

2024 Cost of Service

EXHIBIT 1: ADMINISTRATIVE DOCUMENTS



Glossary of Terms

Acronym	Definition
ACA	Asset Condition Assessment
ADMS	Advanced Distribution Management System
APB	Activity and Program-Based Benchmarking
APH	Accounting Procedure Handbook
ARC	Affiliate Relationship Code
CCA	Capital Cost Allowance
CDD	Cooling Degree Days
CDM	Conservation and Demand Management
CEO	Chief Executive Officer
CHEC	Cornerstone Hydro Electric Concepts
CIS	Customer Information System
COLA	Cost of Living Adjustment
COP	Cost of Power
CP	Coincident Peak
CPI	Consumer Price Index
CSF	Cyber Security Framework
CWIP	Capital Work in Progress
DER	Distributed Energy Resources
DERMS	Distributed Energy Resource Management System
DVA	Deferral and Variance Account
ERM	Enterprise Risk Management
ESA	Electrical Safety Authority
ESG	Environmental, Social and Governance
EV	Electric Vehicle
GA	Global Adjustment
GEOSANDS	Geosands Inc.
GIS	Geographic Information System
GS	General Service
HDD	Heating Degree Days
HOEP	Average Hourly Energy Price
HONI	Hydro One Network Inc.
ICM	Incremental Capital Module
IESO	Independent Electricity System Operator
IFRS	International Financial Reporting Standards
IRM	Incentive Rate Mechanism
IT	Information Technology
KWH	Kilowatt Hours
LDC	Local Distribution Company
LEAP	Low-Income Energy Assistance Program
LV	Low Voltage
MIFRS	Modified International Financial Reporting Standards
MW	Megawatts
NBV	Netbook Value

NCP	Non-Coincident Peak
OEB	Ontario Energy Board
OESP	Ontario Electricity Support Program
OM&A	Operation, Maintenance, and Administrative
OMS	Outage Management System
PEG	Pacific Economics Group
PILs	Payments in Lieu of Taxes
PME	Primary Metering Unit
PP&E	Property, Plant and Equipment
Q1	Quarter One
Q2	Quarter Two
Q3	Quarter Three
Q4	Quarter Four
ROE	Return on Equity
RPP	Regulated Price Plan
RRF	Renewed Regulatory Framework
RRR	Reporting and Recordkeeping Requirements
RSVA	Retail Settlement Variance Account
RTSR	Retail Transmission Service Rates
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SME	Smart Meter Entity
TLF	Total Loss Factor
ULO	Ultra-Low Overnight Regulated Price Plan
USoA	Uniform System of Accounts
UCS	Utility Collaborative Services
USF	Utilities Standard Forum
USL	Unmetered Scattered Load
UTR	Uniform Transmission Rates
WACC	Weighted Average Cost of Capital
WDI	Wasaga Distribution Inc.
WC	Working Capital
WCA	Working Capital Allowance
WIP	Work in Progress
WRSI	Wasaga Resource Services Inc.
WMS	Wholesale Market Service Charges

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1 **Certification of Evidence**

2
3 I, Brandon Weiss, President, and CEO at Wasaga Distribution Inc., hereby certify that, to the best of
4 my knowledge the evidence filed in support of the Wasaga Distribution's 2024 Cost of Service
5 Application (EB-2023-0055):

- 6
- 7 • Is accurate, consistent, and complete.
 - 8 • The practice direction has been followed for confidential information.
 - 9 • Does not include any personal information that is not otherwise redacted in accordance with
10 rule 9A of the OEB's Rules of Practice and Procedure.
 - 11 • The appropriate processes and internal controls are in place for the preparation, review,
12 verification, and oversight of all deferral and variance accounts, regardless of whether the
13 accounts are proposed for disposition.
- 14

15 This certification is provided pursuant to the Ontario Energy Board's Chapter 2 and Chapter 5 Filing
16 Requirements for Electricity Distribution Rate Applications, as issued on December 15, 2022.

17
18 DATED this 20th Day of October 2023

19
20
21
22 Brandon Weiss
23 President and CEO
24 Wasaga Distribution Inc.



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IN THE MATTER OF the Ontario Energy Board Act, 1998; S.O. 1998,
c. 15, Schedule B, as amended (the “OEB Act”);

AND IN THE MATTER OF an Application by Wasaga Distribution Inc. under section 78 of the OEB
Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable
rates and other service charges for the distribution of electricity effective May 1, 2024.

WASAGA DISTRIBUTION INC. (WDI)

APPLICATION FOR APPROVAL OF 2024 ELECTRICITY DISTRIBUTION RATES

EB-2023-0055

1 **Executive Summary**

2
3 Wasaga Distribution Inc. (WDI) is a municipality-owned utility company located in Wasaga Beach. It
4 serves as the primary distributor for the Town of Wasaga Beach. WDI is responsible for the delivery
5 of electricity to residential, commercial, and industrial customers in its service territory. As a local
6 distribution company (LDC), WDI plays a crucial role in ensuring a reliable, cost-effective, supply of
7 electricity to its customers and supporting the community's energy needs.

8
9 The purpose of a cost of service (COS) application is to establish the rates that the utility is allowed
10 to charge its customers for the delivery of electricity. Ontario's electricity market is regulated, and
11 rates must be approved by the Ontario Energy Board (OEB) to ensure they are fair, reasonable, in an
12 open transparent process and in the public interest.

13
14 WDI last filed a COS application in 2015 to set its May 1, 2016, rates, eight years ago. Much
15 consideration goes into completing a COS application as the cost and staff time associated with
16 preparing an application is vast. WDI strives to keep costs low for its customers and has been able to
17 balance costs, while maintaining reliability, and safety. With the rapid growth in WDI's service territory,
18 coupled with the current environment of elevated inflationary pressures, it is prudent that WDI rebase
19 rates to sustain its business over the next five years.

20
21 Not only has WDI been going through a period of growth, but it has also been investing time and
22 resources into instilling governance and foundational process throughout the organization. Since
23 2020, WDI has experienced a significant turnover in senior management, working through the
24 transition of two President/CEO's, Vice President (VP) of Engineering, Director of Finance, and
25 Director of Energy Services. Creating the strategic plan "Growing Together" 2021-2026, implementing
26 an Enterprise Risk Management (ERM) Framework, creating Audit & Finance and Governance &
27 Human Resources Committees, and undergoing a governance review has all helped maneuver the
28 loss in knowledge base and keep the organization running smoothly and efficiently.

29
30 The organizational changes and governance enhancements implemented at WDI have had a
31 profound impact on the utility's operations. These measures have ensured the continuity of WDI's

1 mission and service delivery, even in the face of significant turnover in senior management.
2 Implementation of the Strategic Plan and ERM has provided a clear roadmap for WDI's future and the
3 ability to track and monitor current and emerging risks that the utility faces. Additionally, the formation
4 of dedicated committees such as the Audit & Finance and Governance & HR has improved oversight
5 and decision-making.

6
7 These changes have not only facilitated a seamless transition during periods of leadership change
8 but have also contributed to WDI's operational effectiveness. They have enabled WDI to maintain its
9 commitment to low-cost, high-quality service for customers. Despite the challenges posed by
10 organizational transitions, WDI's dedication to customer satisfaction remains a strength, supported by
11 an improved governance structure and a resilient workforce.

12
13 As a result of organizational improvements, WDI has successfully managed to keep its rates
14 affordable for its customers. Since 2013, WDI has consistently been part of Cohort 1, which is the
15 most efficient group out of five. Cohort 1 is recognized as excellent and is characterized by actual
16 costs being less than 25% of predicted costs. In 2022, WDI's total cost per customer was just \$514,
17 marking it as the third lowest in the province. Additionally, based on data from the OEB's Yearbook
18 spanning from 2018 to 2022, here are a few noteworthy highlights:

- 19
- 20 • OM&A per Customer – WDI's five-year growth OM&A per Customer is -3.7% compared to
21 Provincial Average of 8.4%.
 - 22 • System Average Interruption Duration Index (SAIDI) Results – WDI's five-year average SAIDI
23 results is 1.35 compared to the Provincial average of 1.62.
 - 24 • System Average Interruption Frequency Index (SAIFI) Results – WDI's five-year average
25 SAIFI results is 0.94 compared to the Provincial average of 1.02.

26
27 WDI utilizes a very lean team of capable employees, keeping the budget tight to focus on keeping
28 costs low for customers, while also enhancing services to better serve their needs. Since its last COS
29 application, WDI has updated its website to provide a more user-friendly experience and more
30 information such as an outage map, vegetation management cycles and information, and digital forms
31 for move-in/move-outs. In addition, WDI has also created social media accounts to keep customers
32 up to date on what is occurring with the utility.



1
2 WDI has also been shifting to a long-term outlook to aid in future planning and potential expansion
3 and investment needs while managing costs and balancing stakeholder needs. In the past, capital
4 replacements were done on an as needed basis (scattered asset replacement). Going forward, WDI
5 will target, for example, complete rebuilds of pole line segments; thus, creating operational efficiencies
6 and cost savings in the long term by simultaneously replacing multiple obsolete assets. These
7 investment strategies are discussed further in WDI's 2024-2028 Distribution System Plan (DSP), filed
8 as Appendix 2 (C) in Exhibit 2 of this COS Application.

9
10 In addition, in order to help facilitate the planning process and enhance record keeping of the utility
11 assets, WDI is implementing ERSI, a Geographic Information System (GIS). This will help lead to
12 improved resource allocation and decision making and better visibility into its system to better support
13 electrification, growth and DER implementation.

14
15 A new municipal station was built in 2022 to help accommodate the growth in the territory. WDI is also
16 anticipating the need for two additional stations in 2026 and 2028 to properly serve the continued
17 growth within its territory and maintain the reliability to WDI's existing customer base.

18
19 In conclusion, WDI stands committed to delivering reliable, cost-effective electricity services to its
20 customers. Despite facing significant organizational transitions, WDI has strategically navigated
21 challenges, implemented robust governance measures, and achieved remarkable operational
22 efficiencies, as evidenced by its outstanding benchmarking results. As WDI looks towards the future,
23 it remains dedicated to delivering high-quality service, anticipating growth needs, and ensuring the
24 continued satisfaction of its valued customers while managing its resources efficiently and effectively.
25 WDI has submitted an application that has requested rates that it believes are just and reasonable.

1 **2.1 Exhibit 1: Administrative Documents**

2 **2.1.2 Administration**

3

4 **2.1.2.1 Contact Information**

5 Application contact information is as follows:

6 Main Contact:

7 Ashly Karamatic, CPA, CGA, Manager of Finance & Regulatory

8 Wasaga Distribution Inc.

9 950 River Road West,

10 Wasaga Beach, ON L9Z 1A2

11 a.karamatic@wasagadist.ca

12 Phone: 705-429-2517

13

14 Alternate Contact:

15 Spencer Silvestro, Finance & Regulatory Analyst

16 Wasaga Distribution Inc.

17 950 River Road West,

18 Wasaga Beach, ON L9Z 1A2

19 s.silvestro@wasagadist.ca

20 Phone: 705-429-2517

21

22 **2.1.2.2 Legal Representation**

23 Application legal contact information is as follows:

24 Michael Buonaguro

25 Barrister and Solicitor

26 24 Humber Trail

27 Toronto, ON M6S 4C1

28 mrb@mrb-law.com

29 Phone: 416-767-1666

1 **2.1.2.3 Internet Address and Social Media Accounts**

2 WDI's website address is www.wasagadist.ca, Regulatory documents will be available on the website:

3

- 4 • <https://wasagadist.ca/about-us/regulatory/>

5

6 In addition to the company's website, WDI utilizes social media accounts for additional
7 communications to customers:

8

9 Facebook:

- 10 • www.facebook.com/wasagadistribution/

11

12 **2.1.2.4 Statement of Publication of Notice of Hearing**

13 This application will impact all of WDI's customers.

14

15 WDI will follow the OEB's instructions regarding the publication of Notice in relation to this Application.
16 WDI proposes that the Notice of Application be published on WDI's website. If the OEB decides that
17 publication in a paper format is necessary, then WDI will consider its options at that time.

18

19 **2.1.2.5 Statement as to the Form of Hearing Requested**

20 This Application is supported by written evidence. The written evidence will be pre-filed and may be
21 amended from time to time, prior to the Board's final decision on the Application.

22

23 WDI requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this
24 proceeding be conducted by way of written hearing but understands that the utility could be asked to
25 participate in an oral hearing.

26

27 **2.1.2.6 Requested Effective Date**

28 WDI requests that the OEB make its Rate Order effective May 1, 2024.

29

30 In the event that the Board is unable to provide a Decision and Order on this Application for
31 implementation by the Applicant as of May 1, 2024, the Application requests that the Board declare

1 its current rates interim, effective May 1, 2024, pending the implementation of the Board’s Rate Order
2 for the 2024 rate year.

3
4 In the event that the effective date does not coincide with the Board’s decided implementation date
5 for 2024 distribution rates and charges, WDI requests permission to recover the incremental revenue
6 from the effective date to the implementation date.

7 8 **2.1.2.7 Changes in Methodologies Used**

9 WDI and its affiliate Wasaga Resource Services inc. (WRSI) underwent a consultation review in 2019
10 to ensure that the Master Services Agreement (MSA) between WRSI and WDI was compliant with
11 the Affiliate Relationship Code (ARC) and address concerns about the pricing provision limitations.
12 This resulted in a revised MSA and a change in pricing provisions from a base consideration amount,
13 adjust annually for inflation and growth to a fully allocated costing methodology. This is further
14 discussed in Exhibit 4.

15
16 All other processes are in compliance with policies, directives, and rules and guidelines from the
17 Ontario Energy Board and other regulators. Regulatory costs have been normalized over the five-
18 year application period.

19 20 **2.1.2.8 Board Directives from Previous Decisions**

- 21 1. Rate Order, EB-2016-0081, issued December 21, 2016

22
23 *The OEB approved Wasaga Distribution’s request to defer the disposition of its Group 1*
24 *accounts to its next IRM application.....However, based on the evidence on record and the*
25 *fact that commodity is one of the largest cash items that a distributor the size of Wasaga*
26 *Distribution manages on a monthly basis, the OEB directs that this review be conducted by*
27 *way of an external special purpose audit engagement, at a minimum for accounts 1588 RSVA*
28 *– Power and 1589 RSVA – GA for the period from January 1, 2015 to December 31, 2016.*
29 *Wasaga Distribution may decide if this special purpose audit be extended to all Group 1*
30 *accounts or whether the company prefers to do its own review of the remaining accounts.*

1 Response

2 In July 2017, WDI retained KPMG to conduct a special purpose audit engagement on Account
3 1588 RSVA – Power and Account 1589 RSVA – GA. WDI submitted KPMG’s final audit report
4 to the OEB as part of its 2018 IRM application on November 6, 2017.

5
6 During the course of KPMG’s audit, a number of issues were discovered relating to accounts
7 1588 and 1589, which occurred in years 2015 and 2016. As a result, WDI adjusted the
8 balances in the two accounts for both years and adjusted balances were reported in the
9 deferral and variance account continuity schedule of WDI’s 2018 IRM application.

10
11 The final audit report expressed the following opinion:

12
13 The schedule of variance accounts 1588 and 1589 of Wasaga Distribution Inc. for the period
14 from January 1, 2015, to December 31, 2016, was prepared, in all material respects, in
15 accordance with Article 490 of Accounting Procedures Handbook for Electricity Distributors as
16 published by the Ontario Energy Board effective January 1, 2012, and Guidance and
17 Frequently Asked Questions issued by the Ontario Energy Board from time to time.

18
19 2. Rate Order, EB-2022-0066, issued March 23, 2023

20
21 *The OEB also directs Wasaga Distribution to transfer the total shared tax amount for 2019 to*
22 *2023 for a credit amount of \$12,712 to Account 1595 (2023).*

23
24 Response

25 WDI adjusted the total shared tax amount for 2019 to 2013, a credit balance of \$12,172, to
26 Account 1595 (2023). It can be found in Exhibit 9.

27
28 **2.1.2.9 Conditions of Service**

29 WDI’s current Conditions of Service are available for viewing on its website at:

- 30 • <https://wasagadist.ca/about-us/regulatory/>

1 The current Conditions of Service was updated in 2021 to include the following DSC amendments:

- 2
- 3 • Fair Hydro Plan changes to the Ontario Electricity Support Program and net metering – May
 - 4 25, 2017
 - 5 • OEB's policies related to Protecting Privacy of Personal Information – March 15, 2018
 - 6 • Phase 1 of the OEB's Customer Service Rules Review (EB-2017-0183) – March 14, 2019,
 - 7 July 1, 2019, and March 1, 2020.
- 8

9 The Conditions of Service will not be impacted by the approval of this Application.

10

11 WDI confirms that there are no rates or charges listed in the Conditions of Service that are not on
12 WDI's Tariff of Rates and Charges.

13

14 **2.1.2.10 Corporate and Utility Organizational Structure**

15 WDI is owned by Geosands Inc. (Geosands), a holding company that is wholly owned corporation of
16 the Town of Wasaga Beach. WDI is an incorporated company, licensed by the OEB to distribute
17 electricity to the consumers of the Town of Wasaga Beach.

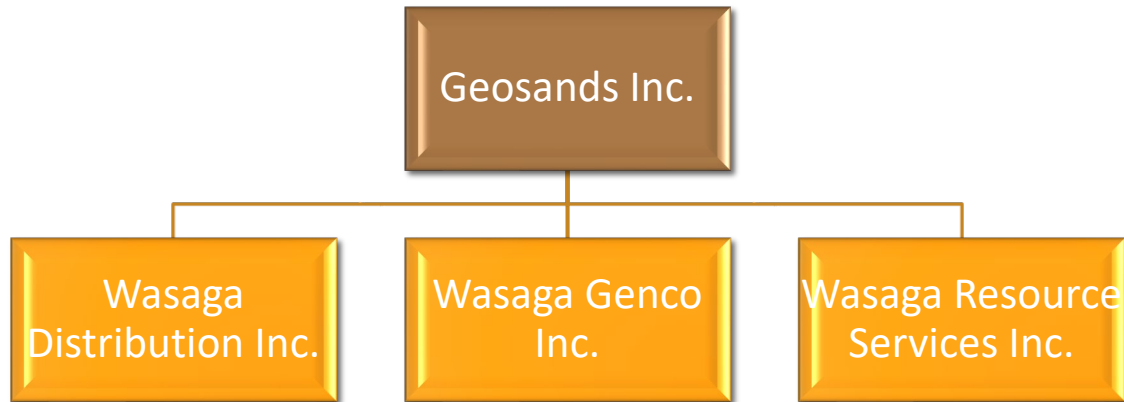
18

19 Geosands is also the holding company to WDI, WRSI and Wasaga Genco Inc.

20

21 Figure 1.1 below shows the current corporate structure of the organizations, and where WDI fits into
22 the structure.

1 **Figure 1.1: Current Corporate Structure**



2
3 **Wasaga Geosands Inc.**
4 Wasaga Geosands Inc. was incorporated on May 11, 2000, under the laws of the Province of Ontario.
5 The principal activity is as a Holding Company.

6
7 **Wasaga Genco Inc.**
8 Wasaga Genco Inc. was incorporated on May 11, 2000, under the laws of the Province of Ontario.
9 The principal activity of the Company is to provide electrical generation. At this time the Company is
10 inactive.

11
12 **Wasaga Distribution Inc.**
13 WDI was incorporated on May 11, 2000, under the laws of the Province of Ontario. The principal
14 activity is to provide distribution of electricity to the Town of Wasaga Beach. WDI is a fully licensed
15 distributor of electricity under distribution licence ED-2002-0544 issued by the OEB under the Ontario
16 Energy Board Act, 1998.

17
18 **Wasaga Resource Service Inc.**
19 WRSI was incorporated on May 11, 2000, under the laws of the Province of Ontario. The principal
20 activity is to provide a variety of management and other services. WRSI is under contract with WDI
21 through a MSA, provided in Exhibit 4 Appendix 4 (A), which covers all aspects of operating the LDC.



1 **Board of Directors**

2 The Board of Directors of Geosands Inc, Wasaga Resource Services Inc, and Wasaga Distribution
3 Inc. each have five directors, and a minimum of three of which are independent board members
4 (meaning that they are not an employee or officer of the utility or Shareholder). This conforms to the
5 ARC whereby at least one-third of its directors must remain independent from Affiliate Boards.

6

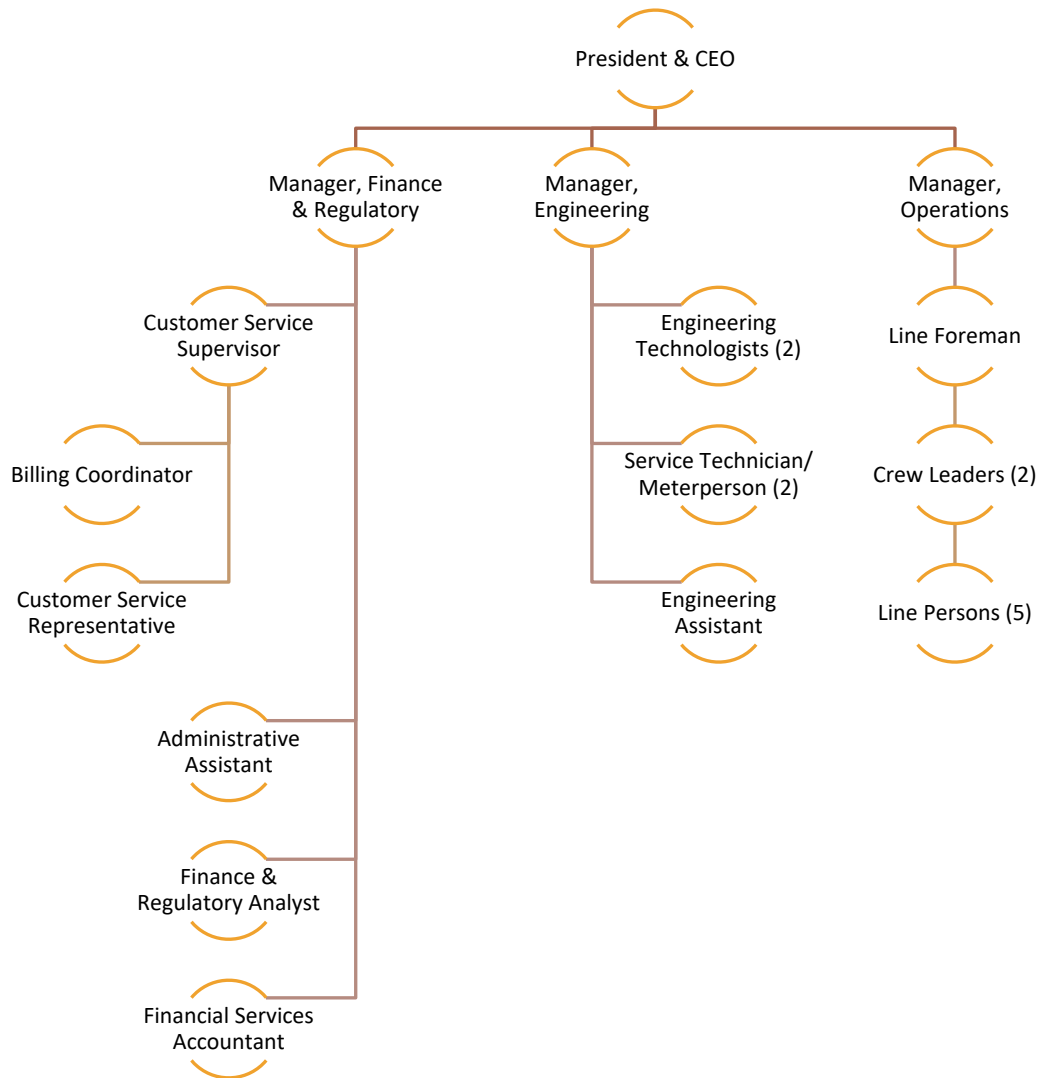
7 **Reporting Relationship between WDI and the Town of Wasaga Beach**

8 The Mayor of the Town of Wasaga Beach (or the Mayor’s delegate) that sits on the WDI Board of
9 Directors. Once per year, WDI holds its Annual General Meeting at Town council. Town Council is
10 updated on the years’ activities by the Utility and the required corporate resolutions are passed. These
11 meetings are open to the public.

12 The President/CEO of WDI also meets with Town staff on different issues as they arise during the
13 year. WDI is bound by a Shareholder’s Direction Agreement (By-Law No. 2019-35) with the Town of
14 Wasaga Beach.

1

Figure 1.2: WRSI Organizational Structure



2

3 WRSI has 23 full-time employees that provide services to WDI. Management includes a
 4 President/CEO, Manager of Finance & Regulatory, Manager of Engineering, and Manager of
 5 Operations. All outside staff, line foreman, crew leaders, line persons, and service technician and
 6 meter person are unionized. All other inside staff are not part of the union.

1 **2.1.2.11 List of specific approvals requested**

2 Below is a list of approvals requested to the OEB by WDI in the current application.

- 3
- 4 1. Approval to change distribution rates effective May 1, 2024, to recover a revenue requirement
 - 5 of \$6,619,517 which includes a gross revenue deficiency of \$718,299 as detailed in the Revenue
 - 6 Requirement Workform and discussed in Exhibit 6. The associated distribution rate changes are
 - 7 detailed in Exhibit 8 as well as the Tariff Schedule and Bill Impacts.
 - 8 2. Approval of the Distribution System Plan as outlined in Appendix 2 (C) in Exhibit 2.
 - 9 3. Approval to adjust the Retail Transmission Rates (Network and Connection) as detailed in the
 - 10 RTSR Workform.
 - 11 4. Approval of Low Voltage rates as detailed in the RTSR Workform.
 - 12 5. Approval to continue to charge Wholesale Market (including CBR) and Rural Rate Protection
 - 13 Charges as directed by the Board.
 - 14 6. Approval of MicroFIT, Standard Supply Charge, and Smart Meter Entity Charge as directed by
 - 15 the Board.
 - 16 7. Approval to continue the transformer allowance.
 - 17 8. Approval to increase the Revenue Offsets to account for the difference in pole attachment rates
 - 18 since 2016 Board Approved. This should effectively eliminate the need for a deferral and
 - 19 variance account as WDI will continue to bill the province-wide generic pole attachment rate.
 - 20 9. Approval to adjust Deferral and Variance Account disposition amounts as presented in the 2024
 - 21 DVA Continuity Schedule and Exhibit 9 in the form of rate riders over one year.
 - 22 10. Approval of a new 1595 Account – Rate Rider for Disposition of Deferral/Variance Accounts
 - 23 (2022) – Effective until April 30, 2025, as detailed in Exhibit 9.
 - 24 11. Approval of revised total loss factor as detailed in Exhibit 8.

