggregates revenues by type of customer (in thousands):

	2023	2022
Revenue from contracts with customers:		
Energy sales:		
Residential service	$ 45,749	$ 47,227
General service	51,309	49,433
Other	5,795	8,329
	102,853	104,989
Distribution revenue:		
Residential service	17,047	15,891
General service	9,941	9,843
Other	707	678
	27,695	26,412
Revenue from other sources:		
Conservation recoveries	–	5
Pole rental	880	877
Contracts and rentals	14,232	12,290
Electricity generation	877	722
Other charges	1,558	2,694
	17,547	16,588
	$ 148,095	$ 147,989

13. Commitments and contingencies:

General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. On an ongoing basis, the Corporation assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2023, no assessments have been made.

14. Guarantees:

The Corporation has issued a $9,048,386 letter of guarantee to the IESO. This was a requirement of the IESO for market opening on May 1, 2002. At December 31, 2023, no amounts have been drawn on this letter of guarantee.

15. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, defined benefit plan benefit with equal contributions by the employer and its employees. In 2023, the Corporation made employer contributions of $1,421,855 to OMERS (2022 - $1,349,863).

The Corporation estimates a contribution of $1,576,891 will be made to OMERS during the next fiscal year.

16. Employee compensation:

	2023	2022
Salaries, wages and benefits	$ 17,081,411	$ 16,574,060
Contributions to OMERS	1,421,855	1,349,863
	$ 18,503,266	$ 17,923,923

17. Related party transactions:

Parent and ultimate controlling party:

Greater Sudbury Utilities./Services Publics du Grand Sudbury Inc. is a wholly-owned subsidiary of the City of Greater Sudbury. The City produces consolidated financial statements that are available for public use.

Transactions with ultimate parent:

During the year, the Corporation paid the City interest on a promissory note totaling $3,794,709 (2022 - $3,794,709). The promissory note is repayable in full on six months' written notice of the holder of the note. As at April 22, 2024, the City has informed the Corporation it will not demand repayment of the promissory note within one year.

The Corporation had the following significant transactions with its ultimate parent, a government entity:

i) electricity sales;
ii) streetlight maintenance;
iii) telecommunications; and
iv) water and wastewater billing.

Transactions with the ultimate parent relating to the above transactions in 2023 amounted to $9,786,252 (2022 – $9,270,551).

The Corporation provides electrical energy to the City at the same regulated rates and terms as other similar customers based on the amount of electricity consumed.

During the year, the Corporation sold the City water billing administration services and streetlight maintenance services totaling $1,576,419 (2022 - $1,505,053) and $453,479 (2022 - $288,406), respectively. Included in accounts receivable is $983,303 (2022 - $895,328) on account of these sales.

Included in accounts payable and accrued liabilities is $2,417,673 (2022 - $2,093,547) relating to amounts collected by the Corporation on behalf of the City for water billing. Correspondingly, included in accounts receivable is $29,737 (2022 - $14,584) relating to amounts collected by the City relating to electricity and water bill payments.

During the year, the Corporation paid $340,922 (2022 - $331,018) to the City on account of municipal taxes.

17. Related party transactions (continued):

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, and their compensation is summarized below.

	2023	2022
Directors' fees	$ 129,243	$ 128,816
Salaries and benefits	1,428,756	1,371,635
	$ 1,557,999	$ 1,500,451

18. Deferred revenue:

	2023	2022
Contributions in aid of capital (a)	$ 11,977,070	$ 10,811,538
1627596 Ontario Inc. deferred revenue (e)	421,223	409,229
Other (b), (c) and (d)	289,901	378,639
	12,688,194	11,599,406
Less: current portion	(497,649)	(485,656)
	$12,190,545	$ 11,113,750

(a) Under IFRS, contributions in aid of capital are to be classified as deferred revenue, and amortized into income over the life of the capital asset.

(b) On February 21, 2021, Greater Sudbury Telecommunications Inc. entered into a Fibre Optic Cable IRU Agreement with Hydro One Telecom for a ten-year period ending February 21, 2031. This revenue is being recognized over the term of the agreement on a straight -line basis as the service is provided to the customer.

(c) Greater Sudbury Telecommunications Inc. agreed to supply dark fibre capacity services to five public sector organizations commencing October 2003. Each of the five organizations agreed to make a lump sum payment of $120,000 as well as payments of $500 per month for a 20-year period or a further lump sum payment, in exchange for the provision of these services by the Corporation. The amounts received in advance will be recognized over the 20-year period that the service is delivered to the customers on a straight-line basis.

18. Deferred revenue (continued):

(d) During 2009, Greater Sudbury Telecommunications Inc. entered into a Fibre Optic Cable IRU Agreement with Telus Corporation for a twenty-five year period ending December 31, 2034. This revenue is being recognized over the term of the agreement on a straight-line basis as the service is delivered to the customer.

(e) 1627596 Ontario Inc. o/a @home Energy bills their customers on a quarterly basis. The deferred revenue represents the amount billed before year-end that pertains to future periods.

19. Finance lease obligations:

	Indefeasible Right of Use
Right-of-use assets	
Cost	
Balance at January 1, 2023	$ 2,669,955
Additions	–
Balance at December 31, 2023	$ 2,669,955
Accumulated depreciation	
Balance at January 1, 2023	$ 723,206
Additions	246,983
Balance at December 31, 2023	$ 970,189
Carrying amounts	
At December 31, 2022	$ 1,946,749
At December 31, 2023	1,699,766

Finance lease liability	
Balance at January 1, 2023	$ 375,357
Non-cash repayments	(52,353)
Accretion	6,920
Balance at December 31, 2023	$ 329,924
Made up of	
Current portion	$ 46,338
Long-term finance lease liability	283,586
	$ 329,924

Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for all contracts based on all available information as at the reporting date.