25

26 **2.1.2.12 Materiality Threshold**

27 WDI has used \$10,000 as a materiality threshold as per the Chapter 2 Filing Requirements, 2.0.8

28 Materiality Thresholds states “for distributors with fewer than 30,000 customers: \$10,000 for a

29 distributor with a distribution base revenue requirement less than or equal to \$10 million.”

1 **2.1.3 Distribution System Overview**

2
3 WDI’s service area is almost entirely contained within the municipal boundaries of the Town of
4 Wasaga Beach. The area is embedded within the service territory of Hydro One Networks Inc. (See
5 Figure 1.3.)

6
7 WDI distributes electricity to the Town of Wasaga Beach through a 44kV sub transmission system
8 network with six (6) 44kV to 8.32kV municipal substations. The majority of customers are fed via
9 8.32kV distribution system which is comprised of 21 looped feeders. WDI does not host any utilities
10 and has a licensed service area of 61 square kilometres.

11
12 Being an embedded utility, WDI is supplied power via three (3) feeders from Hydro One’s Stayner
13 Transformer Station. WDI does not have any embedded distributors within its territory, nor does it own
14 any transmission or high voltage assets.

15
16 WDI’s distribution system is comprised of 265 kilometers of conductor, both overhead and
17 underground. The electrical power distribution system has more than 1,400 distribution transformers,
18 and approximately 5,500 poles in service, fed from six owned, and one shared distribution stations.
19 WDI serves electricity to approximately 15,000 residential and commercial customers in the Town of
20 Wasaga Beach. Wasaga Beach is a growing municipality with over 25,000 residents and several
21 residential development projects underway and being planned over the next several years.

1

Figure 1.3: WDI Service Area



2

1 **2.1.4 Application Summary and Business Plan**

2
3
4 Wasaga Distribution Inc.'s (WDI) Business Plan and Strategic Plan are approved at the HoldCo.,
5 Geosands Inc., level. A copy of the Business Plan and Strategic Plan can be found in Appendices 1
6 (A) and 1 (B) respectively. In addition, highlights pertaining to WDI are summarized below.

7
8 **2.1.4.1.1 Mission, Vision, and Values**

9 WDI's Mission, Vision, and Values can be found on WDI's website. These are important components
10 of WDI's strategic framework and together provide clarity, direction, and a sense of purpose for the
11 organization.

12
13 **Mission Statement**

14 To provide our customers with excellent products and services in a competitive, safe, reliable, and
15 efficient manner, while always recognising our community and environmental responsibilities. To
16 operate a distribution network that supports Ontario's energy future by delivering obligations
17 mandated by the Ontario Government and other regulatory agencies.

18
19 **Vision Statement**

20 A growth-oriented, community-focused organisation that is a leader in Ontario's energy sector.

21
22 **Values**

- 23
24
 - 25 • A positive work environment: dedicated to creating a supportive environment for all
26 employees, including Board members, in a climate of respect, honesty, and trust. We
27 encourage staff to exchange ideas, be innovative, and practice a healthy work-life balance.
 - 28 • A safe work environment: committed to ensuring that all employees work in a safe environment
29 that meets all current and environmental standards.
 - 30 • Excellence: devoted to enhancing the quality of our services, products, and practices through
 continuous improvement and innovation.

- 1 • Risk management: determined to pursue innovation and long-term sustainable growth while
- 2 acknowledging and addressing relevant risks.
- 3 • Partnerships: dedicated to creating and nurturing collaborative relationships to support the
- 4 organisation's goals.
- 5 • Customer-focused: committed to helping our customers by listening to their needs, working
- 6 hard to meet their expectations, and valuing all our customer interactions.

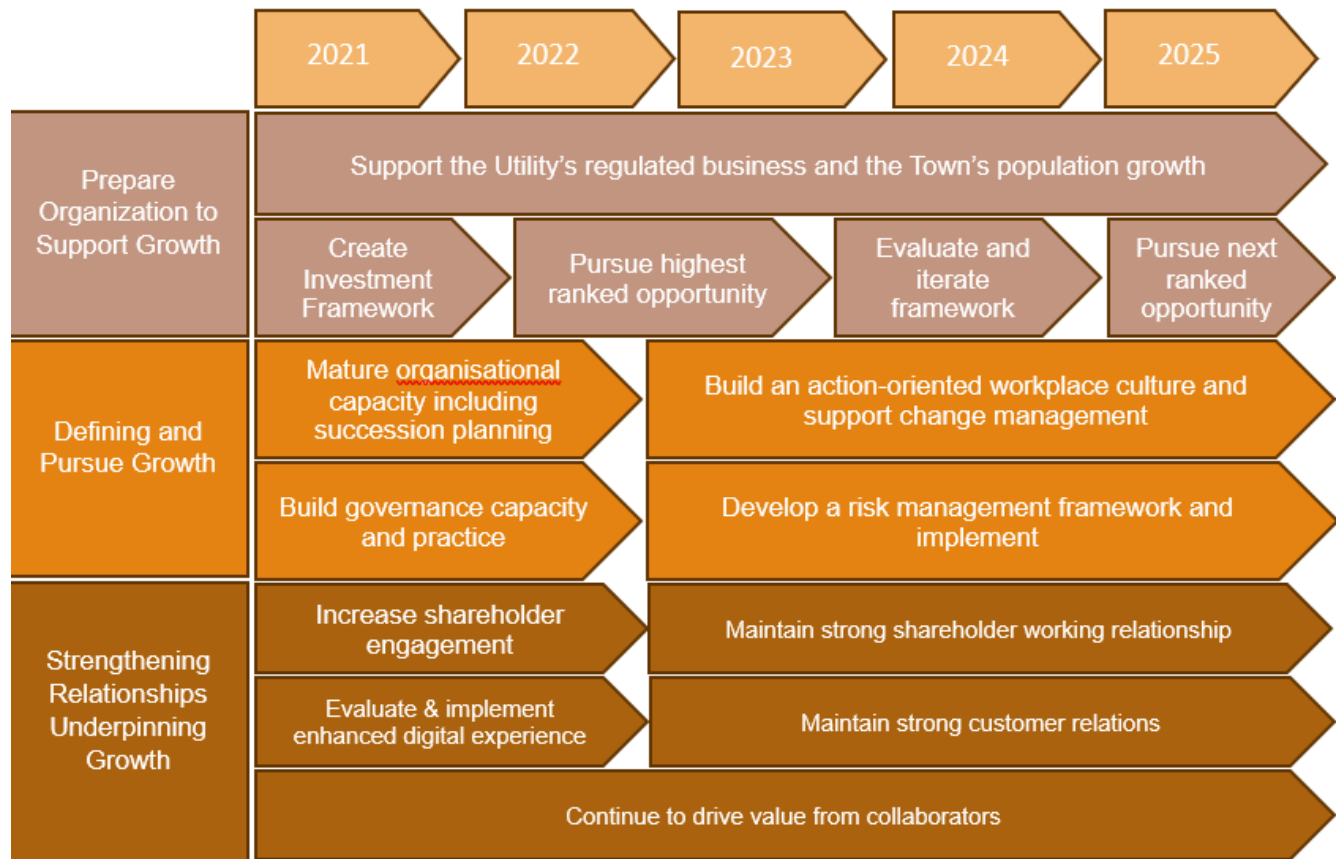
7

8 2.1.4.1.2 Strategic Priorities and Goals

9 **Strategic Priorities and Goals**

10 Outlined as part of the strategic framework are three main priorities that support the overall
11 implementation of the strategic plan. The priorities and associated goals to each priority are identified
12 in Figure 1.4 below. The Figure has been modified from Geosands Strategic Plan to only display
13 strategic goals and priorities pertaining to WDI.

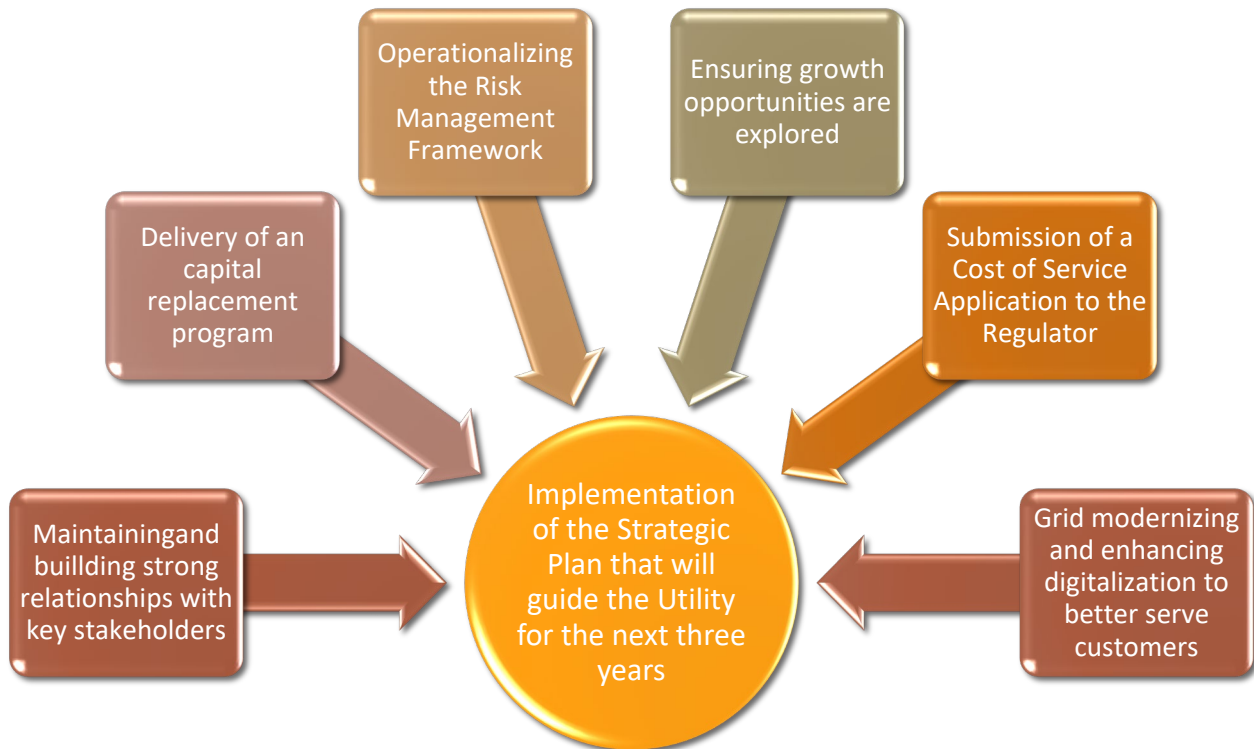
1 **Figure 1.4: Strategic Priorities**



2
 3
 4 **2.1.4.1.3 Main Objectives 2023 – 2025**
 5 The business plan addresses and outlines the main objectives currently approved by the Board of
 6 Directors for 2023-2025. These key objectives are illustrated in Figure 1.5 below.

1

Figure 1.5: Key Objectives 2023-2025



2

3 **2.1.4.2 Application Summary**

4 This section is devoted to defining each element of WDI's 2024 COS, explaining how each element
 5 is computed and explaining the relationship between the various components. The major components
 6 covered in this summary are as follows:

7

- 8 • Revenue Requirement
- 9 • Load Forecast
- 10 • Rate Base and Distribution System Plan
- 11 • Operations, Maintenance and Administration Expense
- 12 • Cost of Capital
- 13 • Cost Allocation and Rate Design
- 14 • Deferral and Variance Accounts

- Bill Impacts

2.1.4.2.A Revenue Requirement

WDI requests a Service Revenue Requirement for the 2024 Test Year of \$6,619,518 which provides recovery for the following:

- Operations, Maintenance, and Administrative Expenses
- Property Taxes
- Depreciation/Amortization Expenses
- Return on Rate Base (Debt Interest Expense + Return on Equity)
- Grossed up PILs
-

The 2024 Service Revenue Requirement represents an increase of \$2,156,896 or 48.33% over the 2016 Board Approved amount of \$4,462,621. Table 1.1 below shows a comparison of the 2016 Board Approved Revenue Requirement versus the 2024 Test Year proposed Revenue Requirement.

Table 1.1: Proposed Revenue Requirement Compared to Last Board Approved

Particulars	2016 Board Approved	2024 Test Year	Variance \$	Variance %
OM&A Expenses	3,003,789	3,979,353	975,564	32.48%
Depreciation Expense	546,169	919,029	372,860	68.27%
Property Taxes	28,000	35,696	7,696	27.49%
Total Distribution Expenses	3,577,958	4,934,078	1,356,120	37.90%
Regulated Return on Capital	839,705	1,539,222	699,517	83.31%
Grossed up PILs	44,957	146,217	101,260	225.30%
Service Revenue Requirement	4,462,621	6,619,518	2,156,896	48.33%
Less: Revenue Offsets	(474,377)	(616,317)	(141,940)	29.92%
Base Revenue Requirement	3,988,244	6,003,201	2,014,956	50.52%

The main drivers of the Revenue Requirement increase for the 2024 Test Year are as follows:

- An increase in OM&A expenses of \$975K due mainly because of:

- 1 ○ Significant inflationary increases
- 2 ○ Increase in cost due to growth
- 3 ○ A net increase of 5.68 FTE from 2016 – 2024
- 4 • An increase of \$373K in Depreciation expense resulting from net increases in rate base of
- 5 \$10M over the 2016 Board Approved.
- 6 • An increase in Return on Capital of \$700K because of significant increase of in-service capital
- 7 additions since 2020 to support the growth in WDI's service territory.
- 8 • Increase in PILS of \$101K arising from removal of the small business tax deduction, which
- 9 WDI is not eligible for.

10

11 These drivers are further explained in their respective Exhibits.

12

13 WDI's 2024 Test Year presents a notable gross revenue deficiency of \$718,299 given the current
14 rates. The computation of the revenue deficiency is set out in Exhibit 6, section 2.6.1.5. WDI seeks
15 the OEB's approval to revise its electricity distribution rates. The rates proposed to recover WDI's
16 projected revenue requirement and other relief are set out in Exhibit 8, section 2.8.9 Tariff of Rates
17 and Charges.

18

19 **2.1.4.2.B Load Forecast**

20 The load and customer forecast presented in Exhibit 3 presents the process used by WDI to prepare
21 the weather-normalized load and customer/connection forecast used to design the proposed 2024
22 electricity distribution rates.

23

24 WDI used the same regression analysis methodology approved by the Board in WDI's 2016 COS
25 Application. Based on the Board's approval of this methodology in WDI's last COS Application and
26 the OEB's approval of this same method in recent COS Applications of other applicants, WDI has
27 provided a load forecasting methodology that is reasonable for the purpose of this Application.

28

29 The 2024 load and customer forecast are presented in the following tables. Exhibit 3 presents further
30 explanations and a variance analysis of the load and customer forecast.

1 **Table 1.2: Proposed Customers/Connections Compared to Last Board Approved**

Customer Class	2016 Board Approved	2024 Test Year	Variance	Variance %
Residential	12,472	14,408	1,936	16%
GS < 50kW	789	858	69	9%
GS > 50kW to 4999kW	38	37	(1)	(3%)
Unmetered Scattered Load	40	48	8	20%
Streetlighting	2,819	3,245	426	15%
Total	16,158	18,596	2,438	15%

2

3 **Table 1.3: Proposed Consumption (kWh) Compared to Last Board Approved**

Customer Class	2016 Board Approved	2024 Test Year	Variance	Variance %
Residential	88,424,733	108,847,740	20,423,007	23%
GS < 50kW	17,097,027	19,131,278	2,034,251	12%
GS > 50kW to 4999kW	20,766,402	21,413,259	646,857	3%
Unmetered Scattered Load	221,022	215,972	(5,050)	(2%)
Streetlighting	611,199	820,413	209,214	34%
Total	127,120,383	150,428,663	23,308,279	18%

4

5 **Table 1.4: Proposed Demand (kW) Compared to Last Board Approved**

Customer Class	2016 Board Approved	2024 Test Year	Variance	Variance %
GS > 50kW to 4999kW	51,768	52,075	307	1%
Streetlighting	1,802	2,424	622	35%
Total	53,570	54,499	929	2%

6

7 **2.1.4.2.C Rate Base and Distribution System Plan**

8 Rate base is a proxy for the total capital (debt and equity) that WDI needs to fund its investments. The
 9 rate base underlying WDI's revenue requirement includes a forecast of net fixed assets, plus a
 10 working capital allowance defined as 7.5% of the sum of the cost of power and controllable expenses.

1 Controllable expenses include operations and maintenance, billing and collecting, and administrative
2 expenses.

3
4 WDI's proposed rate base for the 2024 Test Year is \$24,746,197. The increase over the past eight
5 years is the result of prudent and reasonable investment in the distribution assets and is necessary
6 to meet WDI's asset management obligations in order to meet regulatory requirements such as
7 electrical safety standards.

8
9 Table 1.5 below shows the derivation of the proposed 2024 Test Year rate base. This increase
10 represents an average annual increase of \$1,301,728 from 2016 to 2024. Further details can be found
11 in Exhibit 2.

12
13 **Table 1.5: Proposed Rate Base Compared to Last Board Approved**

Particulars	2016 Board Approved	2024 Test Year	Variance \$	Variance %
Net Capital Assets in Service				
Opening Balance	12,013,060	21,779,585	9,766,525	81.30%
Ending Balance	12,718,688	24,187,319	11,468,631	90.17%
Average Balance	12,365,874	22,983,452	10,617,578	85.86%
Working Capital Allowance	1,966,498	1,762,745	(203,753)	(10.36%)
Total Rate Base	14,332,372	24,746,197	10,413,825	72.66%

14
15 Table 1.6 below shows the working capital allowance variances from the 2016 Board Approved to the
16 2024 Test Year.



1 **Table 1.6: Proposed Working Capital Allowance Compared to Last Board Approved**

Expenses for Working Capital	2016 Board Approved	2024 Test Year	Variance \$	Variance %
Eligible Distribution Expenses				
3500-Distribution Expenses - Operations	77,011	63,011	(14,000)	(18.18%)
3550-Distribution Expenses - Maintenance	795,181	1,017,951	222,770	28.02%
3650-Billing and Collecting	1,027,236	1,207,141	179,905	17.51%
3700-Community Relations	17,803	19,885	2,082	11.69%
3800-Administrative and General Expenses	1,081,583	1,664,194	582,611	53.87%
6105-Taxes other than Income Taxes	28,000	35,696	7,696	27.49%
6205-Sub-account LEAP Funding	4,976	7,170	2,194	44.09%
Total Eligible Distribution Expenses	3,031,790	4,015,049	983,258	32.43%
3350-Power Supply Expenses	17,199,671	19,488,212	2,288,541	13.31%
Total Expenses for Working Capital	20,231,461	23,503,261	3,271,800	16.17%
Working Capital Factor	9.72%	7.50%	(2.22%)	(22.84%)
Total Working Capital Allowance	1,966,498	1,762,745	(203,753)	(10.36%)

2
 3 As described in the Distribution System Plan (DSP), WDI’s capital expenditures are a result of a few
 4 identifiable “projects” to be reported on. The major contributors to the increase in Rate Base are grid
 5 expansion (a new municipal station in 2022), replacing distribution assets (primarily poles and
 6 conductor) that are deemed obsolete, and modernising the grid. Business cases and details of these
 7 capital expenses are presented in the DSP in Exhibit 2. A capital expenditure summary is shown
 8 below in Table 1.7.

1 **Table 1.7: Proposed Capital Expenditure Summary Compared to Last Board Approved**

Investment Category	2016 Board Approved	2024 Test Year	Variance \$	Variance %
System Access	1,051,605	4,896,480	3,844,875	366%
System Renewal	650,000	1,916,242	1,266,242	195%
System Service	10,000	500,000	490,000	4900%
General Plant	30,000	25,000	(5,000)	(17%)
Total Expenditure	1,741,605	7,337,722	5,596,117	321%
Capital Contributions	(437,855)	(3,985,958)	(3,548,103)	810%
Net Capital Expenditures	1,303,750	3,351,764	2,048,014	157%

2

3 The capital projects being proposed for the Test Year will address the following items:

4

- 5 • Responding to customer growth
- 6 • Aging and very poor condition infrastructure
- 7 • Ensuring the safety and reliability of the system
- 8 • Address customer expectations

9

10 Key capital projects in 2024 include:

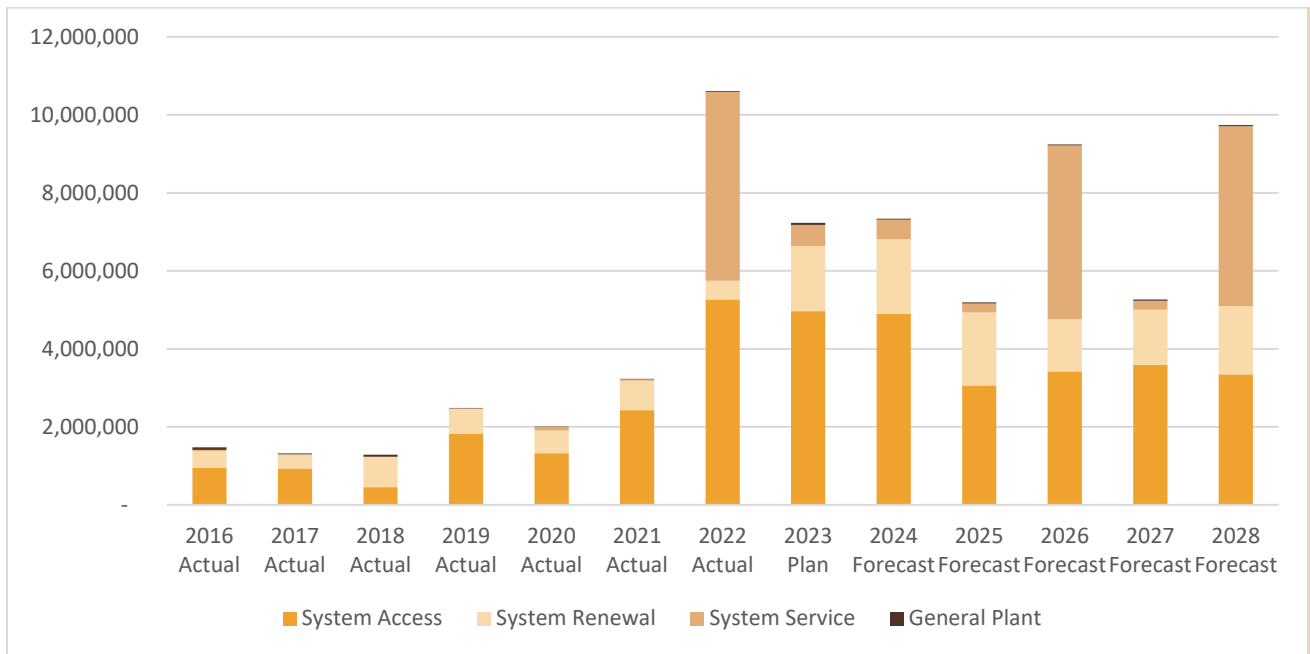
11

- 12 • Customer Growth and Expansion: The ongoing development of the Town of Wasaga Beach propels the need for new customer connections. This includes projects like site redevelopment, subdivisions, and establishing fresh connections to accommodate the
- 13 redevelopment, subdivisions, and establishing fresh connections to accommodate the
- 14 evolving urban landscape.
- 15
- 16 • High-Performance Risks: overhead line rebuilds. Historical investments were focused on
- 17 scattered asset replacements. Forecast investments will target specific pole line segments
- 18 requiring a complete rebuild (poles, conductors, transformers, etc.). This approach aims to
- 19 harness the benefits of simultaneously replacing multiple obsolete assets, such as cost
- 20 savings, operational efficiencies, and opportunities to enhance asset capabilities.

- 1 • System Service projects will include sustained investments in grid technologies, including the
 2 GIS; investments in SCADA equipment, grid technology enhancements including fault
 3 indicators.
- 4 • Investments in specialized racking systems to maximize the use of WDI’s available space and
 5 streamline its inventory management processes.

6
 7 Additional information on the 2024 capital plan can be found in the Exhibit 2, DSP, section 5.4.1.3.
 8 The chart below provides the actual and proposed capital expenditures from 2016-2028.

9
 10 **Figure 1.6: Capital Expenditures (2016-2028)**



11
 12 *Note: the above table does not include contributed capital

13
 14 WDI has experienced significant growth in its territory since 2019, which is anticipated to continue for
 15 the duration of the DSP. As a result of the growth, a new municipal station was built and energised in
 16 2022. Additional municipal stations are forecasted to be required in 2026 and 2028 to support this
 17 growth.

1 In addition, WDI is focusing on high-performance risks through the replacement of old pole-lines and
 2 replacement of “restricted conductors.” Prior to 2022, historical investments were focused on
 3 scattered asset replacements. Forecasted investments will target specific pole line segments
 4 requiring a complete rebuild (poles, conductor, transformers, etc.). This approach aims to harness the
 5 benefits of simultaneously replacing multiple obsolete assets, such as cost savings and operational
 6 efficiencies.

7

8 **2.1.4.2.D Operations, Maintenance and Administration (OM&A) Expense**

9 WDI is seeking an OM&A (annual operating cost recovery) of \$3,979,353 for its 2024 Test Year. The
 10 increase of OM&A compared to the 2016 Board Approved is shown below.

11

12

Table 1.8: Proposed OM&A vs. Last Board Approved

	2016 Board Approved	2024 Test Year	Variance \$	Variance %
Operations	77,011	63,011	(14,000)	(18.18%)
Maintenance	795,181	1,017,951	222,770	28.02%
Billing and Collecting	1,027,236	1,207,141	179,905	17.51%
Community Relations	17,803	19,885	2,082	11.70%
Administrative and General (incl. LEAP)	1,086,558	1,671,364	584,806	53.82%
Total OM&A Expenses	3,003,789	3,979,353	975,564	32.48%

13

14 The increase of \$975,564, represents an annualized increase over the past eight years of \$121,945,
 15 which is in line with the CPI over this period. Additional personnel were required to adequately
 16 maintain and sustain the utility’s operations, as well as higher than normal inflationary impacts and a
 17 significant cost in materials due to lack of supply since the COVID-19 pandemic.

18

19 WDI has strived to keep its costs low to minimize rate impacts to its customers. As shown in Table
 20 1.9 below, CPI increases over the eight-year duration accumulate to 28.63%, and compound to
 21 32.40% while WDI maintained a low OM&A cost per customer at only a 14.26% increase over the
 22 same timeframe, as depicted in Table 1.10.

1 **Table 1.9: 2016-2022 CPI & 2023-2024 OEB Approved Inflationary Increases**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Ontario CPI	2.35%	1.83%	1.50%	2.07%	1.09%	5.66%	5.63%	3.70%	4.80%	28.63%
Compounded Growth Rate	2.35%	4.22%	5.79%	7.98%	9.15%	15.33%	21.82%	26.33%	32.40%	32.40%

2
 3 **Table 1.10: 2024 Test Year OM&A per Customer Compared to Last Board Approved**

	2016 Board Approved	2024 Test Year	Variance \$	Variance %
OM&A per Customer	\$225	\$257	\$32	14.26%

4
 5 Further benchmarking results can be found below in Section 2.1.6 Performance Measurements and
 6 explained further in Exhibit 4 to further illustrate WDI’s commitment to operational excellence.

7
 8 **2.1.4.2.E Cost of Capital**

9 WDI’s 2024 Test Year cost of capital has been calculated as 6.22% In calculating the cost of capital,
 10 WDI has used the OEB’s deemed capital structure of 56% long-term debt, 4% short-term debt, and
 11 40% equity, and the most recent published allowable return on equity (ROE) rate of 9.36% per the
 12 OEB’s prescribed Cost of Capital Parameters published for the 2023 Cost of Service Applications.
 13 For short-term and long-term debt, WDI has used the following rates:

- 14
 15 • Short-term Debt: 4.79% (OEB January 1, 2023, deemed short-term rate)
 16 • Long-term Debt: 4.08% (calculated as per OEB Appendix 2-OB_Debt Instruments)

17
 18 Table 1.11 below depicts WDI’s calculation of its Cost of Capital.

1

Table 1.11: 2024 Cost of Capital

Particulars	Capitalization Ratio		Cost Rate	Return
	%	\$	%	\$
Debt				
Long-term Debt	56.0%	13,857,870	4.08%	565,311
Short-term Debt	4.0%	989,848	4.79%	47,414
Total Debt	60.0%	14,847,718	4.13%	612,724
Equity				
Common Equity	40.0%	9,898,479	9.36%	926,498
Preferred Shares	0.0%	-	-	-
Total Equity	40.0%	9,898,479	9.36%	926,498
Total	100.0%	24,746,197	6.22%	1,539,222

2

3 Further detailed analysis on Cost of Capital and Capital Structure is provided in Exhibit 5.

4

5 **2.1.4.2.F Cost Allocation and Rate Design**

6 **Cost Allocation**

7 The main objective of WDI’s Cost Allocation study is to prevent cross-subsidization among the
 8 different rate classifications. WDI is filing a cost allocation model consistent with the directions,
 9 guidelines, model, and instructions issued by the Board in November of 2006 and all subsequent
 10 updates.

11

12 WDI has prepared a Cost Allocation study for the 2024 Test Year. The 2024 Test Year costs have
 13 been allocated to the various rate classes using the 2024 Test Year load forecast (kW and kWh), by
 14 class, and by customer counts.

15

16 WDI has applied the same methodology as used in its 2016 Cost of Service rate application for
 17 adjusting revenue-to-cost ratio to be within the Board’s expected tolerance.

18

1 Table 1.12 provides WDI’s OEB approved revenue-to-cost ratios from its 2016 COS Application, the
2 results of the 2024 Test Year Cost Allocation Model and WDI’s proposed 2024 Test Year revenue-to-
3 cost ratios.

4
5

Table 1.12: Revenue-to-Cost Ratios

Customer Class Name	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
Residential	100.29%	101.04%	101.04%	85 - 115
GS < 50	95.04%	94.72%	94.72%	80 - 120
GS > 50	100.54%	91.65%	91.65%	80 - 120
Streetlight	119.99%	118.50%	118.50%	80 - 120
USL	94.84%	94.64%	94.64%	80 - 120

6
7

A detailed analysis on the Cost Allocation study is provided in Exhibit 7.

8
9

Rate Design

10 On April 2, 2015, the Ontario Energy Board (OEB) issued a new design policy, “A New Distribution
11 Rate Design for Residential Electricity Customers,” declaring that electricity distributors will structure
12 residential rates so that all the costs for distribution services are collected through a fixed monthly
13 charge, rather than a blend of fixed and variable charges. This new policy would be implemented over
14 several years to manage any customer bill impacts. Furthermore, on July 16, 2016, the OEB issued
15 a letter outlining the implementation approach that LDCs are to follow in transitioning towards a 100%
16 fixed monthly charge for residential consumers.

17

18 As per the OEB’s policy, WDI began the process of transitioning to a 100% fixed monthly charge for
19 its residential customers in 2016. WDI completed the transition in 2018 and, as noted in the Decision
20 and Rate Order EB-2018-0073, the OEB confirmed that WDI has transitioned to fully fixed rates for
21 residential customers.

22

1 Through this Application, WDI is proposing to maintain a 100% fixed monthly charge for its residential
 2 customers to continue adherence to Board’s policy.
 3 Table 1.13 below shows WDI’s existing rates in comparison to proposed 2024 rates.

4
 5 **Table 1.13: Existing Rates Compared to Proposed Rates**

Customer Class	Billing Determinant	Existing 2023 Rates		Proposed 2024 Rates	
		Fixed	Variable	Fixed	Variable
Residential	kWh	\$ 25.63	\$ -	\$ 28.87	\$ -
GS <50 kW	kWh	\$ 17.26	\$ 0.0173	\$ 19.51	\$ 0.0195
GS 50 - 4999 kW	kW	\$ 39.48	\$ 5.9559	\$ 43.29	\$ 6.6757
Streetlighting	kW	\$ 1.84	\$ 1.1012	\$ 2.07	\$ 1.2398
Unmetered Scattered Load	kWh	\$ 4.97	\$ 0.0100	\$ 5.60	\$ 0.0113

6
 7 A detailed analysis on Rate Design is provided in Exhibit 8.

8
 9 **2.1.4.2.G Deferral and Variance Accounts**

10 WDI proposes to dispose of a net debit of \$529,215 related to Group 1 and Group 2 Deferral and
 11 Variance Accounts (DVA).

12
 13 WDI is requesting disposal of the Group 1 and Group 2 DVA balances over a one-year period.
 14 WDI has followed the OEB’s guidance as provided in the OEB’s Electricity Distributor’s Disposition of
 15 Variance Accounts Reporting Requirements Report. WDI is requesting disposition of the December
 16 31, 2022, principal, and interest balances, adjusted for approved dispositions in 2023 as well as
 17 projected interest to April 30, 2024. Table 1.14 below displays the total claim by account WDI is
 18 requesting.



1

Table 1.14: Total Claim by DVA Account

Account Description	USoA	Total Claim
Group 1 Accounts		
LV Variance Account	1550	305,071
Smart Metering Entity Charge Variance Account	1551	(43,935)
RSVA – Wholesale Market Service Charge	1580	358,422
Variance WMS – Sub-account CBR Class B	1580	(19,815)
RSVA – Retail Transmission Network Charge	1584	145,138
RSVA – Retail Transmission Connection Charge	1586	97,960
RSVA – Power (excluding Global Adjustment)	1588	(21,000)
RSVA – Global Adjustment	1589	(29,041)
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	-
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	-
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	-
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	-
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	-
Group 1 Total (Including Account 1589)		792,800
Group 1 Total (Excluding Account 1589)		821,841
Group 2 Accounts		
Other Regulatory Assets, Energy East	1508	1,207
Other Regulatory Assets, OEB Cost Assessment	1508	240,940
Pole Attachment Variance	1508	(520,022)
Customer Choice Initiative	1508	16,134
Covid-19 Revenues from Postponing Rates	1509	(1,845)
Group 2 Total		(263,585)
Group 1 & 2 Total		529,215

2

3 WDI is requesting new DVA's with this application. These new accounts include:

4

- 1 • **Account 1595 – Disposition and Recovery/Refund of Regulatory Balances 2024 –**
 2 Effective until April 30, 2025. Upon approval of disposition, WDI is requesting Board approval
 3 to establish Account 1595 – Disposition and Recovery/Refund of Regulatory Balances 2024
 4 to track costs, revenues and interest for amounts disposed of in this COS proceeding.
- 5 • **Account 1595 – Recovery of GA Rider 2024 –** Effective until April 30, 2025. Upon approval
 6 of disposition, WDI is requesting Board approval to establish Account 1595 – Recovery of GA
 7 Rider 2024 to track costs, revenues and interest for amounts disposed of in this COS
 8 proceeding.

9
 10 WDI is also requesting the continuance/discontinuance of the following Group 2 Accounts outlined in
 11 Table 1.15 below.

12
 13 **Table 1.15: Group 2 Continuance/Discontinuance**

Description	USoA	Continue/ Discontinue	Explanation
Energy East	1508	Discontinue	No activity
OEB Cost Assessment	1508	Continue	Ongoing until December 31, 2023. For 2024, WDI has proposed that the current cost of Cost Assessments are built into the Revenue Requirement and proposes to continue tracking variances in 2024 and beyond.
Pole Attachment Variance	1508	Continue	Same as above
Customer Choice	1508	Discontinue	No activity
Covid-19 Revenues from Postponing Rates	1509	Discontinue	No activity

14

15 A detailed analysis on Deferral and Variance Accounts is provided in Exhibit 9.

1 **2.1.4.2.H Bill Impacts**

2 In preparing this Application, WDI has considered the impacts on its customers in conjunction to
 3 managing the requirements of the distribution system and preparing for system expansion.
 4 Monthly customer impacts, including the average percentage Total Bill Impact for the 2024 Test Year
 5 are presented in the following table.

6
 7 **Table 1.16: Bill Impacts by Rate Class**

Rate Class	Usage		Current	Proposed	Variance	Variance
	kWh	kW	Total Bill	Total Bill	\$	%
Residential (RPP)	750		127.73	130.90	3.17	2.48%
Residential (non-RPP)	750		129.98	134.36	4.38	3.37%
GS <50 kW (RPP)	2,000		318.86	327.10	8.24	2.59%
GS 50 - 4999 kW	170,000	300	26,630.42	27,165.03	534.61	2.01%
Streetlighting	4,200	125	8,397.52	8,945.11	547.59	6.52%
Unmetered Scattered Load	750		41.03	42.29	1.26	3.07%

8
 9 The impacts above also include rate rider disposition of the significant balances owed to ratepayers
 10 that have accumulated in certain variance accounts.

11
 12 Further detailed analysis on Bill Impact information is presented in Exhibit 8.

1 **2.1.5 Customer Engagement**

2
3 WDI’s commitment to its customers is at the core of its mission, striving for a balance between
4 reliability, affordable service, and financial stability. This commitment is embedded in its small-town
5 values, where a close-knit community is the root of the organization. The team seamlessly integrates
6 into the fabric of Wasaga Beach’s daily life, often extending interactions beyond the confines of regular
7 business hours. The team is involved in local gatherings and community events. This close connection
8 allows WDI to better understand and meet the needs and expectations of its customers.

9
10 In the growing community of Wasaga Beach, WDI recognizes the importance of this growth. WDI has
11 been and remains focused on the future, as well as maintaining and improving its distribution system
12 in order to continue to deliver the affordable and reliable service that customers have come to expect.
13 The support WDI receives from the Wasaga Beach community fosters a welcoming environment
14 where customers feel comfortable approaching WDI. They appreciate WDI’s knowledge and steadfast
15 commitment to their needs. This dynamic customer engagement aligns WDI’s plans and operations
16 perfectly with the community’s ever-evolving requirements.

17
18 The initiatives undertaken to maintain and improve its level of customer engagement, and support,
19 are discussed below.

20

21 **2.1.5.1 Customer Surveys**

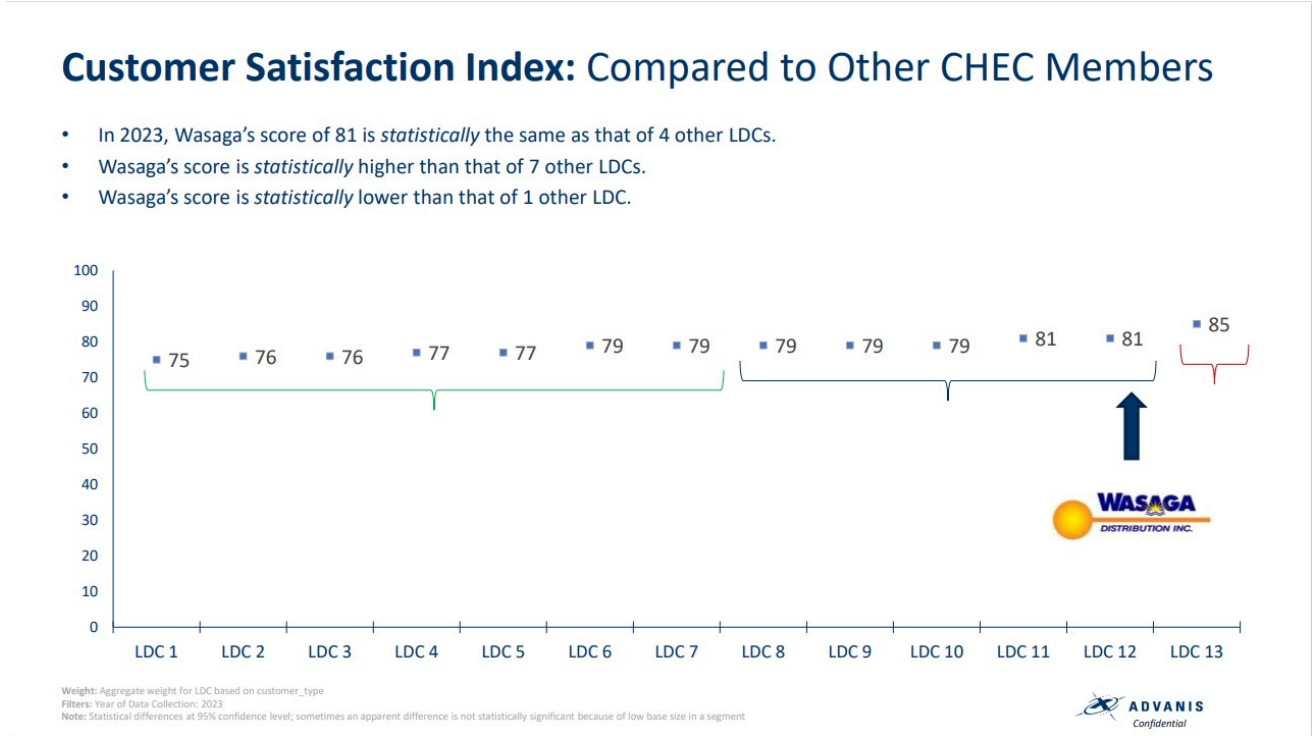
22 **Customer Satisfaction Survey**

23 Every two years, WDI conducts a customer satisfaction survey. In March 2023, Advanis was retained
24 to conduct its most recent survey with WDI’s residential and GS<50 classes. The survey is comprised
25 of 402 randomly selected customers, with 97% of them being residential and 3% being GS<50. The
26 survey asked customers questions on a wide range of topics, including: (a) power quality and
27 reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service
28 experience. The results were compiled into a final report outlining the overall customer satisfaction
29 within the community. These results were then used to support internal discussions surrounding what
30 is currently being done well as well as to identify areas of improvement. Figure 1.7 below shows how

1 WDI ranked in overall customer satisfaction compared to our Cornerstone Hydro Electric Concepts
 2 (CHEC) group of utility peers. The complete report is provided in Appendix 1 (C).

3
 4

Figure 1.7: 2023 Customer Satisfaction Index



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 14

Electrical Safety Authority (ESA) Survey

Every two years, WDI also conducts an ESA survey. In March 2022, Redhead Media Solutions Inc. were retained to conduct its most recent survey of 400 randomly selected customers. The objective of the survey is to provide an ESA index score for WDI. This is a calculated aggregate value based on the responses of individuals to six core measures in the survey instrument. WDI’s 2022 ESA score was 84.1%, which was 0.3% higher than the average of the participating CHEC utilities it was compared against. The complete survey is provided in Appendix 1 (D).

Stakeholder Engagement in Future Direction of the Utility

As part of WDI’s 2021-2026 Strategic Plan “Growing Together”, the Utility engaged various stakeholders including Staff, Board Members, Council Members, Residents, and Business Owners in

1 the Town of Wasaga Beach. The purpose of this engagement process was to ensure that WDI's
2 Strategic Plan reflected the opinions and priorities of these various stakeholders. In total, 816
3 stakeholders were consulted through in-person interviews, staff focus groups, board workshops,
4 written responses, and online survey responses.

5
6 As the Utility developed its areas of strategic focus, there was a need to better understand what the
7 key stakeholders and customers considered valuable growth opportunities that would drive
8 meaningful change for the community. Throughout this engagement we sought to answer the
9 following questions:

- 10
- 11 • What should be WDI's (and its subsidiaries) areas of strategic focus?
 - 12 • How should WDI position itself to pursue growth?
 - 13 • What is meaningful to WDI's key stakeholders and the Town of Wasaga Beach community at
14 large?
 - 15 • Are there areas that WDI (and its subsidiaries) could invest in to support growth, and how
16 should we prioritize those opportunities?
- 17

18 All methods of outreach were very successful, and some of the major findings included the following:

19

- 20 • The vast majority of respondents reaffirmed customers' support of WDI and were supportive of
21 the organization pursuing growth opportunities as long as they do not sacrifice the existing
22 qualities of reliability of service, customer service, and affordability.
 - 23 • Over 90% of survey respondents were satisfied with WDI's services, and over 80% of
24 respondents were supportive of growth opportunities that do not impact rates, including
25 community investments, electricity distribution, and customer service improvements.
 - 26 • All respondents across the stakeholder groups were proud that WDI has earned this reputation,
27 and customers associate this quality of service with a personal, "smaller town" approach to
28 business.
- 29

30 The complete report of the Strategic Plan's stakeholder engagement results is included in Appendix
31 1 (B).

1 **2.1.5.2 Customer Accessibility**

2 **In-Office Customer Engagement**

3 WDI has knowledgeable and experienced staff that interacts with customers daily, recognizing that
4 social interaction is essential in building and maintaining strong customer relationships and providing
5 them with the support they need. This is especially true for our large senior population, who prefer in-
6 person interactions and support.

7
8 Our front desk and customer service department stands ready to assist with billing support and
9 address any questions or concerns our customers may have. In addition to walk-in services, we also
10 offer scheduled appointments to ensure customers have access to the support and assistance they
11 rely on.

12
13 Finally, our engineering department is on hand and ready to assist customers with technical issues
14 related to the distribution system, offering expertise and solutions to meet their needs.

15

16 **Publications**

17 In 2021, WDI began sending out a quarterly Newsletter to all of its customers. These Newsletters
18 provides updates in areas such as OEB regulatory policies, WDI's investments in its distribution
19 system, and revised electricity rates. They also provide valuable insights in areas such as electrical
20 safety awareness, energy-savings tips and strategies, and information on the production and
21 consumption of electricity. These Newsletters enhance the overall customer experience by ensuring
22 that customers remain well-informed and equipped to make informed decisions regarding their
23 electricity services.

24

25 **Financial Assistance Program**

26 WDI provides support through partnerships with the province's Low-Income Energy Assistance
27 Program (LEAP) and Ontario Energy Support Program (OESP). Both of these emergency financial
28 assistance programs are designed to help low-income customers who have difficulty making their
29 electric bill payments.

1 **2.1.5.3 Community Involvement**

2 **Annual Home & Garden Show**

3 Every year, WDI attends its local Home & Garden Show and displays an exhibit. The Show is an
4 opportunity for WDI to display its commitment to community involvement and express its gratitude for
5 all of its customer support. WDI seizes this opportunity to connect directly with its community by
6 fostering meaningful conversations and answering any questions our customers have regarding their
7 electricity services. By offering updates on service enhancements, sharing important information
8 about energy efficiency, and addressing customer inquiries, WDI strengthens its customer
9 relationships in a personal and effective manner.

10

11 **2.1.5.4 WDI Website Redesign**

12 In 2022, WDI launched an update on its website in order to provide its customers with a modernized
13 and innovative online experience. The main goal of the website was to enhance WDI's customer
14 engagement process with its customers. This was accomplished by offering easy-to-use and
15 informative features such as a Customer Connect Link, Application Forms, and Bill and Regulatory
16 Information and will allow WDI to integrate more seamlessly to meet customers changing needs. It also
17 included an Outage Management Map and informative information on WDI's Vegetation Management
18 cycles (including a map).

19

20 **2.1.5.5 Letters of Comment**

21 Over the years, WDI has received customer feedback in the form of phone calls, letters, and emails.
22 Most of this feedback was complementary and appreciative towards WDI and its staff.

23

24 This was particularly true in 2016 when a potential sale of WDI was being proposed. This proposal
25 resulted in overwhelming customer support for WDI.

26

27 Thousands of community members in the Town of Wasaga Beach became involved and
28 demonstrated their opposition to the sale of WDI. Over 4,200 "Keep Hydro Public" lawn signs were
29 distributed in the community and 8,000 signatures were collected from residents that opposed the
30 sale of WDI. Furthermore, residents attended council meetings and sent emails to Council to voice
31 their strong opposition to the sale of WDI.

1 In conclusion, WDI’s customer base convinced Council to retain WDI and ultimately led to a
2 unanimous vote by Council on July 7, 2017, to keep WDI as a town owned asset.

3

4 **2.1.5.6 Application-Specific Customer Engagement**

5 **Customer Priority Survey**

6 WDI conducted a customer priority survey in 2022. The purpose of this survey was to establish what
7 is most important to customers; allowing WDI to accurately plan for the future of its service territory,
8 make changes customers want to see, while ensuring WDI continues to provide safe, reliable,
9 affordable electricity distribution to its customers. The results of this survey were used during the COS
10 planning process, to ensure WDI was incorporating customer needs.

11

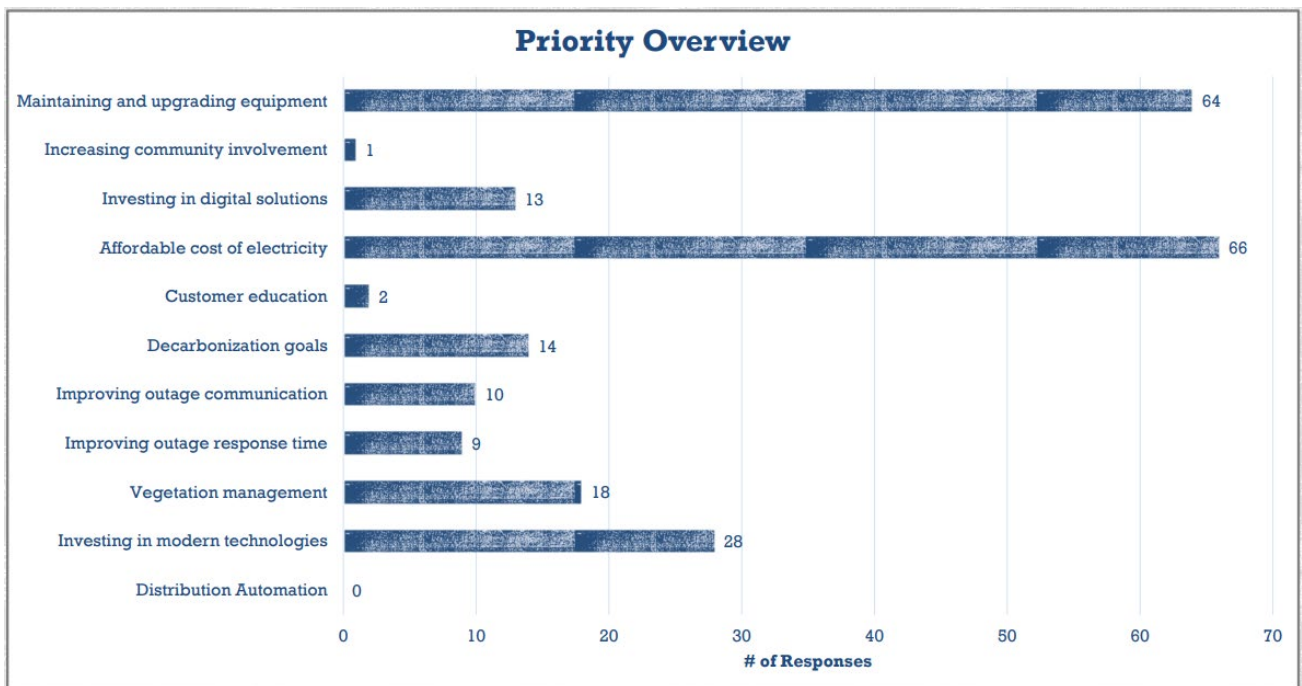
12 The survey focuses on planning for the future and provided eleven priorities that WDI deemed of
13 significance of which the customer is asked to pick three that they believe should be a priority. These
14 properties were:

15

- 16 • Maintaining and upgrading equipment to ensure a safe and reliable electricity supply
- 17 • Increasing community involvement
- 18 • Investing in digital solutions to enhance customer experience (i.e., outage notification, website,
19 online services, etc.)
- 20 • Affordable cost of electricity
- 21 • Improving communication from Wasaga Distribution when electricity outages occur
- 22 • Improving electricity outage response time
- 23 • Increasing vegetation management efforts (clearing trees and brush around powerlines for
24 increased safety and reliability)
- 25 • Improving customer education (i.e., on topics such as electrical safety, financial assistance
26 programs, energy conservation, etc.)
- 27 • Increase deployment of Distribution Automation
- 28 • Investing in systems to accommodate modern technologies (renewable energy generation,
29 electric vehicle (EV) charging stations, etc.)
- 30 • Supporting our customers and the government in meeting electrification and decarbonization
31 goals

1 After the customer has chosen three of these eleven areas as priorities, the survey then asks
 2 additional, more detailed questions about the areas the customer has chosen.
 3
 4 In total, 81 customers responded to this survey, all of whom were residential customers. Figure 1.8
 5 below outlines the priority overview of these customers; a complete report is provided in Appendix 1
 6 (E).