Total cash outflows relating to leases amounted to $Nil for 2023 (2022 - $Nil).

20. Investment in associates:

	2023	2022
Investment in Ecobility (i)	$ 81,856	$ 908,375
Investment in 17 Trees (ii)	162,265	160,854
	$ 244,121	$ 1,069,229

(i) Investment in Ecobility:

At December 31, 2023, the Corporation owns 1 Class A voting share and 46,879 Class B shares of a corporation responsible for conservation programs, representing approximately 32.597% of the outstanding shares. The Corporation accounts for this investment using the equity method.

The Corporation's investment in associate is as follows:

	Number of Shares	Amount
Balance, December 31, 2022	46,879	$ 908,375
Share of comprehensive income of associate, for the year ending December 31, 2023	–	32,406
Dividend declared	–	(870,934)
Other	–	12,009
	–	(826,519)
Balance, December 31, 2023	46,879	$ 81,856

Summarized financial information of the associate for the year ended December 31, 2023:

	Statement of Financial Position
Current assets	$ 2,895,179
Non-current assets	49,872
Net assets	259,920

20. Investment in associates (continued):

(i) Investment in Ecobility (continued):

		Statement of income and Comprehensive income
Net income for the period	$	99,413
Percentage ownership in associate		32.597%
Share of income		32,406

(ii) Investment in 17 Trees:

At December 31, 2023, the Corporation also owns 100 common shares of a Corporation responsible for arbor services, representing approximately 33.33% of the outstanding common shares. The Corporation accounts for this investment using the equity method.

The Corporation's investment in associate is as follows:

	Number of Shares		Amount
Balance, December 31, 2022	100	$	160,854
Share of comprehensive income of associate, for the year ending December 31, 2023	–		1,411
	–		1,411
Balance, December 31, 2023	100	$	162,265

Summarized financial information of the associate for the year ended December 31, 2023:

		Statement of Financial Position
Current assets	$	640,978
Non-current assets		696,907
Net assets		486,793

20. Investment in associates (continued):

(ii) Investment in 17 Trees (continued):

		Statement of Loss and Comprehensive Loss
Net income for the period	$	4,232
Percentage ownership in associate		33%
Share of income		1,411

21. Change in non-cash operating working capital items:

		2023		2022
Accounts receivable	$	228,372	$	23,183
Unbilled revenue – distribution		(42,828)		(52,392)
Unbilled revenue – energy sales		(541,677)		(508,017)
Inventory		65,060		(188,527)
Prepaid expenses		2,508		(225,010)
Change in regulatory assets/liabilities		(286,146)		5,858,945
Accounts payable and accrued liabilities		(593,933)		1,481,051
Payable for energy purchases		554,314		234,819
Deferred revenue		(603,284)		524,669
Customer deposits		(116,184)		(100,826)
	$	(1,333,798)	$	7,047,895

22. Financial instruments and risk management:

(a) Fair value disclosure:

Cash and cash equivalents and interest rate swap contracts are measured at fair value. Swap contracts are adjusted to fair value by using mark-to-market valuation established by TD Securities, a division of TD Bank Financial Group, as of the close of business on the last business day of the fiscal year. The fair value measurement of the financial instrument for which the fair value has been disclosed is included in Level 2 of the fair value hierarchy [Note 1(c)].

The carrying values of receivables, unbilled revenue, bank indebtedness, accounts payable and accrued liabilities 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.

22. Financial instruments and risk management:

(b) 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.

i) 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 Greater Sudbury. No single customer accounts for a balance in excess of 7% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2023 is $644,232 (2022 - $773,454). A write-off of $511,368 (2022 – recovery of $191,472) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2023, approximately $1,963,112 (2022 - $2,346,855) is considered 46 days past due. The Corporation has over 47,000 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, 2023, the Corporation holds security deposits in the amount of $1,614,184 (2022 - $1,730,368).

ii) Derivative instruments:

As detailed in note 9 to the financial statements, the Corporation has entered into a series of interest rate swap contracts totaling $9,275,807 (2022 - $9,669,800) and covering 98.6% (2022 – 97.6%) of long-term debt. These interest rate swap contracts were used to convert floating rate debt to fixed rate debt and qualify as cash flow hedges.

iii) Market risk:

Market risk primarily refers 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.

22. Financial instruments and risk management (continued):

(b) Financial risks (continued):

iv) 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 an $8,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. The credit facility is only drawn upon in instances where the combined cash balance of the consolidated Greater Sudbury Utilities entity is in a negative position. As at December 31, 2023, $Nil (2022 - $Nil) was drawn under the Greater Sudbury Utilities Inc. $8,000,000 credit facility (2022 - $8,000,000).

The majority of accounts payable, as reported on the consolidated statement of financial position, are due within 30 days.

v) 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, 2023, shareholder's equity amounts to $82,285,330 (2022 - $78,011,056) and long-term debt amounts to $92,131,668 (2022 - $92,093,527).

23. Comparative information:

Certain 2022 comparative information has been reclassified to conform with the presentation adopted in 2023.