7 **Figure 1.8: 2023 Priority Overview**



8

1 **2.1.6 Performance Measurement**

2
3 A key tool in the Renewed Regulatory Framework (RRF) performance measurement toolkit is
4 benchmarking. In its Report of the Board – Renewed Regulatory Framework the OEB determined that
5 “expanded use of benchmarking will be necessary to support the Board’s renewed regulatory
6 framework policies.” This finding is affirmed in the Handbook for Utility Rate Applications, which
7 explains the OEB’s expectation for utilities “to provide benchmarking analysis which supports their
8 proposed plans and programs and demonstrate continuous improvement.”

9
10 Annually, the OEB issues an Electricity Distributor Yearbook (the Yearbook) that contains financial
11 and operational data for electricity distributors in Ontario. First launched in 2005, the Yearbook
12 provides a detailed look at the entire electricity distribution system in Ontario for a given calendar
13 year. The comprehensive data published in the yearbook presents an opportunity for distributors to
14 compare and benchmark both individual year-over-year performance as well as cross-sectional
15 performance to other LDC’s within a given year.

16
17 A key part of the OEB’s RRF is the electricity Utility Scorecard (the Scorecard). The Scorecard is a
18 mechanism which facilitates the OEB’s performance and distributor benchmarking. The Scorecard
19 contains five years of data and assesses a distributor’s effectiveness and improvement in achieving
20 the four performance outcomes of the RRF: Customer Focus, Operational Effectiveness, Public Policy
21 Responsiveness, and Financial Performance. As a key part of the RRF, the Scorecard enables the
22 OEB to align the needs of a sustainable, financially viable electricity sector with the expectations of
23 customers, who want reliable service at a reasonable price.

24
25 Along with the Scorecard, the OEB uses econometric benchmarking to assess the efficiency of
26 distributors in Ontario and to compare them to each other. Efficiency is determined using a model that
27 compares each actual total cost to average total costs predicted by the model. Utilities’ total costs are
28 evaluated to produce a single efficiency ranking. This is divided into five groups based on the
29 magnitude of the difference between each utility’s actual and predicted costs: Group 1 being the most
30 efficient and Group 5 being the least efficient.

31

1 The OEB also introduced program/activity level benchmarking to better support the assessment of
2 utility cost structures, the monitoring of utility performance, and the review of regulatory applications.
3 The OEB expects its expanded use and reliance on utility benchmarking at an activity level will
4 encourage continuous improvement in utility performance and result in more cost-effective delivery of
5 services valued by customers, a key objective of the RRF.

6
7 This Exhibit contains several pieces of benchmarking evidence, consistent with the information above,
8 which are intended to assist the OEB in evaluating WDI's performance and in assessing the proposals
9 set forth in the utility's capital and operational plans.

10

11 WDI has selected sample metrics from the following four areas for this exhibit:

12

- 13 1. WDI's year-over-year comparison using Scorecard metrics.
- 14 2. Comparison to provincial LDC and peer group average using metrics from the OEB's Annual
15 Yearbook.
- 16 3. Comparison to provincial LDC and peer group average using OEB's Pacific Economics Group
17 (PEG) Benchmarking Report.
- 18 4. Comparison to LDC provincial average using the OEB's Activity and Program-Based
19 Benchmarking (APB) information.

20

21 As discussed below, WDI is one of the top-ranking utilities across almost all metrics in the Yearbook,
22 PEG Benchmarking Report and APB metrics, and will strive to continue this pattern going forward.

23

24 **2.1.6.1 Scorecard Metrics**

25 The Distribution Scorecard is published every year by the OEB based on data submissions by LDCs.
26 The Scorecard tracks comprehensive performance information for each electric utility in Ontario over
27 a range of five years. This comprehensive performance information covers a range of 20 specific
28 measures within the following key areas:

29

- 30 • Customer Focus
- 31 • Operational Effectiveness

- 1 • Public Policy & Responsiveness
- 2 • Financial Performance

3
 4 The Scorecard encourages WDI to operate effectively and efficiently and continue to seek ways to
 5 improve performance and deliver value for customers. Table 1.17 below highlights WDI’s success in
 6 several of the Scorecard’s specific performance measures. WDI’s complete 2022 Scorecard along
 7 with the corresponding Management Discussion and Analysis (MD&A) can be found in Appendix 1
 8 (F).

10 **Table 1.17: Scorecard Metrics**

Measure	2018	2019	2020	2021	2022	5-Year Average
Appointments Met on Time	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SAIDI (Average Number of Hours Power to Customer is Interrupted)	0.78	1.39	2.86	1.23	0.48	1.35
Achieved ROE	9.38%	7.14%	6.72%	10.70%	10.85%	8.96%

11
 12 **Appointments Met on Time:** WDI has consistently met 100% of its appointments over the last five
 13 years and will strive to continue to do so in future years and continues to illustrate WDI commitment
 14 to serving its customers.

15
 16 **System Average Interruption Duration Index (SAIDI):** The average number of hours that the power
 17 to a customer is interrupted is a measure of system reliability or the ability of a system to perform its
 18 required function. WDI views the reliability of electrical service as a high priority for its customers and
 19 constantly monitors its system for signs of reliability degradation. WDI also regularly maintains its
 20 distribution system to ensure its level of reliability is kept as high as possible.

21
 22 **Achieved Return on Equity (ROE):** ROE measures the rate of return on shareholder equity. ROE
 23 demonstrates an organization’s profitability or how well a company uses its investments to generate
 24 earnings growth. WDI’s current distribution rates were approved by the OEB and include an expected
 25 (deemed) regulatory return of 9.19%. The OEB allows a distributor to earn within +/- 3% of the
 26 expected return on equity. This demonstrates WDI’s adherence to the approved distribution rates

1 within the allowable range set by the OEB over the last five years and showcases the company's
2 commitment to financial prudence. This prudent approach not only ensures profitability for
3 shareholders but also aligns with regulatory expectations, reinforcing the company's financial stability
4 and responsible management of shareholder equity.

5

6 **2.1.6.2 Yearbook Metrics**

7 Annually, the OEB issues an Electricity Distributor Yearbook that contains financial and operational
8 data for electricity distributors in Ontario. The comprehensive data published in the Yearbook presents
9 an opportunity for distributors to compare and benchmark both individual year-over-year performance,
10 as well as performance trends relative to other Ontario LDCs.

11

12 Using the Yearbook as a basis, the analysis below provides insight as to how WDI has performed in
13 key areas relative to its peer group and the province as a whole. These areas include OM&A per
14 customer, SAIDI and System Average Interruption Frequency Index (SAIFI) results, total net Property,
15 Plant, and Equipment (PP&E) expenditures, and net PP&E expenditures per customer. WDI has
16 chosen its peer group based on utilities with a similar sized customer base.

17

18 **OM&A per Customer**

19 The table below displays a year-over-year comparison of how WDI relates to its peer group and the
20 provincial average regarding OM&A per customer.

1

Table 1.18: OM&A per Customer

OM&A per Customer						
	2018	2019	2020	2021	2022	5-Year Growth
Peer Group Average	284.0	296.1	299.0	300.3	329.2	15.9%
Provincial Average	335.1	339.7	341.8	342.0	363.3	8.4%
Wasaga Distribution Inc.	234.3	250.0	248.2	210.8	225.6	(3.7%)
WASAGA DISTRIBUTION INC.						
Wasaga Distribution Inc.	234.3	250.0	248.2	210.8	225.6	(3.7%)
PEER GROUP (>10,000, <20,000 Customers)						
E.L.K. Energy Inc.	215.7	231.7	195.6	248.9	355.0	64.6%
EPCOR Electricity Distribution Ontario Inc.	279.2	366.1	339.2	313.9	335.6	20.2%
Grimsby Power Incorporated	297.7	276.6	307.1	305.9	335.6	12.7%
InnPower Corporation	323.7	312.3	332.2	334.7	348.8	7.8%
Lakefront Utilities Inc.	255.4	254.3	258.3	254.4	244.2	(4.4%)
Lakeland Power Distribution Ltd.	369.3	351.3	389.6	345.4	383.8	3.9%
Niagara-on-the-Lake Hydro Inc.	309.7	300.8	312.0	329.9	342.6	10.6%
Orangeville Hydro Limited	255.9	275.4	255.5	268.2	286.9	12.1%
Ottawa River Power Corporation	249.1	296.8	301.5	301.8	330.3	32.6%
Peer Group Average	284.0	296.1	299.0	300.3	329.2	15.9%

2

3 For the period of 2018 to 2022, WDI's five-year growth in OM&A per customer is significantly below
 4 its peer group and the provincial average. Furthermore, WDI's OM&A per customer has decreased
 5 since 2018 where its peer group and the provincial average both saw an increase over this period.
 6 This demonstrates WDI's commitment to operational efficiency and lean management in order to
 7 maximize customer value and minimize waste. WDI will continue to manage its expenses, in an
 8 effective manner in order to minimize its operating expenses.

9

10 **Reliability Comparison**

11 The tables below display a year-over-year comparison of how WDI relates to its peer group and the
 12 provincial average regarding SAIDI and SAIFI results from the past five years.

1

Table 1.19: SAIDI Results

SAIDI (Average Number of Hours that Power to a Customer is Interrupted)						
	2018	2019	2020	2021	2022	5-Year Average
Peer Group Average	1.25	2.27	2.25	1.85	1.44	1.81
Provincial Average	1.65	1.61	1.77	1.54	1.55	1.62
Wasaga Distribution Inc.	0.78	1.39	2.86	1.23	0.48	1.35
WASAGA DISTRIBUTION INC.						
	2018	2019	2020	2021	2022	5-Year Average
Wasaga Distribution Inc.	0.78	1.39	2.86	1.23	0.48	1.35
PEER GROUP (>10,000, <20,000 Customers)						
	2018	2019	2020	2021	2022	5-Year Average
E.L.K. Energy Inc.	1.63	1.85	3.59	0.65	0.32	1.61
EPCOR Electricity Distribution Ontario Inc.	0.50	1.65	1.46	2.65	1.94	1.64
Grimsby Power Incorporated	1.73	5.00	0.64	1.82	2.35	2.31
InnPower Corporation	2.66	1.52	1.81	1.78	1.04	1.76
Lakefront Utilities Inc.	0.32	0.76	4.67	0.99	0.63	1.47
Lakeland Power Distribution Ltd.	2.82	1.29	5.78	2.62	3.84	3.27
Niagara-on-the-Lake Hydro Inc.	0.76	0.50	0.74	1.02	0.61	0.73
Orangeville Hydro Limited	0.30	0.33	1.01	1.75	0.47	0.77
Ottawa River Power Corporation	0.53	7.53	0.56	3.36	1.77	2.75
Peer Group Average	1.25	2.27	2.25	1.85	1.44	1.81

2

3 For the period of 2018 to 2022, WDI's SAIDI metric is below the peer group and provincial average in
 4 every year except 2020. This outlier can be attributed to specific events related to unusual weather
 5 conditions in that year. WDI maintains a regular scheduled vegetative management system ensuring
 6 the tree contacts are kept minimal, and a regular scheduled inspection program. WDI's consistent
 7 performance in maintaining these metrics is a positive indicator of the company's commitment to
 8 providing reliability electrical services to its customers and has been important in fostering strong
 9 customer satisfaction.

1

Table 1.20: SAIFI Results

SAIFI (Average Number of Times that Power to a Customer is Interrupted)						
	2018	2019	2020	2021	2022	5-Year Average
Peer Group Average	0.58	1.01	0.99	1.02	0.90	0.90
Provincial Average	1.13	1.14	1.15	1.03	0.67	1.02
Wasaga Distribution Inc.	0.62	0.62	2.39	0.63	0.46	0.94
WASAGA DISTRIBUTION INC.						
	2018	2019	2020	2021	2022	5-Year Average
Wasaga Distribution Inc.	0.62	0.62	2.39	0.63	0.46	0.94
PEER GROUP (>10,000, <20,000 Customers)						
	2018	2019	2020	2021	2022	5-Year Average
E.L.K. Energy Inc.	0.48	0.72	1.23	0.20	0.12	0.55
EPCOR Electricity Distribution Ontario Inc.	0.20	0.82	0.91	1.38	1.06	0.87
Grimsby Power Incorporated	1.17	3.44	0.93	1.27	1.96	1.75
InnPower Corporation	0.88	0.61	1.10	0.70	0.87	0.83
Lakefront Utilities Inc.	0.12	0.68	1.53	0.60	0.37	0.66
Lakeland Power Distribution Ltd.	1.50	0.66	1.40	1.48	1.30	1.27
Niagara-on-the-Lake Hydro Inc.	0.48	0.39	0.52	1.25	0.60	0.65
Orangeville Hydro Limited	0.16	0.39	0.75	0.92	0.52	0.55
Ottawa River Power Corporation	0.24	1.35	0.53	1.39	1.33	0.97
Peer Group Average	0.58	1.01	0.99	1.02	0.90	0.90

2

3 For the period of 2018 to 2022, WDI's SAIFI metric is well below the peer group and provincial average
 4 in every year except 2020.

5

6 **Net PP&E & Net PP&E per Customer**

7 The table below displays a year-over-year comparison of how WDI relates to its peer group and the
 8 provincial average regarding total Net PP&E expenditures and total Net PP&E expenditures per
 9 customer over the past five years.

10

1

Table 1.21: Net Book Value of Property, Plant and Equipment

Net Property, Plant and Equipment						
	2018	2019	2020	2021	2022	5-Year Growth
Peer Group Average	23,426,175	24,438,280	25,811,700	27,101,289	28,964,511	24%
Provincial Average	387,597,285	405,835,925	422,557,795	441,960,151	466,527,329	20%
Wasaga Distribution Inc.	12,978,876	13,808,145	14,732,305	17,018,484	20,178,761	55%
WASAGA DISTRIBUTION INC.						
Wasaga Distribution Inc.	12,978,876	13,808,145	14,732,305	17,018,484	20,178,761	55%
PEER GROUP (>10,000, <20,000 Customers)						
E.L.K. Energy Inc.	9,386,757	9,400,000	10,323,574	10,511,750	11,301,642	20%
EPCOR Electricity Distribution Ontario Inc.	20,612,188	25,006,607	26,695,579	28,823,289	30,429,450	48%
Grimsby Power Incorporated	23,495,896	24,475,428	24,878,359	26,479,124	27,407,630	17%
InnPower Corporation	55,805,975	56,644,227	60,075,297	64,102,659	68,400,208	23%
Lakefront Utilities Inc.	18,936,250	19,339,657	20,419,265	21,495,797	23,553,931	24%
Lakeland Power Distribution Ltd.	27,465,815	28,632,099	28,728,033	29,578,903	30,525,425	11%
Niagara-on-the-Lake Hydro Inc.	25,273,743	26,100,318	30,495,438	31,211,785	32,052,908	27%
Orangeville Hydro Limited	18,781,592	19,075,663	19,746,273	20,630,501	22,480,295	20%
Ottawa River Power Corporation	11,077,357	11,270,517	10,943,486	11,077,796	14,529,109	31%
Peer Group Average	23,426,175	24,438,280	25,811,700	27,101,289	28,964,511	24%
Net Property, Plant and Equipment Per Customer						
	2018	2019	2020	2021	2022	5-Year Growth
Peer Group Average	1,780	1,827	1,910	1,974	2,083	17%
Provincial Average	2,269	2,375	2,440	2,539	2,636	16%
Wasaga Distribution Inc.	941	986	1,035	1,175	1,358	44%
WASAGA DISTRIBUTION INC.						
Wasaga Distribution Inc.	941	986	1,035	1,175	1,358	44%
PEER GROUP (>10,000, <20,000 Customers)						
E.L.K. Energy Inc.	758	753	819	860	909	20%
EPCOR Electricity Distribution Ontario Inc.	1,184	1,396	1,467	1,559	1,627	37%
Grimsby Power Incorporated	2,034	2,104	2,129	2,231	2,309	14%
InnPower Corporation	3,073	3,040	3,116	3,253	3,334	9%
Lakefront Utilities Inc.	1,812	1,834	1,919	1,998	2,174	20%
Lakeland Power Distribution Ltd.	2,013	2,081	2,061	2,086	2,127	6%
Niagara-on-the-Lake Hydro Inc.	2,671	2,731	3,166	3,207	3,265	22%
Orangeville Hydro Limited	1,493	1,508	1,555	1,615	1,750	17%
Ottawa River Power Corporation	985	996	956	959	1,248	27%
Peer Group Average	1,780	1,827	1,910	1,974	2,083	17%

1 From 2018 to 2022, WDI’s total Net Book Value (NBV) of its PP&E has grown at a higher rate than
2 the provincial average and its peer average. Likewise, WDI’s NBV of its PP&E expenditures per
3 customer has followed a similar trend. Over the last five years, WDI has experienced consistent
4 growth and capital additions have increased each year. The primary drivers of this growth include the
5 installation of a new sub-station in 2022, new developments, municipal projects, new customer
6 connections to facilitate the economic growth that has occurred in the Town of Wasaga Beach and
7 inflationary pressures.

8
9 In the past, WDI has consistently shown a firm commitment to fiscal responsibility. As WDI is faced
10 with various challenges, including growth management, electrification, innovation, and the
11 replacement of aging assets, it becomes crucial for present-day investment decisions to incorporate
12 a forward-looking perspective. Although, despite these pressures, WDI remains committed to
13 maintaining fiscal responsibility in its growth strategies and capital management. Nevertheless, there
14 is a recognition of the need to better align investments with industry and peer group norms.

15

16 **2.1.6.3 PEG Report Metrics**

17 The OEB uses econometric benchmarking to assess the efficiency of distributors in Ontario and to
18 compare them to each other. Efficiency is determined using a model that compares each actual total
19 cost to average total costs predicted by the model. Utilities’ total costs are evaluated to produce a
20 single efficiency ranking. This is divided into five groups based on the magnitude of the difference
21 between each utility’s actual and predicted costs: Group 1 being the most efficient and Group 5 being
22 the least efficient, as seen in Table 1.22 below.

23
24 WDI has also chosen to include a comparison of its total cost per customer to the average total cost
25 per customer of both its peer group and the provincial average. WDI feels this is an important metric
26 to include because it further demonstrates WDI’s commitment to operational efficiency.

1

Table 1.22: Comparison of PEG Results

Total Cost per Customer (PEG Report)						
	2018	2019	2020	2021	2022	5-Year Growth
Peer Group Average	599.22	620.78	606.78	621.33	684.56	14.2%
Provincial Average	679.38	695.42	681.09	688.55	746.70	9.9%
Wasaga Distribution Inc.	435.00	468.00	459.00	427.00	514.00	18.2%
WASAGA DISTRIBUTION INC.						
Wasaga Distribution Inc.	435.00	468.00	459.00	427.00	514.00	18.2%
PEER GROUP (>10,000, <20,000 Customers)						
E.L.K. Energy Inc.	402.00	418.00	380.00	437.00	559.00	39.1%
EPCOR Electricity Distribution Ontario Inc.	536.00	641.00	608.00	584.00	640.00	19.4%
Grimsby Power Incorporated	584.00	594.00	598.00	602.00	660.00	13.0%
InnPower Corporation	834.00	847.00	852.00	897.00	961.00	15.2%
Lakefront Utilities Inc.	497.00	501.00	500.00	518.00	545.00	9.7%
Lakeland Power Distribution Ltd.	744.00	730.00	718.00	715.00	795.00	6.9%
Niagara-on-the-Lake Hydro Inc.	761.00	758.00	750.00	768.00	804.00	5.7%
Orangeville Hydro Limited	551.00	568.00	535.00	550.00	605.00	9.8%
Ottawa River Power Corporation	484.00	530.00	520.00	521.00	592.00	22.3%
Peer Group Average	599.22	620.78	606.78	621.33	684.56	14.2%
Cost Efficiency						
Wasaga Distribution Inc.	(46.70%)	(42.90%)	(46.60%)	(56.70%)	(45.80%)	
Provincial Average	(6.20%)	(7.80%)	(11.60%)	(13.80%)	(14.20%)	

2

3 Table 1.22 demonstrates how WDI’s total cost per customer has been consistently below both the
 4 provincial average and its peer group average from 2018 to 2022. The 18.2%, five-year percentage
 5 increase can be attributed to our significant capital expenditures over the past five years, as the OM&A
 6 growth has been well below both the provincial average and the peer group average, as shown in
 7 Table 1.18.

8

9 WDI’s cost efficiency has also been considerably superior to the industry average over the past five
 10 years. In 2022, WDI was ranked 3rd in the province in cost efficiency.

11

1 The Filing Requirements for Electricity Distribution Rate Applications – 2023 Edition for 2024 Rate
 2 Applications – December 15, 2022, states that “the distributor must also provide the Pacific Economics
 3 Group (PEG) forecasting model for the test year which provides a forecast of its efficiency assessment
 4 for the purposes of providing the OEB with a directional indication of efficiency.

5
 6 Table 1.23 below summarizes WDI’s predicted cost efficiency metrics for the 2024 Test Year using
 7 the OEB Benchmarking Spreadsheet Forecasting Model posted September 21, 2021, which has been
 8 filed as Appendix 1 (G).

9
 10 **Table 1.23: WDI 2024 Test Year Cost Efficiency Assessment**

Cost Efficiency	
Item	2024 Test Year
Actual Total Cost	10,003,485
Predicted Total Cost	13,998,272
Difference	(3,994,787)
Percentage Difference (Cost Performance)	(33.60%)
Three Year Average Performance	(38.62%)
Stretch Factor Cohort:	
Annual Result	1
Three Year Average	1

11
 12 Based on Table 1.23, WDI expects to remain in Cohort 1 in 2024, with a cost efficiency of -33.60%.
 13 This result continues to position WDI as a leader in cost efficiency among the provincial utilities. Based
 14 on 2022 cost efficiency results, a score of -33.60% ranks WDI as number nine in the province in cost
 15 efficiency.

16
 17 **2.1.6.4 Activity and Program Based Benchmarking Metrics**

18 WDI analyzes the APB metrics and uses these metrics and peer comparators to assist with the
 19 development of its strategic directions and business plans. However, it can be challenging to conclude
 20 precise insights from several of the metrics due to the numerous differences in each distributor’s
 21 distribution system. That said, they are useful and are an effective high-level dashboard tool that can
 22 flag areas that should be looked at in more detail. Table 1.24 below shows a comparison of WDI’s
 23 five-year average (2018-2022) to the provincial five-year average for unit cost per customer for each
 24 metric.

1 **Table 1.24: APB Metrics Comparison**

Category	Metric (\$)	WDI	Provincial Average	Variance Fav (Unfav)
Billing OM&A	Average Unit Cost per Customer	36.66	35.82	(0.84)
Metering OM&A	Average Unit Cost per Customer	14.11	19.42	5.31
Vegetation Management OM&A	Average Unit Cost per Pole	30.94	36.56	5.62
Lines OM&A	Average Unit Cost per km of Primary Line	1,681	1,829	148
Station Maintenance OM&A	Average Unit Cost per MVA	499	1,237	738
Pole OM&A Results	Average Unit Cost per Pole	3.48	11.13	7.65
Station Capex	Average Unit Cost per MVA	15,543	2,524	(13,019)
Poles, Towers & Fixtures Capex	Average Unit Cost per Pole Addition	4,824	9,472	4,648
Line Transformer Capex	Average Unit Cost per Line Transformer Addition	7,545	10,319	2,774
Meter Capex	Average Unit Cost per Customer	9.14	11.62	2.48

2
 3 As seen in Table 1.24, WDI has a favourable variance to the provincial average in every metric except
 4 average cost per customer in Billing OM&A and average cost per MVA in Station Capex. WDI believes
 5 these variances can be attributed to the following factors:

- 6
- 7 • New Sub-Station – In 2022, WDI completed its new-substation with a total cost of \$4,807,791.
 8 This is the primary driver of the unfavourable variance of \$13,019 in the Station Capex
 9 category.
 - 10 • Preventative Maintenance – WDI strives to maintain a sound distribution system by identifying
 11 and solving issues before they result in costly problems, reducing the need for emergency
 12 repairs.
 - 13 • Workforce – WDI has well-trained, experienced outside staff that can effectively carry out
 14 maintenance and repairs.
 - 15 • Optimized Resource Allocation – WDI stresses efficient resource allocation in order to
 16 maximize results from repairs and maintenance while simultaneously minimizing costs.
 - 17 • Asset Management – WDI practices effective management of its distribution infrastructure,
 18 including regular inspections, preventative maintenance, and timely repairs. This has
 19 extended the life of its equipment and reduced maintenance and repair costs.

1 In addition to the comparison of WDI to the Provincial average, WDI has also included a comparison
 2 of its 2021 to 2022 APB results. Table 1.25 shows these variances and below is an explanation of
 3 any material variances.

4

5

Table 1.25: Year-over-Year Comparison of WDI’s APB Metrics

Category	Metric	2021 WDI	2022 WDI	Variance
Billing OM&A	Average Unit Cost per Customer	33.35	32.16	(1.19)
Metering OM&A	Average Unit Cost per Customer	12.16	13.45	1.29
Vegetation Management OM&A	Average Unit Cost per Pole	29.38	33.20	3.81
Lines OM&A	Average Unit Cost per km of Primary Line	1,611	1,538	(73)
Station Maintenance OM&A	Average Unit Cost per MVA	451	490	38
Pole OM&A	Average Unit Cost per Pole	1.04	10.59	9.55
Station Capex	Average Unit Cost per MVA	-	77,718	77,718
Poles, Towers & Fixtures Capex	Average Unit Cost per Pole	6,893	5,687	(1,206)
Line Transformer Capex	Average Unit Cost per Line Transformer	7,622	10,204	2,582
Meter Capex	Average Unit Cost per Customer	0.52	12.92	12.40

6

7 Assessment of Material Variances (>10%):

8

- 9 • Vegetation Management OM&A – WDI experienced higher costs regarding vegetation
 10 management in 2022 than 2021. These costs are incurred on an as needed basis and can
 11 vary from year to year. Late 2022 there was a significant storm that hit WDI’s territory, causing
 12 restoration efforts, after hours.
- 13 • Pole OM&A – A severe storm blew through WDI’s territory late 2022, creating the majority of
 14 variance due to overtime required to restore power. Moreover, the cost of materials and
 15 contracted work increased significantly throughout 2022, due to inflation.
- 16 • Station Capex – In 2022, WDI completed its new-substation with a total cost of \$4,807,791.
 17 This is the primary driver of the \$77,718 variance in the Station Capex category.
- 18 • Poles, Towers & Fixtures Capex – In 2022, WDI’s capital additions with regard to poles totalled
 19 \$272,971 and resulted in a total of 48 new poles installed. This is significantly less than 2021,
 20 where WDI’s capital additions with regard to poles totalled \$1,137,314 and the installation of
 21 165 poles. This variance was primarily driven by a single municipal project in 2021 that



1 required the replacement of 71 poles. 67 of these poles ranged from 50-65 feet, which have
2 higher per unit costs than poles ranging from 30-40 feet; the size of poles WDI typically uses.
3 • Line Transformer Capex – In 2022 WDI installed 89 transformers with a total cost of \$908,166,
4 compared with 49 transformers with a total cost of \$373,465 in 2021. The primary reason for
5 the higher cost per transformer in 2022 is due to the purchase of two 500kVA transformers
6 with a total cost of \$58,328.
7 • Meter Capex – In 2021, WDI capitalized \$7,569 in meter additions, sampling, and
8 reverification. In 2022, WDI capitalized \$192,086 in meter additions, sampling, and
9 reverification. However, the significant increase in unit cost can be primarily attributed to the
10 purchase of one 44kV PME at a total cost of \$95,253.

1 **2.1.7 Facilitating Innovation**

2
3 Facilitating innovation within WDI is crucial to staying agile in an evolving business environment and
4 aligning with shifting customer expectations. WDI remains committed to prioritizing affordability while
5 ensuring that customers' changing needs are met. WDI has made significant progress on multiple
6 initiatives in recent years, including:

7
8 1. Governance Improvements - Governance is the system of processes, policies, and structures
9 that guide decision-making and ensure accountability within an organization.

10 a. Enterprise Risk Management (ERM) Framework – WDI implemented an ERM
11 Framework in 2022. WDI's ERM framework enables the organisation to identify,
12 assess, and mitigate its risks effectively, this creating a safer environment for
13 innovation. By proactively managing risks, WDI is able to better support decision-
14 making.

15 b. 2021-2026 “Growing Together” Strategic Plan – WDI created and implemented its
16 strategic plan, creating a vision, mission, and roadmap to guide the organization into
17 the future.

18 c. MSA and Cost Allocation Review – In order to remain compliant with the OEB's ARC,
19 WDI underwent an MSA and Cost Allocation review to ensure that expenditures were
20 being allocated fairly and were in compliance with ARC between its affiliate, WRSI.

21 d. Board Committee Creation
22 i. The Audit & Finance Committee was created to assist with financial oversight
23 and ensure that financial reporting is accurate and reliable.
24 ii. The Governance & HR Committee was created to help facilitate the
25 governance initiatives, and oversee and provide guidance on governance
26 matters, organizational structure, and HR management.

27 2. Digitalization – WDI is a paper-based organization. Some of the innovative projects WDI has
28 undertaken, and looking to undertake is as follows:

29 a. Implementation of ESRI (currently ongoing) – ESRI is a Geographic Information
30 System (GIS) that allows organizations to track assets more efficiently, leading to
31 improved resource allocation and decision making. WDI anticipates that the move to

- 1 ESRI will save personnel hours through the reduction of manual paper processes of
2 the outside staff and reducing potential for transcribing errors, in addition to savings in
3 office supplies (namely paper).
- 4 b. New website – WDI launched a new, more user-friendly website in 2022. The website
5 includes a new comprehensive section on vegetation management, which was taking
6 up a lot of the Customer Service Representatives' time explaining to customers over
7 the phone and an outage management map to help communicate restoration times
8 with customers who want to communicate digitally.
- 9 c. Locates software – WDI invested in a new software that allows all locate information
10 to now be digital, receiving information from Ontario One Call and completing the
11 requests. Prior, this was a very manual, paper-based task, that often did not function
12 properly. The new process has boosted productivity, freeing up valuable time
13 (approximately 165 hours of CSRs time) and resources to assist with other tasks,
14 streamlined and made more efficient processes within the Engineering and Customer
15 Service departments.
- 16 3. Staff Retention/Investment – WDI believes that investing in staff and working on staff retention
17 is another vital component it is implementing regarding innovation. WDI has seen a significant
18 turnover in staff over the past five years and is working towards retaining employees by
19 creating a more engaged and motivated workforce. When employees feel valued and
20 supported, they are more likely to contribute and stay committed to an organization's long-
21 term goals. In 2023, WDI launched its first Employee Satisfaction Survey, which was followed
22 by smaller focus groups. It is currently in the midst of creating an action plan to move forward.
23 In addition, a Wellness Program is being rolled out in Q4 2023.
- 24 4. Process improvement – New Management Team Enhancing Processes – WDI's management
25 team has experienced a complete turnover since 2020, all existing management employees
26 were all hired or promoted in late 2021 to mid-2022. As the new management team, they have
27 started developing new processes/process improvements to help facilitate the current ways
28 that the organization is operating. While there are more processes to streamline, budgeting,
29 forecasting, work order evaluation, and rate application are areas that have seen improvement
30 over the past year and a half and will continue to develop and mature with each cycle.

1 **2.1.8 Financial Information**

2

3 **2.1.8.1 Financial Statements**

4 WDI's audited financial statements can be found in the following appendices:

5 Year ended December 31, 2022 – Appendix 1 (H)

6

7 **2.1.8.2 Annual Report and Management's Discussion & Analysis**

8 WDI does not publish an annual report. WDI's parent company, Geosands, delivers an annual
9 business plan and presents both its Audited Financial Statements and business plan annually to the
10 Shareholder at the Annual General Meeting.

11

12 **2.1.8.3 Rating Agency Reports**

13 WDI does not have a rating agency report.

14

15 **2.1.8.4 Prospectuses & Information Circulars**

16 WDI does not issue debt or shares, nor do they publish any prospectuses.

17

18 **2.1.8.5 Changes in Tax Status**

19 WDI is not seeking any changes to its tax status. WDI is a corporation incorporated pursuant to the
20 Ontario Business Corporations Act.

21

22 **2.1.8.6 Accounting Orders**

23 WDI's 2024 COS Application has been filed on an MIFRS accounting basis. WDI has not departed
24 from the OEB's Accounting Procedures Handbook (APH) and does not have any accounting orders.

25

26 **2.1.8.7 Uniform System of Accounts (USoA)**

27 WDI has followed the accounting principles and categories of accounts as stated in the APH and the
28 Uniform System of Accounts (USoA) throughout its 2024 COS Application.

29

1 **2.1.8.8 Accounting Standards**

2 In accordance with the Board’s Filing Requirements, the 2016 to 2022 Actuals, 2023 Bridge Year, and
3 2024 Test Year have been prepared under MFIRS.

4
5 **2.1.8.9 Segregation of Rate Regulated Activities**

6 WDI confirms it is not conducting any non-rate regulated activities. WDI’s 2024 COS Application has
7 been prepared to the rate regulated entity only, separate from its parent company and affiliate.

8
9 **2.1.8.10 Changes to Accounting Policies Used in Previous Applications**

10 WDI confirms that there has been no accounting policy changes from previous applications.

11
12 **2.1.8.11 Budget Process**

13 WDI undergoes a very in-depth budget process, on an annual basis, prior to the year commencing,
14 including two years outlook.

15
16 **Data Collection**

17 Each department is responsible for their operational and capital budgets. Finance provides actual
18 historical comparators (five years) and previous budgets to help assist in the process. Finance
19 completes a labour and benefits analysis (incorporating salary adjustments), by person, and ensures
20 workable hours are allocated to OM&A and capital accordingly. Department managers review
21 required purchasing and maintenance for the upcoming years, forecast revenues, and capital and
22 OM&A work. Once the departments are finished with their budgets, they submit to finance for
23 consolidation.

24
25 **Budget Consolidation**

26 Finance consolidates all the departments information into one budget and ensures that inflation has
27 been accounted for, items that require attention in current market conditions, including to support the
28 growth of the utility and regulatory requirements are incorporated, and ensures that continuous
29 improvement and productivity are accounted for in the budget.

30



1 Finance also reviews the objectives and priorities for the upcoming fiscal year and ensures that
2 appropriate budgets are allocated to complete these initiatives.
3 Finance then prepares pro forma financial statements and looks at the overall return and financial
4 viability of WDI. The draft budgets are finalized.

5

6 **Review and Report**

7 The President/CEO completes the initial review of the budget. Once satisfied, the budgets are then
8 presented to the Audit and Finance Committee for review and recommendation. Then the budgets
9 are presented to the Board of Directors for approval.

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2.1.9 Distributor Consolidation

WDI confirms that it has not acquired or amalgamated with another distributor. That said, WDI effectively collaborates with other utilities within the industry to help reduce its costs and increase its effectiveness. Examples of this collaboration and its benefits are discussed below:

WDI has a membership in the CHEC Association. This is a collaborative organization that currently includes 15 of the smaller LDC's in the province. Resources and support are delivered by the association through member participation, including WDI and through the CHEC staff. Participation results in substantial efficiencies and workload reduction for each member.

Shared resources are provided for multiple areas of LDC operations including Finance & Regulatory, Operations, Health & Safety, Billing & Customer Service, IT, Human Resources, etc. Specific examples of these resources include:

- The Green Button All-Member Working Group educated members on the requirements, led the vetting and evaluation of third-party vendors, facilitated collaboration within members to save costs, and planned the implementation. This resulted in cost savings for members, reduced effort, and the assurance of knowing that the project will be guided by the experience and knowledge of the extended group.
- A group purchase of services by 14 members for the biannual Customer Satisfaction Survey and ESA Safety Survey reduced the cost of the surveys and the standardization allows for easier comparisons between LDCs.
- The Disconnection Process Working Group developed a calendar tool and communication templates to ensure member disconnection processes were being properly implemented and they were accurately communicating and interacting with customers according to the Distribution System Code.
- The shared training across all portfolios to reduce costs and ensure the courses are delivered professionally and staff are educated on the changes and requirements within the industry.

- 1 • The recognition of CHEC as the voice of small LDCs in Ontario has facilitated improved
2 communication between regulatory bodies, such as the OEB and the Ministry of Energy, and
3 the CHEC members, resulting in more informed staff and the opportunity to provide feedback.
- 4 • CHEC encourages networking and WDI is in constant communication with other members.
5 This results in continual sharing of ideas and opportunities for savings and mutual support.
- 6 • Members work together to develop policies and regulatory documents. Substantial savings
7 have been realized through the CHEC COS process and models such as the data storage
8 model. A COVID vaccination policy was developed and distributed to all members. A common
9 social media calendar is developed each month and distributed to communication staff at each
10 member LDC.
- 11 • CHEC, via its affiliate Utility Collaborative Services (UCS) successfully led the transition of
12 WDI and five other member utilities through an extensive process of transferring to a new IT
13 hosting platform for their Customer Information and Billing Systems (CIS), which resulted in
14 better services and more streamlined processes.
- 15 • The UCS staff provides a wealth of information and assistance with the CIS, from help with
16 testing, assistance with rate updates, advocating with Harris Northstar for system
17 enhancements, and keeping members informed with upcoming changes/updates.

18
19 WDI is also a member of the Utilities Standards Forum (USF), an organization formed in 2005,
20 consisting of many small and medium-sized local distribution companies that pool resources and
21 ideas in the areas of Engineering and Operations, Finance & Regulatory, and IT program
22 management. This membership also provides an industry forum for information, solutions, answers,
23 or assistance to all members' questions and requests. Recently, WDI has joined several other USF
24 LDCs to form a transformer buying group to increase its purchasing power and reduce costs for both
25 overhead and pad mounted transformers.

26
27 WDI is also a member of the Electricity Distributors Association (EDA). The EDA "draws together a
28 broad community of LDCs, associations, LDC affiliate companies and commercial enterprises that do
29 business with utilities, providing opportunities for information sharing and collaboration across the
30 sector. The EDA's dynamic team collaborates with industry and subject-matter experts to support
31 member business success through advocacy, policy analysis and a broad range of opportunities for



- 1 learning and networking.” Participation results in substantial efficiencies, access to knowledge and
- 2 additional resources, as well as active participation in shaping legislation with the province.

1

2

3 **2.1.10 Impacts Of COVID-19 Pandemic**

4

5 As per Exhibit 9, WDI is seeking to dispose of account 1509 on a final basis with a total claim of
6 \$1,839.85 to be paid back to customers.

7

8 WDI was impacted by the COVID-19 Pandemic in several ways. These include:

9

- 10 • WDI's GS < 50 and GS > 50 customers' total kWh usage both declined from 2019 to 2020.
11 This can be mainly attributed to the lock-down policies implemented as a result of the COVID-
12 19 Pandemic.
- 13 • WDI temporarily closed its office to all customers to ensure the safety of both its staff and
14 customers. It also implemented a hybrid policy regarding remote work. Employees would
15 rotate their in-office and remote work to minimize the number of people in the office at any
16 given time.
- 17 • WDI successfully implemented the provinces' COVID-19 Energy Assistance Program (CEAP),
18 which assisted many of WDI's residential and small business consumers and in addition
19 helped its own cash flows.
- 20 • WDI had lower OM&A costs during the pandemic due to a variety of factors including travel
21 for conferences, training, education, etc. was all halted. Following the pandemic, travel,
22 conferences, training, education, etc. slowly returned to normal. In addition, many OM&A costs
23 have increased significantly due to the rising inflation.
- 24 • WDI was able to largely maintain its capital work during the COVID-19 Pandemic as it saw
25 average net capital assets increase by 6.24% and 7.53% in 2020 and 2021 respectively.
- 26 • Following the COVID-19 Pandemic, WDI experienced unprecedented inflation and growth.
27 WDI is still experiencing significant inflation affects as inflation is one of the primary causes for
28 increases in OM&A in 2021 and 2022.



1 **2.1.11 Appendices**

- 2 Appendix 1 (A) 2023 – 2025 Business Plan
- 3 Appendix 1 (B) 2021 – 2026 Strategic Plan
- 4 Appendix 1 (C) 2023 Customer Satisfaction Survey
- 5 Appendix 1 (D) 2022 Electrical Safety Awareness Survey
- 6 Appendix 1 (E) Customer Priority Survey
- 7 Appendix 1 (F) 2022 Scorecard with Management Discussion & Analysis
- 8 Appendix 1 (G) OEB Benchmarking Spreadsheet Forecasting Model
- 9 Appendix 1 (H) 2022 Year End Audited Financial Statements



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (A) 2023 – 2025 Business Plan

2023-2025 BUSINESS PLAN

Geosands Inc.,
Wasaga Distribution Inc.,
Wasaga Resource Services Inc.

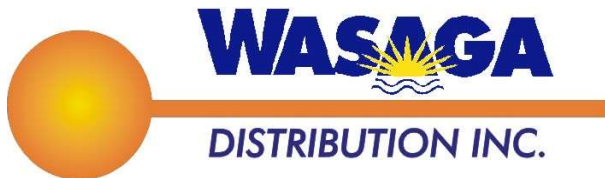


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Attachments:

Appendix A: 2023 Capital Plan

Appendix B: 2023-2025 Consolidated Pro Forma Financial Statements

Appendix C: 2021 Scorecard and Management Discussion and Analysis

1. Executive Summary

Geosands is the parent company to three subsidiary companies: Wasaga Resource Services Inc. ("WRSI"), Wasaga Distribution Inc. ("WDI") and Wasaga Genco Inc. (collectively referred to herein as "the Utility"). WDI is a fully licensed distributor of electricity under distribution license ED-2002-0544 issued by the Ontario Energy Board (the "OEB" or the "Board") under the Ontario Energy Board Act, 1998 (the "Act"). WRSI primarily provides various services to WDI but also owns and maintains a portfolio of rental electric hot water tanks as well as providing construction services for other companies such as Bell and Rogers. Wasaga Genco Inc. is currently not active.

The Utility serves electricity to approximately 15,000 customers in the Town of Wasaga Beach. The distribution service area within the Town of Wasaga Beach is bounded by the Township of Tiny to the north east, the Township of Springwater to the east, the Township of Clearview to the south and the Town of Collingwood to the west. Within an area of 61 square kilometers, the companies manage 280 kilometers of conductor, both overhead and underground. The system also has more than 1,400 distribution transformers, and nearly 5,000 poles in service, fed from six owned and one shared distribution station.

The Utility's core business is to deliver electricity within the Town of Wasaga Beach community in a manner that meets the expectations of customers and other stakeholders, with regards to:

- Quality of services;
- Safety and reliability;
- Operational excellence;
- Financial performance; and
- Responsiveness to its public and policy mandates.

This core business is conducted in an environment characterized by technological innovation, dynamic public policy, regulatory models, and changing customer expectations.

WDI develops and manages an electrical distribution network in the town of Wasaga Beach and delivers electricity to five customer classes via its distribution system: residential, commercial (small and large general service classes), street lighting, and unmetered scattered loads. WDI earns income based on fixed charges for Residential and fixed and volumetric service charges for all other classes. The service charges are set through a periodic rate making process via applications to the OEB.

2022 was a year of transition for the Utility as it experienced significant change in management and leadership roles. The Utility appointed a new CEO along with a new Manager of Finance & Regulatory and Manager of Operations. In addition, 2022 was an election year for the Town of Wasaga Beach and a new council was elected. This combined resulted in a change in leadership for the Utility.

In 2022, the Utility continued to deliver on the strategic plan and growth objectives. This included improving our customer experience by focusing on our on digital experiences. During 2022, the Utility:

Developed a risk management framework to identify and manage risk

Enhanced digital experiences to our customers through the development and implementation of a new website

Implemented the succession plan through appointment of new management and leadership roles

Continued to monitor and pursue non-regulated growth opportunities

Throughout the year, the Utility continued to experience supply chain constraints and cost pressures that have had an impact on major development and capital projects.

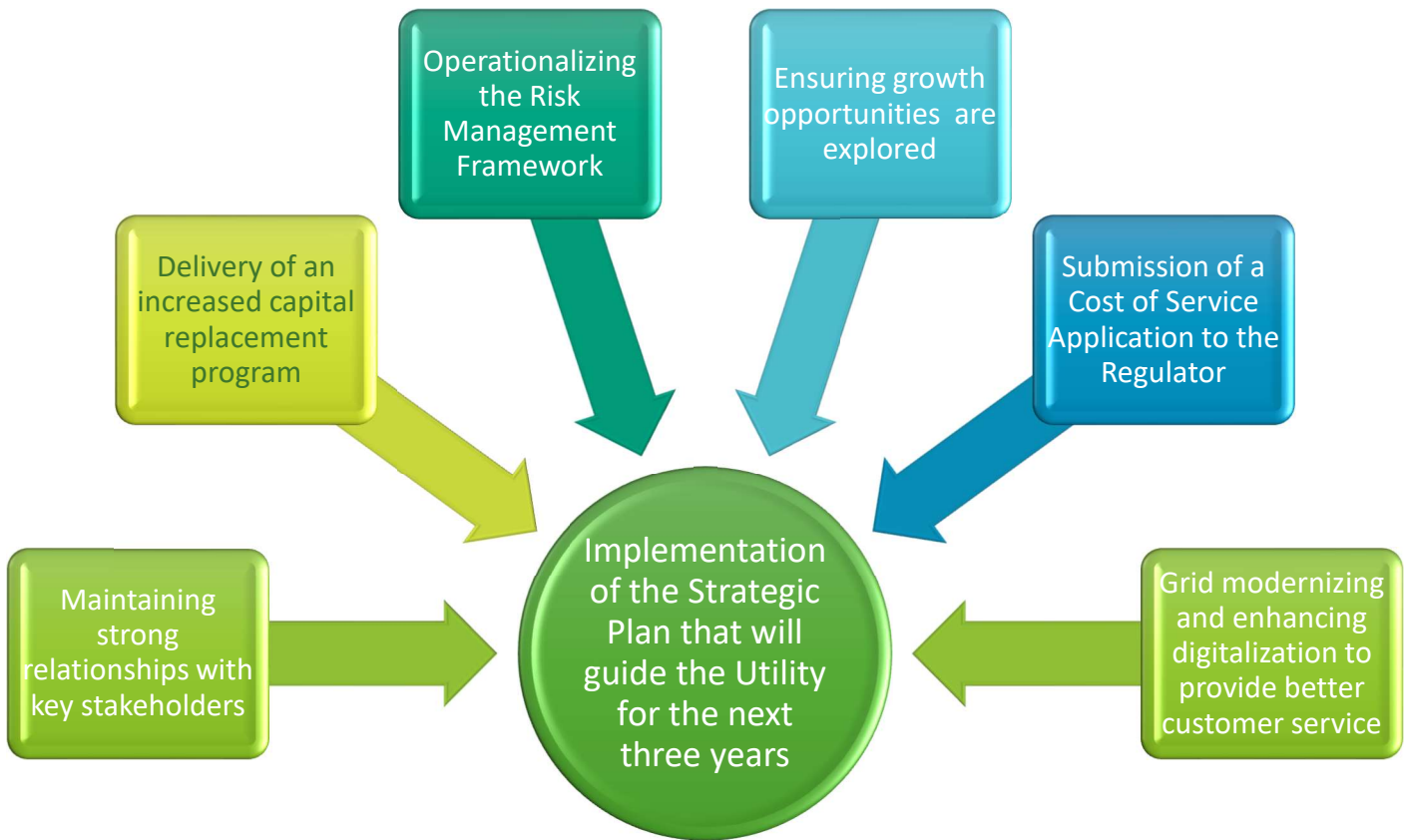
Cyber security and the safeguarding of customer information continue to be of concern to the Utility. Ongoing measures were undertaken to reinforce the computer systems and networks in response to the ever-present vulnerabilities to external threats.

As part of the 2023 budgeting process, a three-year forecast was prepared to support the longer-term planning for operation and capital investment programs. To accomplish the capital investment program, WDI will need to borrow approximately \$6 million over the next three-year period. These capital expenditures will ultimately lead to an increase in revenue requirements of the company and will provide for a market-based return on these new investments.

There are opportunities for growth in the regulated business of distributing electric power and through the unregulated business ventures which can provide incremental revenue. The strategic plan provides the direction of the Utility over the next few years.

This business plan addresses and outlines the main objectives currently approved by the Board of Directors for 2023-2025. These priorities are shown in Figure 1 below.

Figure 1: Main Objectives 2023-2025



The corporate structure currently exists for the major part in sustaining the operation of WDI. Hence the balance of the plan will deal mostly with WDI and the supporting role that WRSI has with respect to WDI.

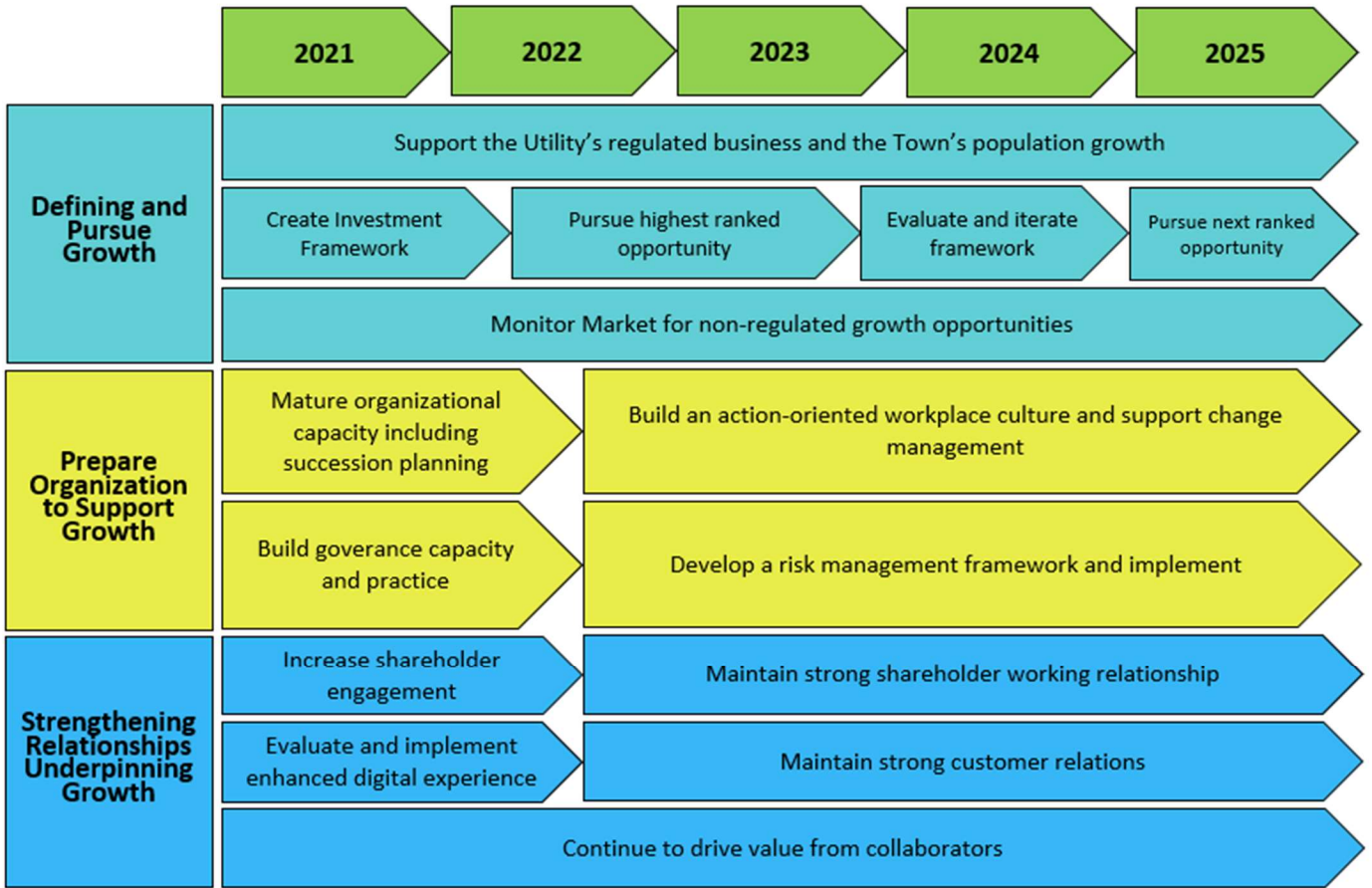
1.1 Mission

1. To provide our customers with excellent products and services in a competitive, safe, reliable, and efficient manner, while always recognizing our community and environmental responsibilities, and
2. To operate a distribution network that supports Ontario's energy future by delivering obligations mandated by the Ontario Government and other regulatory agencies, while also seeking to grow the Utility through its non-regulated subsidiaries.

1.2 Strategic Priorities and Goals

Outlined as part of the strategic framework are three main priorities that support the overall implementation of the strategic plan. The priorities and associated goals to each priority are identified in Figure 2 below.

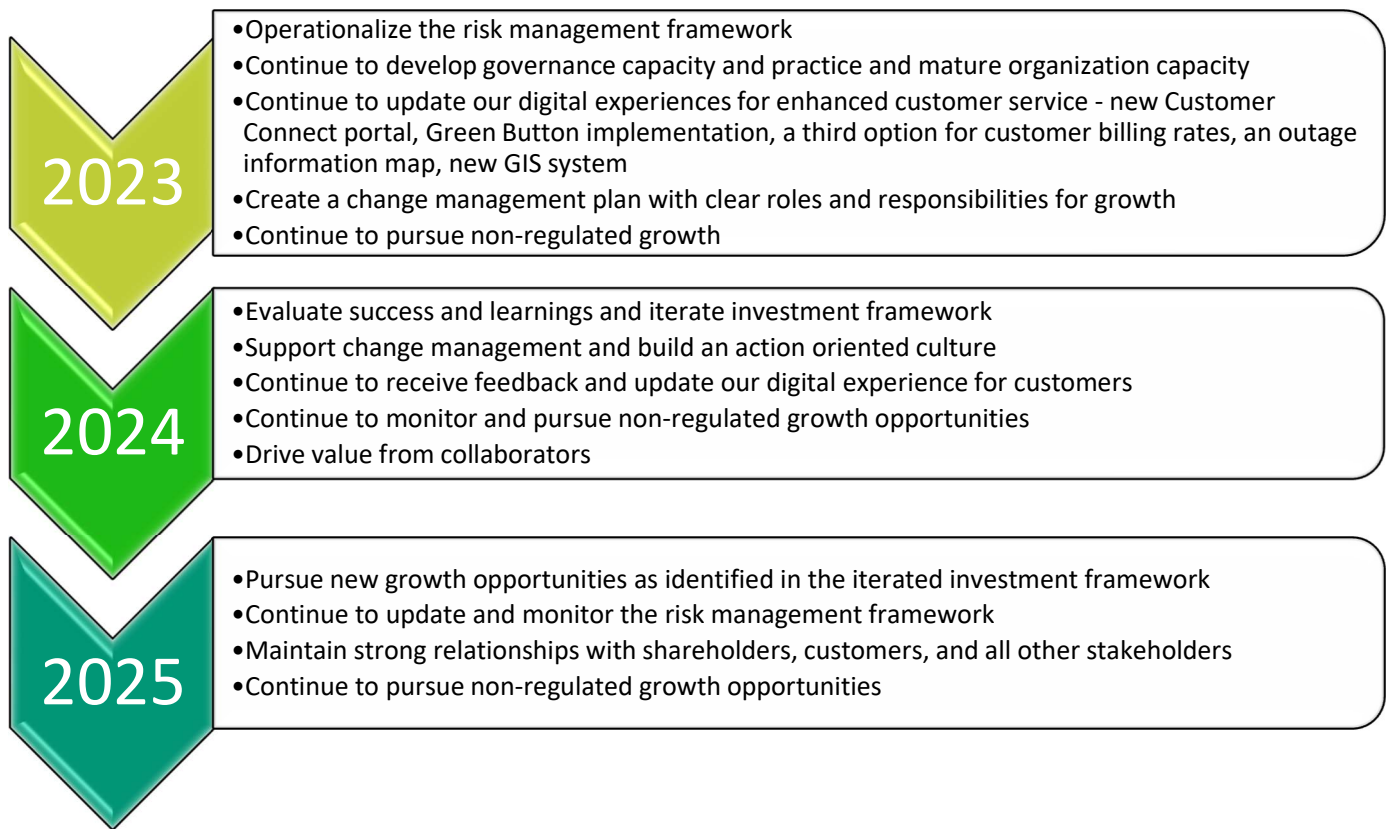
Figure 2: Strategic Priorities



1.3 Strategic Plan Implementation

The updated strategic priorities and goals provide a solid foundation over the next few years to inform business and operating plans to continue to support unregulated business growth opportunities. These priorities and goals provide the resources, under the Master Service Agreement (MSA), for WDI to continue to meet the municipalities growth requirements and support WDI's infrastructure renewal program.

The Utility's plan on achieving their strategic goals and priorities by taking the following steps in each of the next three years.



1.4 Company Ownership

Geosands Inc., the sole owner of WDI and WRSI, is owned by the Town of Wasaga Beach.

WDI is an incorporated company, licensed by the Ontario Energy Board to distribute electricity to the consumers of the Town of Wasaga Beach. The distribution service area within the Town of Wasaga Beach is bounded by the Township of Tiny to the northeast, the Township of Springwater to the east, the Township of Clearview to the south and the Town of Collingwood to the west.

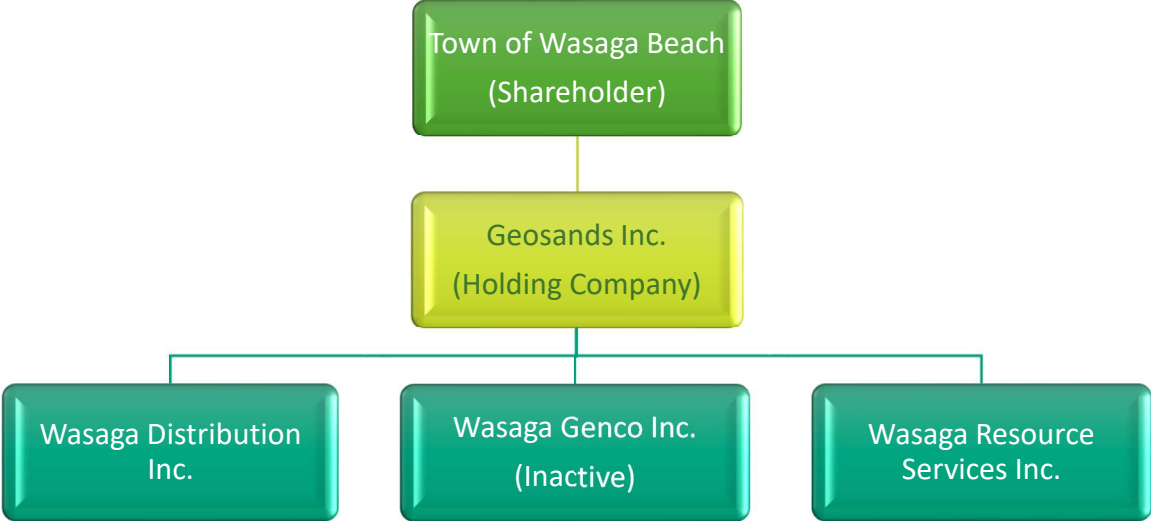
WDI's distribution system is connected to Hydro One's Stayner Transformer Station via two 44 kV lines as well as connected to one of their Distributions Stations (Brocks Beach) via 8.32 kV; which also supplies approximately 1,000 kW of capacity for WDI. In addition, WDI owns and operates a total of six Distribution Stations. WDI does not host any utilities within its service area, nor does it have any embedded utilities within its service area.

WDI is a registered Market Participant dealing directly with the IESO (Independent Electricity System Operator).

WRSI is a corporation providing services for WDI along with a water heater rental business. WRSI is not regulated and is therefore not bound to the Town's city limits.

Profits from both WDI and WRSI are either reinvested for infrastructure or distributed to its Shareholder in the form of dividends. Figure 3 below shows the corporate chart.

Figure 3: Corporate Structure



2. Economic Overview

2.1 Economic Overview of the Service Area

Wasaga Beach is a town in Simcoe County, Ontario, Canada. It is situated along the longest freshwater beach in the world and is a popular summer tourist destination. Wasaga Beach is a rapidly growing municipality with over 25,000 residents, including young families and retirees. According to the 2021 Census profile, the population is an older demographic than average with approximately 34% of the population over 65 years of age, nearly double the provincial average of 19%. In the summer months, approximately 1.6 million visitors visit the community and are supported by our small businesses.

Several residential projects are in various stages of approval, including the Sunnidale Development, which will bring an additional 7,200 residents to the community. In addition, the Town also opened a new casino in 2022.

Planning for and development of significant infrastructure additions such as the development of Town owned land at the main beachfront, the construction of a new library, and a twin pad arena are currently underway.

Economic Outlook

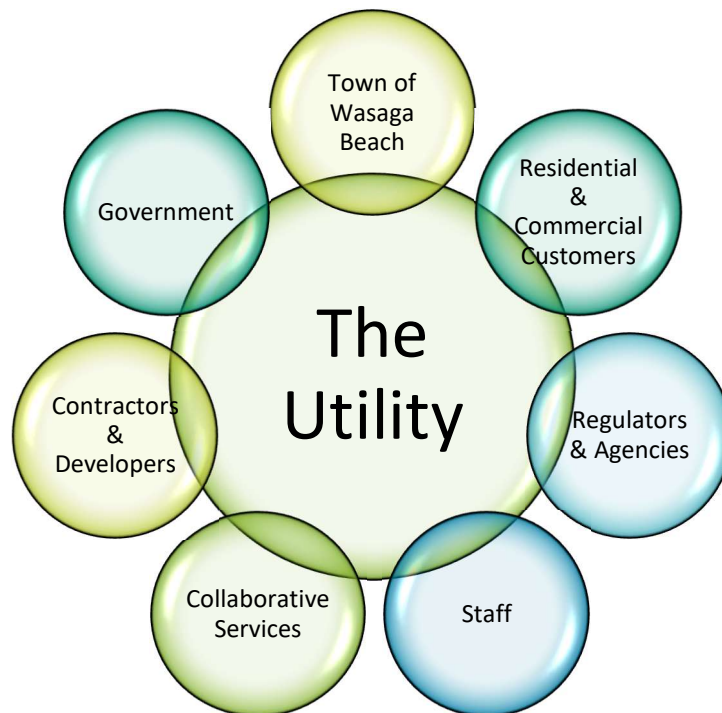
Supply chain constraints and affordability of electricity are of concern across the industry. Management is continuously monitoring these situations and seeking ways to mitigate these concerns by, for example, exploring new vendors, looking at joint procurement opportunities, and working close with industry associations to obtain synergies where possible. These items are carefully analyzed and taken into consideration as the Utility builds out long-term plans and updates quarterly forecasts. It is still anticipated that the economic recovery will continue to occur gradually and stabilize over time. As we look to the future, it is anticipated that development will gain traction in 2023 and into 2024/2025.

3. Customer and Stakeholder Engagement

3.1 Customer Focus

In 2020, the Utility updated the strategic plan that provides the basis for the 2021-2026 Geosands Strategic Plan, "Growing Together."

The Utility serves and is served by a diverse stakeholder community. In this case, a stakeholder is any individual or entity that has a stake in the success of the organization. Primary stakeholders have a direct interest in this organization, as opposed to an indirect interest. The Utility's primary stakeholders include:



As part of the strategic plan, and as the strategic focus was developed, key stakeholders and customers were engaged through an online survey. Key findings were as follows:

Perserving Geosands Key Strengths

- The vast majority of respondents to the public engagement survey reaffirmed customers' support of Geosands and the publicly facing WDI and are generally supportive of the organization pursuing growth opportunities as long as they do not sacrifice the existing qualities of reliability of service, customer service, and affordability.
- Over 90% of survey respondents were, at minimum, satisfied with Geosands' services, and over 80% of respondents are supportive of growth opportunities that do not impact rates, including community investments, electricity distribution, and customer service improvements.
- All respondents across the stakeholder groups were proud that Geosands has earned this reputation, and customers associate this quality of service with a personal, "smaller town" approach to business.

Preparing the Organizations to Pursue Growth

- Stakeholders identified a number of potential barriers to Geosands' pursuit of growth and the goals of this strategic plan, including the size and capacity of the senior management, the physical space to accommodate new personnel, and the expense of required investments in technology.
- Survey respondents, particularly residential customers, also indicated that some concern remain about any future consideration of selling the utility or increasing rates, and they were adamant that the utility should remain locally owned and operated to maintain the quality of service.
- Internal stakeholders agreed that recent efforts to improve communications and information sharing between Geosands and the Town signal a significant enhancement in the working relationship and further opportunities exist for collaboration improved relationships.

Pursuing Growth

- Opportunities that are perceived to be lower-risk (i.e. expanding non-core business activities, such as tree-trimming, trenching, or other utility-adjacent activities) that could generate new revenues and expand resources to increase bandwidth and utilize in-house staff skillsets. This is generally accepted as a strong path forward.
- Wasaga Beach is one of Canada's fastest growing municipalities in terms of five-year growth rate and stakeholders identified that Geosands' regulated business must be able to meet this future demand, including customer service and asset management, through sustainable investments. particularly electric vehicle charging stations, solar panels, battery storage, etc.
- Survey respondents were unanimous in that as the Town changes in population and demography, there is opportunity for more communication and interaction with the utility through social media and WDI's public facing website.

3.2 Customer Engagement 2023 - 2025

As part of the resources allocated within the proposed 2023-2025 budgets, and in part to support the strategic plan implementation, there have been resources allocated to focus on the enhancement of the customers' digital experience. This would include continuous updates to the new website developed in 2022, a continued increase in social media presence, and the development of tools to allow the company to be more responsive to customers' changing wants and needs. WDI will continue to deliver bi-annual surveys for customer satisfaction and public safety and continue its presence at local events and meetings for social clubs.

In preparation of WDI's Cost of Service application filing in 2023, WDI released a customer survey in autumn 2022. While capital plans have been developed and approved for 2023, once the survey is

complete and information is compiled, it will be analyzed, and potential adjustments made to ensure we align with stakeholder feedback.

4. Capital Asset Planning

This section has been included to provide an overview of the major capital investments that WRSI and WDI have planned for 2023-2025. This three-year investment plan was approved by the Board of Directors in November 2022. It represents a significant increase over previous years to ensure that WDI's average asset condition remains stable, and that the asset planning is forward thinking. It is expected that the current capital spend will continue for the foreseeable future. Funding for this program will come from a combination of equity and borrowing.

Capital is also provided by Developers and others where the incremental revenues derived from the additional revenue from new customers is insufficient to cover the investment. A degree of risk exists with the level of fruition of development work. As these projects are completely outside of WRSI's control, heavy reliance is placed on the developer for accurate estimates of lot connections which can be volatile depending on current market conditions.

4.1 Asset Planning and Condition Assessment

WDI has developed a formal asset management planning program to help ensure the prudent management of our assets on behalf of our customers. In 2021, WDI contracted Kinectrics to complete an Asset Condition Assessment which was used to inform the 2023-2025 capital budget. A five-year Distribution System Plan (DSP) is also currently under development. The DSP outlines the desired methodology to evaluate WDI's assets. This methodology provides a framework to link our core values directly to the way we manage our system. The updated DSP will be submitted with our OEB Electricity Distribution Rate application in 2023.

WRSI capital plan is mainly driven by the needs of WDI's requirements. Assets are replaced as technology becomes obsolete or at the end of life.

4.2 Capital Project Prioritization and Categories

Projects were developed and prioritized based on customer-driven initiatives (i.e., Town relocations take priority), by the impact on customer reliability, impact on the number of customers being out if an asset were to fail, safety, and the likelihood of a failure.

The proposed capital projects for the Utility can be placed into one of four categories based on the primary motivation for completing the project. The categories are outlined in Figure 4 below.

Figure 4: Capital Forecast

Category	Forecast Period (\$)		
	2023	2024	2025
System Access	4,942,627	5,041,480	5,142,309
System Renewal	1,689,991	1,916,242	1,487,392
System Service	547,631	500,000	500,000
General Plant	633,000	405,500	566,000
Gross Capital Expenses	7,813,249	7,863,221	7,695,701
Contributed Capital	(4,003,894)	(4,152,038)	(4,305,663)
Net Capital Expenses after Contributions	3,809,355	3,711,183	3,390,038

A detailed 2023 capital expenditure plan has been provided in Appendix A with explanations of Board of Directors approvals in November 2022.

5. Asset Maintenance

WDI and WRSI have pursued the best practices of the electricity industry for many years and continue to look for improved efficiencies and for implementation of best practices. This also adheres to the Ontario Energy Board's Distribution System Code (DSC) which sets out both good utility practices, and minimal performance standards along with minimal inspection requirements for the electricity systems in Ontario. Consistent with best practices, over the years, WDI and WRSI have diligently maintained the equipment in a safe and reliable working order and, only when economically justified, upgraded, or replaced equipment.

To continue these maintenance requirements in 2023-2025, WDI continues to focus on key items, which include monthly patrols of the six owned substations, and annual station transformer oil testing on stations that are older than twenty years to analyze asset condition. The entire overhead system which includes both the 44kV and 8kV systems are patrolled using infrared technology. This is scheduled every second year on the even calendar years. Tree trimming remains a high priority and trimming schedules are monitored. The 44kV and major 8kV feeds are maintained to a five-year growth cycle whereas the 8kV single phase feeds are maintained as required, but not to exceed ten years. Along with these key items, crews continue to monitor and maintain poles, transformers, conductors, and services as needs arise.

6. Financial Performance

6.1 Consolidated Financial Forecast and Performance

The overall financial position and actual profit/losses of Geosands illustrate the financial health of the organization over the next three years. This consolidated budget forecasts an after-tax net income of \$619K in 2023. The slight downward trend in income for 2023 compared to the forecasted 2022 income is mainly driven by the increase in interest, as WDI will require increased leverage in 2023 to finance capital expenditures. Once WDI rebases its rate base and market returns are realized from capital investments, it is expected that future income and dividend payouts will increase.

WDI's normalized earnings continue to grow - supported by customer growth and infrastructure investments. WDI remains profitable and maintains' above industry standards in safety and reliability, operating expenses, and low customer rates. Customer Service surveys indicate above industry standard in satisfaction. With a proposed increase in capital spending from 2023 - 2025, the rate base (which drives earnings) is forecasted to increase by approximately 12% annually.

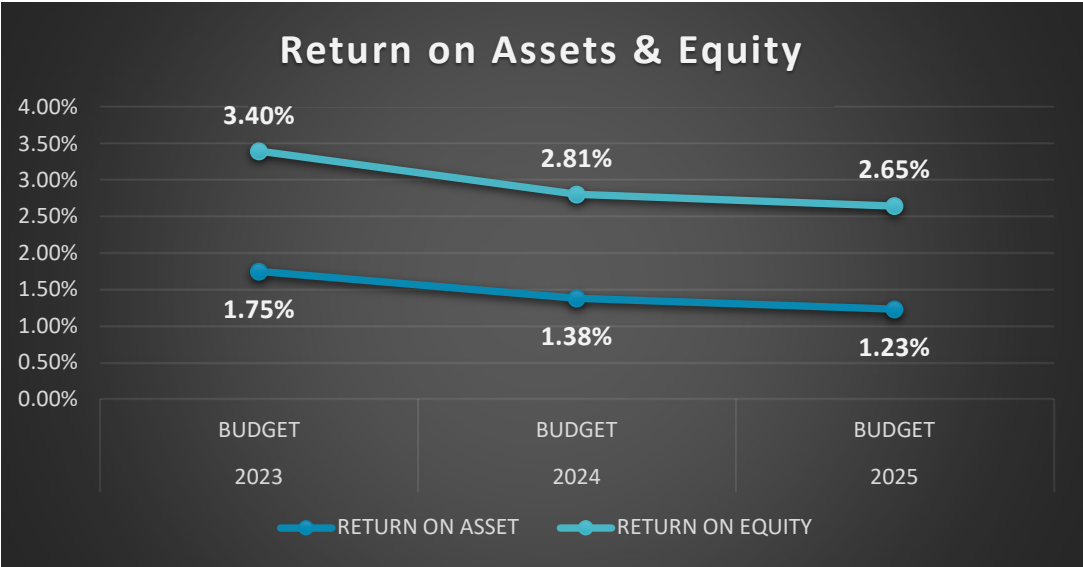
WDI will be rebasing for 2024 rates. The forecasted incremental revenue from rebasing is forecasted to be \$327K in 2024 and \$491K in 2025.

WRSI maintains a strong, underutilized cash position that is expected to remain around \$2.5 million into 2025. The five-year capital plan involves the replacement of the aging fleet, IT/OT systems, and office equipment. A high current ratio and low debt-to-capital ratio indicate an opportunity to better utilize assets (cash) and opportunities to leverage capital. WRSI has allocated resources to support unregulated business to seek business development opportunities over this period.

The consolidated pro forma financial statements up to 2025 have been provided in Appendix B.

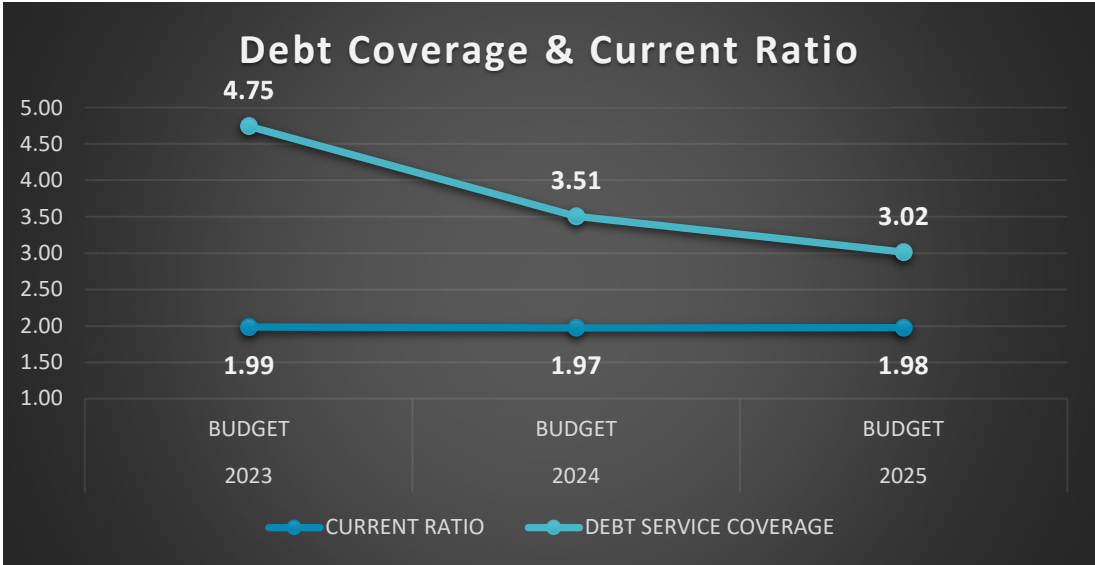
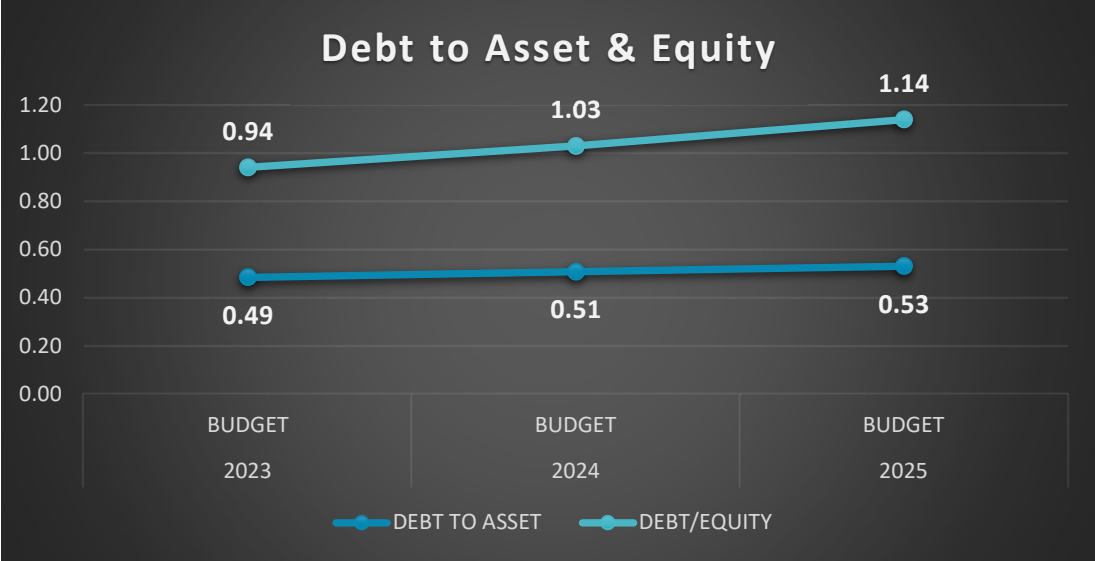
6.2 Financial Analysis

Financial ratios have been calculated to provide additional context into the financial performance and management that is expected from 2023-2025. The ratios are broken down by category and are provided below.



Return on asset and equity are profitability ratios that are used to assess how a company is performing. An increase in interest and depreciation expense will have a negative impact on net income and the resulting ratios in the short-term. In addition, an increase in capital assets is also driving the predicted decrease in return on assets. However, it is expected that once WDI rebases, market-based returns on

new investments will be realized and increase net income, and in turn, the return on assets and equity. 2022 saw a drastic increase in interest rates, which are being carefully monitored and forecasted into budgets and quarterly projections.



The debt to asset and equity ratios along with the debt service coverage ratio are solvency measures used to determine the corporation’s ability to meet its long-term debt obligations. The current ratio is a liquidity ratio used to measure the corporation’s ability to meet its short-term obligations.

A current ratio greater than 1 is usually considered sufficient and Geosand’s current ratio is forecasted to remain consistent through 2023-2025. With a forecasted current ratio of approximately 2 over the next three years, Geosand’s has more than sufficient resources to meet short term obligations.

The debt to asset ratio measures the dollar amount of debt per dollar of assets. Similarly, the debt-to-equity ratio measures the dollar amount of debt per dollar of equity. The debt required to support the rapid increase in capital investments through 2023-2025 is the main driver for the increase in both the debt to asset and debt to equity ratio. The debt service coverage ratio is a measure of the corporation's ability to take on new financing and make dividend payments. Again, new debt required to support the increase in capital investments through 2023-2025 is the main cause for the negative trend in this ratio. These solvency ratios are expected to level out once WDI rebases and receives a market-base return for these new investments.

Through prudent financial planning this company will remain financially healthy and achieve an increase in value through growth.

6.3 Debt Acquisition to Support Capital Investments

Under the regulated framework for WDI and through the rate making process, distribution service rates are set based on a utility acquiring 60% debt and using 40% equity capital investments.

WRSI and WDI proposed net capital investments from 2023 to 2025 amounts to \$9.4 million. This will be leveraged through borrowing in the amount of \$6 million which is 64% of the total.

During 2020, WDI was able to secure a \$13 million credit facility with Infrastructure Ontario done through a competitive bid process. WDI has ample borrowing capacity available and will look to draw on this approved facility as needed.

7. Performance Metrics and Benchmarking

One of the OEB's legislative objectives is to facilitate the maintenance of a financially viable electricity industry. At the forefront of this is the use of benchmarking studies, which compare levels of financial and non-financial assessments to customer satisfaction and performance across all LDCs (Local Distribution Companies). High scores in benchmarking studies can show that LDCs are recognized as being the best in class.

Perhaps the most widely-known benchmark of efficiency rating comes from the Pacific Economics Group (PEG) report which compares all LDCs in Ontario. The PEG analysis is one of the only instruments that compares LDCs' cost efficiencies on a consistent basis and is publicly available.

PEG produces an annual report that provides a ranking of the LDCs included in the study, summarizes the results, and provides insight into the trends in efficiency scoring.

As a results of this study, WDI has expended considerable effort to understand the drivers of their efficiency ranking and has undertaken initiatives to maintain its scores as being considered one of the most efficient ranking LDC in Ontario.

7.1 Return on Equity

The regulated ROE is forecasted to be 5.9% in 2023 and could decrease to 4.0% by 2025 without WDI rebasing. The decline is almost entirely related to unrealized market-based returns on new investments. WDI will look to rebase in 2024 and expects the regulated ROE to increase upwards to 8.66% by 2025. 9.36% is the most recent cost of the capital parameter that utilities are allowed to earn as published by the OEB on October 20th, 2022.

7.2 Scorecard Results and Analysis

WDI's scorecard tracks and shows comprehensive performance information, over a range of 20 specific measures within the following four key areas of performance:



In addition to tracking WDI's performance, scorecards help to:

- Encourage Ontario's LDCs to operate effectively and continually seek ways to improve their performance and deliver value for consumers;
- Support the cost-effective planning and operation of the electricity distribution network overall;
- Align the needs of a sustainable, financially viable electricity sector with the expectations of customers, who want reliable service at a reasonable price.

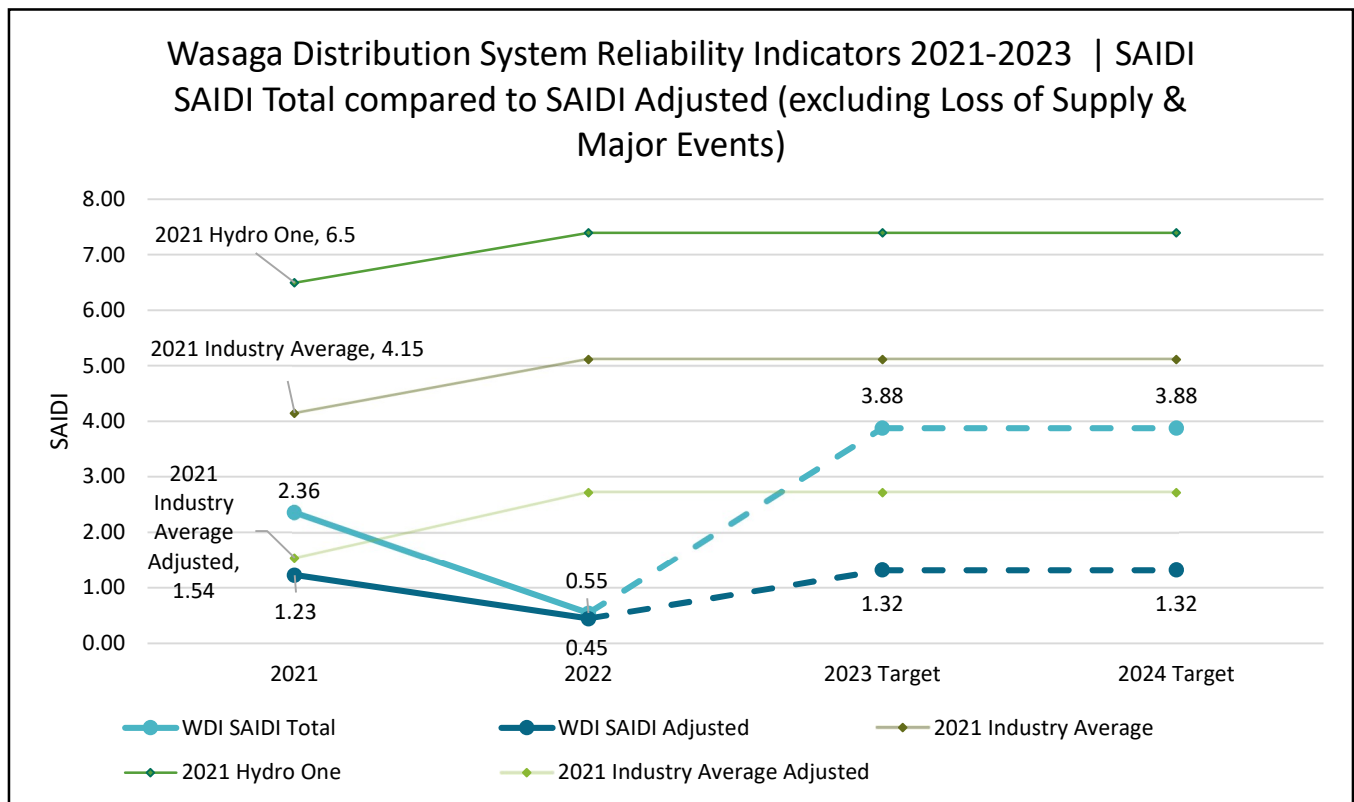
For an LDC such as WDI, the scorecard is a way to track performance year over year and compare to other LDCs' performance. The OEB also uses scorecards to help monitor an individual LDCs' performance and to compare performance across the sector.

WDI's 2021 Scorecard with five years of results and the current Management Discussion & Analysis has been provided in Appendix C.

8. System Reliability

Reliability of electricity service varies from year to year, usually because of external business conditions that are beyond the utilities control – such as weather or motor vehicle accident. Reliability of distribution system is normally measured by SAIDI (System Average Interruption Duration Index) which is calculated based on the number of customer hours of interruptions, to give the average duration.

Below is a summary of the SAIDI indicators for WDI for 2021 actual and forecasted up to 2024.



In 2021, WDI experienced a few large outages caused by tree contacts due to strong winds. During one event, a severe outage caused multiple instances of trees that interfered with lines. As a result, our target (issued by the OEB annually) in the out years has increased. With no major outages in 2022, we anticipate the target to reduce in the future.

WDI is forecasting to maintain its SAIDI to below industry averages, by continuously monitoring its outage reports, to evaluate tending trouble areas. This allows us to allocate resources in a priority and timely fashion.

9. Safety and Training

The Utility must adhere to the highest safety standards set out by the regulators and authorities in the industry. As a condition of our distribution license, WDI is subject to the Electrical Safety Authority (ESA) enforced Ontario Regulation 22/04 which includes annual audits of our distribution system, to verify WDI's adherence to the safety standards throughout our distribution system which includes approvals and verification of equipment, designs, and construction.

WDI is also subject to the requirements of the Occupational Health and Safety Act of Ontario and, as such, must continue to be vigilant of the Act and changes as they occur. Our staff must continue to be well trained in all areas of the regulations that pertain to the workplace.

During 2022, the following training was completed:

Tree trimming techniques	Propane training
First Aid & CPR training	Apprenticeship training
Engineering training	New equipment training
Level 1 JHSC	Pole-top rescue & Bucket evacuation

In the following years, training plans continue with standard training needs to be sure staff meet and/or exceed provincial requirements, the training includes, but is not limited to:

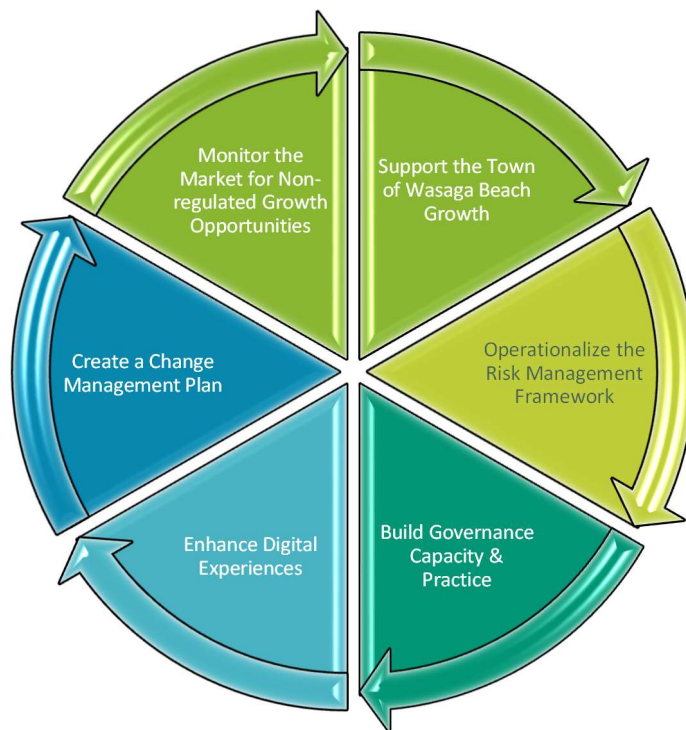
Utility Work Protection Code	Construction verification	WHMIS
Working at Heights	Level 2 JHSC	Apprenticeship training
New equipment training	Effective supervision	Traffic control

WRSI continues to be one of the safest workplaces in the area and staff throughout the organization strive to maintain the level.

10. Summary of the Focus Area in the 2023-2025 Work Program

The Utility continues down a path of growth. With the proposed growth and investment program, mostly driven from WDI, it is expected that the value of the business measured by Net Book Value will continue to grow significantly over the next three years. Along with this value growth, WDI will need to appear in front of our regulator to present its plans in a process called a Cost of Service Rate Application in 2023. It is expected that at such a time the revenue requirements for WDI will be reviewed and cost recovery for capital expenditures will be recognized. At this point, it is expected that the company's bottom line will grow, thus providing additional value to the company and shareholders. In addition to the two types of growth noted above, the companies will continue to look for new growth opportunities that may become available.

In 2020, the revised Strategic Plan will guide the company for the next five years. For 2023 – 2025 it is expected the company will be able to properly focus its energies on the opportunities outlined in the Strategic Plan as follows:



The cyber security of the computer systems and networks will continue to be a priority and investments will be made to safeguard and protect sensitive data and customer information.

WDI originally anticipated filing a Cost of Service (COS) Application to the regulator (OEB) in 2022 for 2023 rate rebasing. However, due to retirements of key personnel resulting in staff changeover, as well as volatility in the market, such as rising interest rates, an increase in cost of living (with union contract negotiations in 2023), and escalating costs due to supply chain issues, the COS was deferred for a year to allow new personnel to become accustomed to the organization’s strategy, processes, and long-term goals, and also to gain a better understanding of how the market would settle over the next 8-12 months. WDI will now complete and submit the COS in 2023 for 2024 rates. As part of the COS, a detailed Asset Management Plan is required. This plan is titled a Distribution System Plan (DSP). In 2021, expanded efforts towards the development of a more comprehensive and renewed plan was undertaken, the plan was completed in 2022 and will aid in the preparation of the 2023-2027 DSP. This work is expected to continue over multiple years with each year adding in additional refinements.

In 2023, the Utility will continue to address succession planning and monitor the impacts of unprecedented supply chain constraints and workflow disruptions. The Utility is well positioned to manage the uncertainty. During 2023 and beyond, staff will continue to support municipal and provincial development priorities,

such as Beach Area 1, new subdivision developments as they arise, and Broadband Expansion. Collaboration and achievement of joint initiative are always a main concern for the Utility.

With the changeover in staffing over the past couple of years, a focus in 2023 will also be to enhancing the succession plan through investing in current staff and creating a change management support program. Employee retention is a key focus and in 2023 further investigation will be completed in terms of optimizing employee engagement.



Corporate Governance was a primary focus in 2022; creating/updating policies and procedures, developing an enterprise risk management framework, and investigating best practices for Board training/mentoring, since new Directors may not have familiarity with the hydro sector. All these initiatives are in alignment with the 2021-2025 strategic plan. Further development will be made in these areas throughout 2023. In addition, a full day session will be held with management and board members during 2023 to discuss and refine strategic direction going forward and start formulating development of the strategy plan as it comes up for renewal.

In changing markets conditions, the advancement of Distributed Energy Resources (DER) and electrification in the Ontario market, this 2023-2025 plan will provide the resources to continue to monitor the marketplace for opportunities. The unregulated arm of Geosands will continue to assess the viability of DER connections and look for opportunities that will provide value to the corporation. The Utility will begin exploring converting the small fleet to electric vehicle and will look to being that in 2023.

In addition, with regulated changes being brought forth by the Ministry of Energy and OEB, WRSI will be implementing the Green Button initiative in 2023, which will also provide an enhanced customer experience as an upgrade is required to the Customer Connection software. Moreover, a third customer choice billing option will be added to the billing system, which focuses on promoting electrification of the Ontario grid.

Environmental, Sustainability, and Governance (ESG) is an emerging focus, with standards currently being developed for many industries. WRSI has already started the conversations with the Board and will continue to monitor and stay consistent as new information is brought forth.

On October 21, 2022, The Ministry of Energy presented the OEB with a letter of direction/mandate addressing *Priorities to Advance in the Near-Term* and *Work Continuing over the Business Planning Period*. The Ministry laid out very specific and targeted initiatives for the OEB to complete over the next two to fourteen months. The Utility has already built-in alignment in the 2023 budget to many the mandates, such as Ultra-Low Overnight Price Plan, Green Button, and Supporting Broadband Expansion. In addition, the Utility is keeping abreast of advancements in Net Metering, Regulatory Changes, Conservation and Demand Management, Innovation Sandbox, Electrification, Electric Vehicles, and Distribution Sector Resiliency. Through work with the Utility personnel and through collaboration with the industry associations, there is full confidence that the Utility has the right strategies in place to be able to keep up with the Ministry's/OEB's direction. Should new initiatives emerge, there is capacity and capability to shift resources/focus to meet targets.

The final area of focus will be to look for business opportunities to continue to grow the company. These opportunities will be fully evaluated and presented to the Board (and Shareholder) as they become available.

Appendix A
2023 Geosands Capital Budget Report



GEOSANDS INC. 2023 CAPITAL BUDGET REPORT

To: Board of Directors

Date Submitted: November 24, 2022

Prepared by: Nanette Dupuis C.E.T

Manager of Engineering

Reviewed by: Audit and Finance Committee

Asset Assessment

As directed by the Ontario Energy Board (“OEB”), Wasaga Distribution Inc. (“WDI”) has developed a formal asset management planning structure to help ensure the prudent management of our assets on behalf of our customers. The 2023 Capital Budget Plan has been developed using the 2016-2020 Distribution System Plan (“DSP”) as a reference along with a 2022 Asset Condition Assessment, completed by a third-party service provider. An updated 2023-2028 DSP is currently under development. The DSP outlines the desired methodology to evaluate our assets. This methodology provides a framework to link our core values directly to the way we manage our system.

Capital Project Prioritization

First, the project selection criterion was established to determine the extent of the potential projects. Next, the number of affected assets were compiled for each project to facilitate project prioritizing. Finally, budget numbers were calculated using cost estimation tools developed in-house.

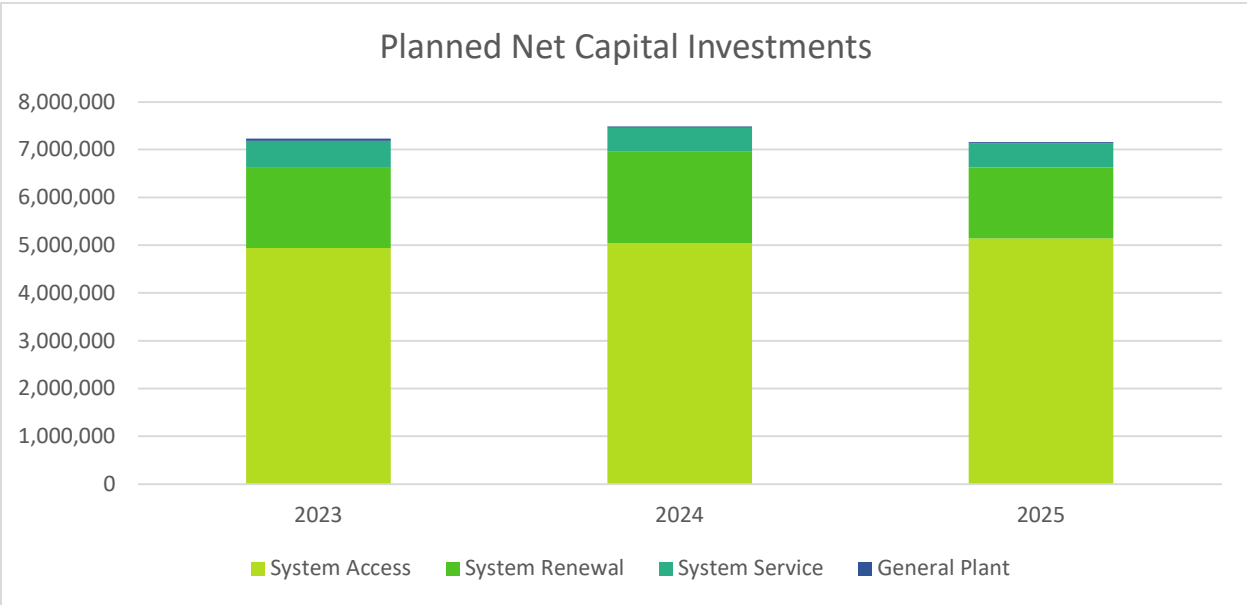
Capital Project Categories

OEB Category	Definition	Overview of 2023 Projects
System Access	System access investments are modifications (including asset relocation) to a distributor’s distribution system that a distributor is obligated to perform to provide a customer(s) with access to electricity services via the distribution system.	<ul style="list-style-type: none"> • Development of 931 new residential and commercial development connections • Other municipality-initiated projects as they arise such as Beach Area 1 • New/Upgraded services
System Renewal	System renewal investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and thereby maintaining the ability of the distributor’s distribution system to provide customers with electricity services	<ul style="list-style-type: none"> • Update the aged distribution plant as identified by the Asset Condition Assessment, primarily pole line segments with small conductors and poles over 50 years old <ul style="list-style-type: none"> ○ Includes approximately 150 poles and 20 transformers ○ Removing roughly 2,400 m of small conductor • Meter reverification of 2013 meters
System Service	System service investments are modifications to a distributor’s distribution system to ensure the distribution system continues to meet distributor operational objectives, while addressing anticipated future customer electricity service requirements	<ul style="list-style-type: none"> • Completion of a feeder tie between MS #3 and the new MS #6 to enhance redundancy and improve load distribution capabilities

General Plant	General plant investments are modifications, replacements, or additions to a distributor’s assets that are not part of its distribution system, including land and buildings, tools, and equipment, rolling stock, and electronic devices and software used to support day-to-day business and operations activities	<ul style="list-style-type: none"> Repairs to the shop’s concrete floor Back-up generator A concrete loading pad Customer portal integration for Green Button compliance GIS software
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Planned Net Capital Investments by Category

Category	Forecast Period (\$)		
	2023	2024	2025
System Access	4,942,627	5,041,480	5,142,309
System Renewal	1,689,991	1,916,242	1,487,392
System Service	547,631	500,000	500,000
General Plant	633,000	405,500	566,000
Gross Capital Expenses	7,813,249	7,863,221	7,695,701
Contributed Capital	(4,003,894)	(4,152,038)	(4,305,663)
Net Capital Expenses after Contributions	3,809,355	3,711,183	3,390,038



Appendix B
2023-2025 Consolidated Pro Forma
Financial Statements

GEOSANDS INC. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 ACTUAL	2022 BUDGET	2022 FORECAST	2023 BUDGET	2024 BUDGET	2025 BUDGET
ASSET						
CURRENT ASSETS	9,405,433	10,996,978	10,410,837	12,268,934	11,891,836	12,188,810
DEFERRED TAX ASSET	114,091	-	-	-	-	-
REGULATORY RECOVERIES	1,095,626	801,256	801,256	651,256	516,256	316,256
CAPITAL ASSETS (NET)	16,832,436	20,602,843	20,888,015	22,384,885	24,803,303	26,880,229
OTHER ASSETS	652,928	99,829	257,572	99,829	99,829	99,829
TOTAL ASSET	28,100,514	32,500,906	32,357,680	35,404,905	37,311,224	39,485,124
LIABILITY						
CURRENT LIABILITIES	4,603,204	5,906,022	5,484,598	6,179,913	6,021,808	6,171,110
DEFERRED TAX LIABILITY	-	10,618	89,461	194,461	329,461	469,461
OTHER LIABILITIES	778,740	856,463	1,178,290	1,455,244	1,426,081	1,396,918
LONG-TERM DEBT	5,028,770	7,969,777	7,467,202	9,357,408	11,185,839	12,958,665
TOTAL LIABILITY	10,410,714	14,742,880	14,219,551	17,187,026	18,963,189	20,996,153
SHAREHOLDER EQUITY	17,689,800	17,758,027	18,138,129	18,217,878	18,373,721	18,380,858
TOTAL EQUITY AND LIABILITY	28,100,514	32,500,906	32,357,680	35,404,903	37,336,910	39,377,012

GEOSANDS INC. PRO FORMA CONSOLIDATED STATEMENT OF PROFIT/LOSS

	2021 ACTUAL	2022 BUDGET	2022 FORECAST	2023 BUDGET	2024 BUDGET	2025 BUDGET
REVENUE						
SALE OF POWER	17,755,757	18,457,745	19,449,200	17,562,179	18,211,980	18,885,823
DISTRIBUTION SERVICES	4,747,840	4,860,649	4,970,899	5,133,848	5,323,801	5,520,781
RENT	172,653	169,930	169,930	175,671	181,614	187,765
CONSTRUCTION REVENUE (ADJ)	1,081,736	1,041,141	1,940,919	2,757,789	2,741,271	2,820,040
WATER HEATER REVENUE	62,313	60,500	65,134	65,134	68,391	70,921
MISC. SERVICE REVENUE (NET)	347,953	123,789	172,349	165,306	168,736	167,294
TOTAL REVENUE	24,168,252	24,713,754	26,768,431	25,859,928	26,695,792	27,652,624
OPERATING EXPENSES						
				-3.4%	3.2%	3.6%
COST OF POWER	(17,755,757)	(18,457,745)	(19,449,200)	(17,562,179)	(18,211,980)	(18,885,823)
BUSINESS DEVELOPMENT	(18,972)	(67,604)	(34,612)	(62,449)	(63,141)	(63,534)
OPERATING EXPENSES	(3,064,802)	(3,335,682)	(3,117,127)	(3,595,257)	(3,794,095)	(3,943,958)
CONSTRUCTION EXPENSES	(1,148,795)	(973,029)	(1,813,943)	(2,577,373)	(2,561,936)	(2,635,551)
TOTAL OPERATING EXPENSES	(21,988,326)	(22,834,060)	(24,414,882)	(23,797,259)	(24,631,151)	(25,528,866)
OTHER EXPENSES						
DEPRECIATION (NET OF CONTRIBUTIONS)	(760,574)	(858,424)	(834,410)	(895,058)	(946,148)	(984,089)
INTEREST EXPENSE	(180,742)	(238,346)	(256,107)	(324,416)	(416,665)	(476,898)
TOTAL OTHER EXPENSES	(941,316)	(1,096,770)	(1,090,517)	(1,219,474)	(1,362,813)	(1,460,987)
NET INCOME/LOSS BEFORE TAXES	1,238,610	782,924	1,263,032	843,195	701,828	662,771
PROJECTED INCOME TAXES	(336,521)	(102,475)	(229,704)	(118,447)	(50,985)	(35,634)
DEFERRED INCOME TAXES	(24,805)	(105,000)	(105,000)	(105,000)	(135,000)	(140,000)
NET INCOME AND OTHER COMPREHENSIVE	877,284	575,449	928,329	619,749	515,844	487,137
FORECASTED IMPACT ON NET INCOME FROM REBASING*					326,621	489,932
ADJUSTED NET INCOME AFTER TAXES					842,465	977,069

*The forecasted impact on net income from rebasing has been quantified to illustrate the potential impacts on revenue, and the return to the corporation, once WDI submits a Cost of Service Application and requests a rate adjustment.

GEOSANDS INC. PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW

	2021	2022	2022	2023	2024	2025
	ACTUAL	BUDGET	FORECAST	BUDGET	BUDGET	BUDGET
OPERATING ACTIVITIES						
NET INCOME/LOSS AFTER TAXES	877,284	575,449	928,329	619,749	515,844	487,137
ADD: DEFERRED INCOME TAX	24,805	105,000	105,000	105,000	135,000	140,000
ADD: DEPRECIATION (INC. ROLLING STOCK)	891,575	992,811	834,410	1,060,694	1,126,861	1,164,802
CHANGES - WORKING CAPITAL/NON CASH EXI	453,148	1,974,154	5,139,556	40,000	(15,000)	-
CASH FLOW FROM OPERATION	2,246,812	3,647,414	7,007,295	1,825,442	1,762,704	1,791,938
INVESTING ACTIVITIES						
CAPITAL INVESTMENTS (NET)	(2,746,708)	(5,628,335)	(5,064,864)	(3,752,674)	(3,620,717)	(3,289,171)
CASH FLOW FROM INVESTING	(2,746,708)	(5,628,335)	(5,064,864)	(3,752,674)	(3,620,717)	(3,289,171)
FINANCING ACTIVITIES						
INCREASE - LONG-TERM DEBT	-	3,000,000	(1,153,457)	2,000,000	2,000,000	2,000,000
PRINCIPLE REPAYMENT - LONG-TERM DEBT	(33,227)	(62,676)	(55,299)	(109,794)	(171,569)	(227,174)
DIVIDEND ISSUES TO SHAREHOLDER	(305,000)	(480,000)	(480,000)	(540,000)	(360,000)	(480,000)
CASH FLOW FROM FINANCING	(338,227)	2,457,324	(1,688,756)	1,350,206	1,468,431	1,292,826
INCREASE(DECREASE) ON CASH FLOWS	(838,123)	371,405	148,675	(577,026)	(389,581)	(204,407)
JANUARY 1, CASH/CASH EQUIVALENT	4,055,136	3,707,750	3,217,013	3,365,688	2,788,663	2,399,082
DECEMBER 31, ENDING CASH BALANCE	3,217,013	4,079,155	3,365,688	2,788,663	2,399,082	2,194,675

Appendix C
2021 Scorecard and Management
Discussion and Analysis

Scorecard - Wasaga Distribution Inc.

8/17/2022

Performance Outcomes	Performance Categories	Measures	2017	2018	2019	2020	2021	Trend	Target		
									Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time	100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time	99.99%	99.99%	99.98%	99.97%	99.91%	⬇️	65.00%		
	Customer Satisfaction	First Contact Resolution	.0438	0.128	.045%	99.9	99.9				
		Billing Accuracy	99.88%	99.92%	99.97%	99.95%	99.98%	⬆️	98.00%		
		Customer Satisfaction Survey Results	82.2	81.6	81.8	81%	81				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	85.60%	85.60%	84.20%	84.20%	84.10%				
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents	0	0	0	0	0	➡		0
			Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.45	0.78	1.39	2.86	1.23	⬆️		1.32	
		Average Number of Times that Power to a Customer is Interrupted ²	0.46	0.62	0.61	2.39	0.63	⬆️		1.09	
	Asset Management	Distribution System Plan Implementation Progress	Completed	Completed	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment	1	1	1	1	1				
		Total Cost per Customer ³	\$425	\$435	\$468	\$459	\$427				
		Total Cost per Km of Line ³	\$20,770	\$21,430	\$22,913	\$22,464	\$21,189				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time ⁴				100.00%					
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%			↔️	90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.15	2.89	1.53	1.70	1.11				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.31	0.30	0.29	0.40	0.39				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.19%	9.19%	9.19%	9.19%	9.19%			
			Achieved	8.88%	9.38%	7.14%	6.72%	10.70%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
 3. A benchmarking analysis determines the total cost figures from the distributor's reported information.
 4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 ⬆️ up ⬇️ down ↔️ flat

Current year
 ● target met ● target not met

2021 Scorecard Management Discussion and Analysis (“2021 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2021 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

- 2021 was a year of challenges and opportunities for Wasaga Distribution Inc. (WDI). The COVID-19 pandemic continued to have significant impacts on our community. WDI experienced delays in some of the major development and capital projects that were expected to be undertaken in 2021. Aging infrastructure continues to be a challenge facing our utility today. WDI continues to replace aging infrastructure and vegetation control continues to be a primary focus for WDI to reduce the vulnerability of the distribution system to external uncontrollable events, such as weather.

WDI continues to focus on you, the customer. WDI continues to ensure we are aware of your needs and that you are receiving the best value for your money. WDI remains committed to providing its customers with the most reliable service at the least possible cost. WDI thanks its customers for their strong commitment to the utility in 2021. WDI will continue its efforts to improve overall scorecard performance results compared to prior years. This performance improvement is expected because of continued investment in both our infrastructure and in response to your needs.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2021, WDI connected 296 low voltage (connections under 750 volts) new residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This represents an increase of 18.4% in the number of connections over 2020. WDI considers “New Services Connected on Time” as an important form of customer engagement as it is the utility’s first opportunity to meet 2021 Scorecard MD&A and/or exceed new customers’ expectations, which in turn affects the level of customer satisfaction within a utility’s territory. Consistent with 2020, WDI connected 100% of these customers on time, which exceeds the Ontario Energy Board’s mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Scheduled Appointments Met On Time**

WDI scheduled 45 appointments in 2020 to connect services, disconnect services, or otherwise complete work requested by the customers. This represents an increase of 9.75% over 2020. WDI considers “Scheduled Appointments Met” as an important form of customer engagement as customer preference is required for all types of appointments. WDI met 100% of these appointments on time in 2021, which significantly exceeds the Ontario Energy Board’s mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2021, WDI received 17,114 telephone calls from its customers. This represents a decrease of 18.22% in the number of calls over 2020. WDI considers “Telephone Calls” to be an important communication tool for identifying and responding to customers’ needs and preferences. Consistent with prior years Customer Service Representatives answered 99.91% of these calls in 30 seconds or less, which significantly exceeds the Ontario Energy Board mandated target of 65% for this measure. WDI expects to see this trend continue into the foreseeable future.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a scorecard measure that was first introduced for tracking by utilities in 2014. The Ontario Energy Board has not yet issued a common definition for this measure. As a result, this measure may differ from other utilities in the province. Historically, WDI defines First Contact Resolution as the number of customer inquiries that are not resolved by the first contact at the utility, resulting in the inquiry being escalated to an alternate contact at the utility, typically a senior staff member. For 2021, the First Contact Resolution was reported as the number of customer inquiries that are resolved the first time they contact the utility, not resulting in the enquiring being escalated to a supervisor or manager. This updated definition is consistent with industry reporting. WDI considers the ability to address customer inquiries quickly and accurately to be an essential component of customer satisfaction. For 2021 WDI received 17,114 inquiries from customers and 99.9% were successfully resolved during first contact. In other words, 2 customer calls went to a supervisor or manager. WDI expects this trend to continue.

- **Billing Accuracy**

Billing accuracy is defined as the number of accurate bills issued expressed as a percentage of total bills issued. WDI considers timely and accurate billing to be an essential component of customer satisfaction. For 2021, WDI achieved a billing accuracy of 99.95% which is within the Ontario Energy Board mandated target of 98%.

- **Customer Satisfaction Survey Results**

As with First Contact Resolution and Billing Accuracy this Customer Satisfaction Survey Results were first tracked in 2014. The Ontario Energy Board has not yet issued a common definition for this measure. As a result, this measure may differ from other utilities in the province. In 2020, WDI partnered with RedHead Media to complete the Customer Satisfaction Survey in accordance with the survey implementation requirements of the Electricity Distributors Association (EDA) and the Innovative Customer Satisfaction Scorecard. WDI received a score of 81%, which was above the average of all LDC’s that participated in the survey. WDI will complete another survey in 2022.

Safety

- **Public Safety**

The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

- **Component A – Public Awareness of Electrical Safety**

The component gauges the public’s awareness of key electrical safety concepts related to electrical distribution equipment found in a utility’s territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. In 2020, WDI along with the other CHEC utilities retained Redhead to perform a standardized survey utilized by all utilities in the 2020 Scorecard MD&A. WDI received a survey result of 84.1% which was slightly above the CHEC survey average. WDI will continue to concentrate on education in future years in several areas, including customers requesting locates, overhead powerline safe distances and downed powerline safe distances.

- **Component B – Compliance with Ontario Regulation 22/04**

Component B consists of a utility’s compliance with Ontario Regulation 22/04 – Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past five years, WDI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by WDI’s strong commitment to safety and the adherence to company policy and procedures.

- **Component C – Serious Electrical Incident Index**

Component C consists of the number of serious electrical incidents, including fatalities, which occur in a utility’s territory. In 2021, WDI had no fatalities or serious incidents within its’ territory. This was achieved by WDI’s strong commitment to safety and the adherence to company policy and procedures.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

The average number of hours that the power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. WDI view’s reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. WDI also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The Ontario Energy Board typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly scheduled maintenance can greatly impact this measure. For 2021, WDI achieved 1.23 hours of interrupted power. This is an improvement in performance over 2020 (2.86). 80% of the interrupted power can be contributed to unforeseen, adverse weather-related events.

- **Average Number of Times that Power to a Customer is Interrupted**

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for WDI. As outlined above, the Ontario Energy Board typically requires a utility to keep this measure within a certain range of its historical performance and outside factors can also greatly impact this measure. WDI experienced interrupted power 0.63 times during 2021. This is an improvement in performance over 2020 of 2.39. The weather events commented on above in “Average Number of Hours that Power to a Customer is Interrupted” were also major contributors to this outcome.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan outlines WDI’s forecasted capital expenditures, over a five-year period, which are required to maintain and expand the utilities

electrical system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess WDI's effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, this measure may differ from other utilities in the province. WDI defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. In 2015, WDI successfully completed the Distribution System Plan as part of its' 2016 Rate Application. The plan was developed for the period covering 2016-2020 with an average annual spend of \$1.23m. WDI spent \$1.7m in 2020. WDI's focus was to provide the resources needed to support infrastructure growth and capital renewal projects to continue to ensure a safe and reliable system. WDI is currently in the process of developing a new DSP, however, no quantitative forecasts or estimates are available. WDI continues to experience increased development in Wasaga Beach and will continue to see more development with a new gaming facility, several large subdivisions, and a new Substation. In 2021, additional resources were added and will continue to be added in the coming years to replace and repair aged and falling infrastructure.

Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electrical distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2021, WDI placed in Cohort I, in terms of efficiency. Cohort I is considered excellent and is defined as having actual costs less than 25% of predicted costs. Overall, our ranking was the same as last year and our goal is to remain in Cohort I.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WDI's capital and operating costs and dividing this cost figure by the total number of customers that WDI serves. Like most distributors in the province, WDI experienced increases in the total costs required to deliver quality and reliable services to its customers. Province-wide programs such as Time of Use pricing, customer choice, growth in wage and benefit costs, and the replacement and growth of the distribution system, have all contributed to increases in operating and capital costs. The total cost performance result for 2021 is \$498/customer which is an increase of 8% over its 2020 result. On average, WDI's total cost per customer has increased by \$21 per annum for the period 2018 – 2021. Going forward, utility costs are expected to keep pace with economic fluctuations; however, WDI will continue to implement productivity and efficiency improvements to help offset some of the costs associated with distribution system enhancements and replacement programs, while maintaining the reliability and quality of its distribution system.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, WDI's rate is \$24,604 per km of line which is a 9% increase over its 2020 rate. WDI's growth rate for its territory is relatively high. In addition, WDI faces supply chain issues and rising inflation. As a result, the cost per km of line is expected to increase as capital and operating costs also increase. As we progress into the future, WDI will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving the

completed application. WDI has developed and implemented an internal procedure to ensure compliance with this regulation. In 2021, WDI did not have any Connection Impact Assessments requested, therefore; no CIA's were done in 2021.

- **New Micro-embedded Generation Facilities Connected On Time**

Micro-embedded generation facilities consist of solar, wind or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms, or small businesses. In 2021, WDI connected 1 net-metered generation facility within its territory. This was connected within the prescribed timeframe of five business days, and therefore 100% of connections were made in the prescribed timeframe, which significantly exceeds the Ontario Energy Board mandated target of 90% for this measure. WDI works closely with its customers and their contractors to ensure that the customer's needs are met and/or exceeded.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio indicates a company's ability to pay its short-term debts and financial obligations. Typically, a current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities. WDI's current ratio decreased from 1.70 in 2020 to 1.10 in 2021. This ratio indicates that WDI is a financially healthy organization in the use of its current assets. WDI will strive to maintain a current ratio between 1 and 1.5 going forward.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt-to-equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt-to-equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt. In 2021, WDI's debt-to-equity ratio was 0.38 (a change from 0.40 in 2020), which is lower than the ratio used for rate setting purposes by the Ontario Energy Board. WDI expects that its debt-to-equity ratio will change over the next several years as Wasaga Distribution delivers on our capital investment program.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its investments to generate earnings growth. WDI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 9.19%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a utility 2021 Scorecard MD&A performs outside this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

WDI achieved a ROE of 10.70% in 2021, which is within the +/- 3% range allowed by the OEB (see above paragraph).

Note to Readers of 2021 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (B) 2021 – 2026 Strategic Plan

Growing Together

Strategic Plan 2021 – 2026



Geosands Inc.

Wasaga Distribution Inc. Wasaga Resource Services Inc.

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A Message from Our President

On behalf of Geosands Inc., we are pleased to present our new strategic plan. *Growing Together* sets out a path for the growth and prosperity of Geosands and its subsidiaries. To ensure we are *Growing Together*, we consulted with more than 800 people across the spectrum of our stakeholders and our community. We consulted Members of Council, our experienced Boards of Directors, and our dedicated frontline staff. We listened to residents, business owners, and our valued customers. We heard from hundreds of residents who have lived in Wasaga Beach for over 20 years, and many seasonal residents shared unique insights and ideas from their experiences living across Canada. We are proud to be locally owned and operated in the Town of Wasaga Beach, and over the next three to five years, we will be *Growing Together*.

Geosands and Wasaga Distribution Inc. have earned a reputation in Wasaga Beach for reliability, quality of service, and customer support. You told us that this reputation is at the centre of what you expect from Geosands. As we focus on the future, you want us to ensure that any investments we make today, tomorrow, or hereafter do not compromise these qualities. Your feedback reaffirmed Geosands' important role in our community, and we are committed to pursuing excellence in product and service delivery.

Over the next three to five years, we will be focusing on growing our organization in a way that meets the needs the needs of our community now and in the future. The Town of Wasaga Beach is growing every year, and you told us that Geosands and Wasaga Distribution need to be a forefront of this growth. That is why we are taking the steps

now to prepare our organization to grow, ensuring we have the right skill sets, leadership, talent, and resources to grow along with our community. You also expect us to be focused on environmental sustainability, and just like in our mission, we are committed to our environmental responsibilities. We heard very clearly that you want to hear from us, including as a principal source for trends, customer support, products, and services to help reduce your energy bills. We also heard that our communications should be timely and relevant, leveraging digital channels to connect with our customers and stakeholders in the most accessible way possible. We do not take our relationship with the community for granted and we will be taking steps to connect and convene our community in support of a common vision of a prosperous, sustainable, and growing community and energy system.

In addition to your feedback, we also based our strategic plan on an understanding of our rapidly evolving external environment. We considered the dynamic policy and regulatory environment that Geosands and its subsidiaries operate within, opportunities to invest in innovative technologies shaping the energy sector, and leading best practices across Ontario utilities. More details can be found in *Appendix A: The Context* and *Appendix B: Comparator Analysis and Leading Best Practices*. At the time of writing, we are in the midst of the global COVID-19 pandemic. For this plan to be successful, it must not only consider the current and future context, but also how the pandemic may impact Geosands' operating environment. The pandemic highlights the importance of Geosands being prepared for change and ensuring that we are in a position to take advantage of any opportunities that may not have existed in a pre-COVID-19 environment.

Over the next three to five years, we will be *Growing Together*, and do everything we can to realize Geosands' vision to sustainably grow our population, the community, the Town of Wasaga Beach, and Ontario's energy system. We look forward to working with you to deliver this plan.

A handwritten signature in dark ink, reading "Keith McAllister". The signature is written in a cursive, flowing style.

President, Geosands Inc.

About Geosands Inc. and its subsidiaries

Geosands Inc. (“Geosands”) is a holding company that owns Wasaga Resource Services Inc. (“WRSI”) and Wasaga Distribution Inc. (“WDI”). Wasaga Distribution Inc. delivers electricity to homes and businesses within the Town of Wasaga Beach under a Distribution License issued by the Ontario Energy Board. The group of companies is owned by the Town of Wasaga Beach as the sole shareholder. Wasaga Resource Services Inc. provides a variety of management and administrative services to WDI, with a principal mandate to actively engage in commercial services in the marketplace. WDI’s assets include poles, wires, transformers, substations, etc. Other resources, including vehicles, tools, billing systems, and administrative equipment are owned by WRSI, and all staff are employed by WRSI.

Geosands and its subsidiaries serve approximately 14,000 customers in the Town of Wasaga Beach with electricity. The distribution service area within the Town of Wasaga Beach is bounded by the Township of Tiny to the north east, the Township of Springwater to the east, the Township of Clearview to the south and the Town of Collingwood to the west. Within an area of 61 square kilometers, the companies manage 235 kilometers of conductor, both overhead and underground. The system also has more than 1,400 distribution transformers, and nearly 5,000 poles in service, fed from five owned, and one shared, distribution stations.



Core Business

Geosands’ core business is to deliver electricity within the Town of Wasaga Beach community in a manner that meets the expectations of customers and other stakeholders, with regards to:

- Quality of services;
- Safety and reliability;
- Operational excellence;
- Financial performance; and
- Responsiveness to its public and policy mandates.

This core business is conducted in an environment characterized by technological innovation, dynamic public policy and regulatory models, and changing customer expectations.

Key Stakeholders

Geosands Inc. serves and is served by a diverse stakeholder community. In this case, a stakeholder is any individual or entity that has a stake in the success of the organization. Primary stakeholders have a direct interest in this organization, as opposed to an indirect interest.

Geosands’ primary stakeholders include:

- The Shareholder – the Town of Wasaga Beach;
- Residential and Commercial Customers;
- Regulators & Agencies;
- Staff;
- Government;
- Contractors & Developers; and
- Collaborative Services.



The Town of Wasaga Beach Council previously considered selling the local distribution company, but in 2017 Town Council voted unanimously to retain WDI and focus on growth after an outpouring of support from residents, the business community, and community associations to keep the utility public and locally owned. After extensive consultation with key stakeholders, including Members of Council, the Board of Directors of Geosands Inc. and its subsidiaries, and staff across the organization, this strategic plan charts a path for growing the organization for the next three to five years.

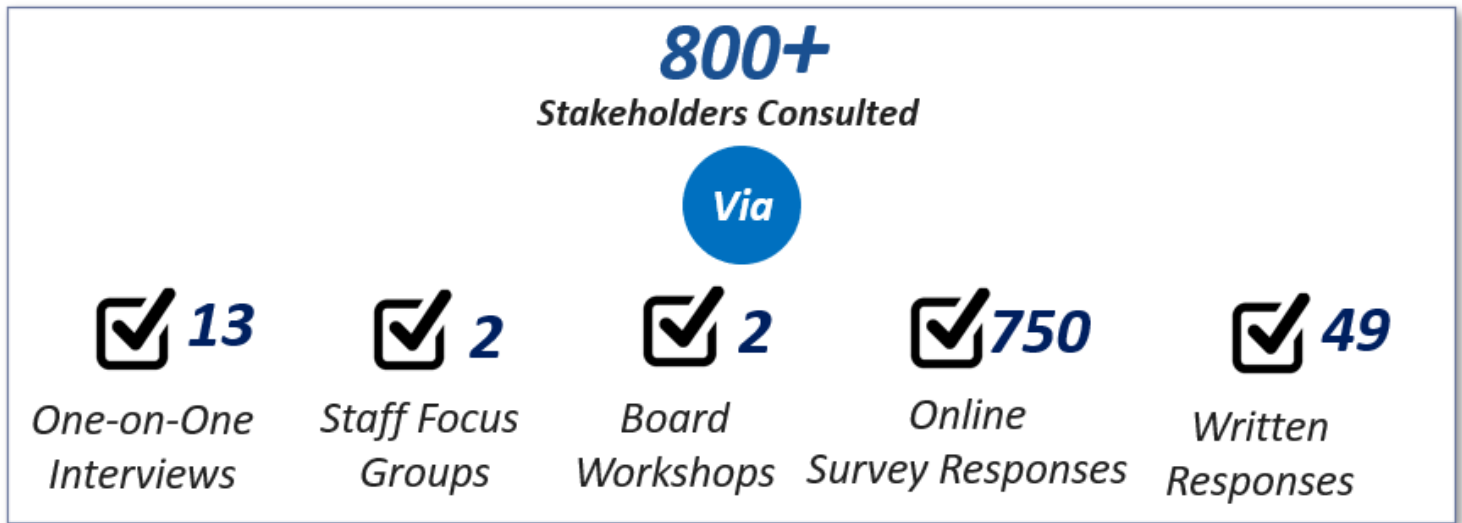
The Engagement Process

At Geosands, we take pride in our reliability of service and our dedication to our customers. We are always looking for opportunities to better serve our community and greatly value the perspectives and opinions of all our customers. In order for us to effectively improve the services we deliver; we must meet the changing needs and expectations of our community now and in the future. From the beginning, this strategic planning process was designed to be highly collaborative, and over the course of a four-month engagement process, we sought the advice from our staff, Members of Council, residents, and business owners in the Town of Wasaga Beach.

From a customer perspective, all 14,000 customers were asked to participate through a town-wide mail out. In total, we consulted over 800 members of the Town of Wasaga Beach community, and as we look toward the next three to five years, this input will be critical to ensuring we have a strategic plan that reflects these needs and expectations, and supports a high performing organization that can take advantage of any opportunity.

The feedback we heard from across the Wasaga Beach community and from our Boards and staff was honest and unvarnished. This forms the foundation of both our strategic and implementation plans and will ensure we stay connected to our customers and dedicated to improving the critical services that our community relies on.

How We Engaged Stakeholders



Who We Engaged

- Stakeholders Consulted**
- Members of Council
 - Boards of Directors of Geosands, WDI, and WRSI
 - Staff
 - Residential Customers (Full-year and Seasonal)
 - Business Customers (Full-year and Seasonal)

Stakeholder Feedback

As we developed our areas of strategic focus, we wanted to better understand what our key stakeholders and customers considered valuable growth opportunities that would drive meaningful change for our community. We hosted one-on-one interviews with Members of Council and senior leadership across the organization, multiple workshops with the Boards of Directors, and engaged with residential and business customers through an online survey.

Throughout this engagement we sought to answer the following questions:

- What should be Geosands' (and its subsidiaries) areas of strategic focus?
- How should Geosands (and its subsidiaries) position themselves to pursue growth?
- What is meaningful to Geosands' key stakeholders and the Town of Wasaga Beach community at large?
- Are there areas that Geosands (and its subsidiaries) could invest in to support growth, and how should we prioritize those opportunities?

All methods of outreach were very successful in engaging with Geosands' customer base and key stakeholders, and the major findings are outlined below.

Preserving Geosands' key strengths

Survey respondents reaffirmed that Geosands and its subsidiaries have earned a reputation for reliability and customer service.

- The vast majority of respondents to the public engagement survey reaffirmed customers' support of Geosands and the publicly facing WDI and are generally supportive of the organization pursuing growth opportunities as long as they do not sacrifice the existing qualities of reliability of service, customer service, and affordability.
- Over 90% of survey respondents were, at minimum, satisfied with Geosands' services, and over 80% of respondents are supportive of growth opportunities that do not impact rates, including community investments, electricity distribution, and customer service improvements.
- All respondents across the stakeholder groups were proud that Geosands has earned this reputation, and customers associate this quality of service with a personal, "smaller town" approach to business.

Preparing the organization to pursue growth

Securing talent and skill sets now and for the future.

- As the organization is about to lose key senior personnel due to retirement, stakeholders indicated that Geosands must identify candidates to fill the current human capital need while supporting this strategic plan in the near and long-term, including having expertise in areas of non-regulated growth.

There are barriers that may impede growth that must be addressed.

- Stakeholders identified a number of potential barriers to Geosands' pursuit of growth and the goals of this strategic plan, including the size and capacity of the senior management, the physical space to accommodate new personnel, and the expense of requirement investments in technology.
- Survey respondents, particularly residential customers, also indicated that some concern remains about any future consideration of selling the utility or increasing rates, and they were adamant that the utility should remain locally owned and operated to maintain the quality of service.

Continue strengthening the relationship with the shareholder and the community

Communications and transparency are key.

- Internal stakeholders were in agreement that recent efforts to improve communications and information sharing between Geosands and the shareholder signal a significant enhancement in the working relationship.
- Stakeholders indicated that there are opportunities to build on this improved relationship through increased collaboration with the Town.
- This could also serve to increase communications with Geosands' residential and commercial customers.

Pursuing growth

There is support for growth in the non-regulated business.

- Survey respondents and internal stakeholders were generally supportive of pursuing growth opportunities and investments in business activities outside of the traditional activities of a utility, but it would have to be determined whether the organization would tolerate higher risk in exchange for a higher rate of return.
- Opportunities that are perceived to be lower-risk include expanding non-core business activities, such as tree-trimming, trenching, or other utility-adjacent activities that could generate new revenues and expand resources to increase bandwidth and utilize in-house staff skillsets. This is generally accepted as a strong path forward.

Addressing the Town's projected population growth through sustainable investments.

- Wasaga Beach is one of Canada's fastest growing municipalities in terms of five-year growth rate and stakeholders identified that Geosands' regulated business must be able to meet this future demand, including customer service and asset management.
- Internal stakeholders and survey respondents were unanimous in that as the Town changes in population size and demography, there is opportunity for more communication and interaction with the utility through social media and WDI's public facing website.
- As well, a majority of stakeholders across the engagement landscape indicated that they would be open or interested in Geosands (and its subsidiaries) pursuing investments in sustainable infrastructure, particularly electric vehicle charging stations, solar panels, battery storage, etc.

Vision, Mission, and Values

Vision

A growth oriented, community focused organization that is a leader in Ontario's energy sector.

Mission

To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities. To operate a distribution network that supports Ontario's energy future by delivering obligations mandated by the Ontario Government and other regulatory agencies, while also seeking to grow the Utility through its non-regulated subsidiaries.

“Our organization is committed to providing quality services to the people and businesses of Wasaga Beach, which they have grown to expect.”

Keith McAllister, President

Our Values

A positive work environment: Dedicated to creating a supportive environment for all employees, including Board members, in a climate of respect, honesty, and trust. We encourage staff to exchange ideas, be innovative and practice a healthy work-life balance.

A safe work environment: Committed to ensuring that all employees work in an environment that is safe and meets all current workplace and environmental standards.

Excellence: Devoted to enhancing the quality of our services, products, and practices through continuous improvement and innovation.

Risk management: Determined to pursue innovation and long-term sustainable growth while acknowledging and addressing relevant risks.

Partnerships: Dedicated to creating and nurturing collaborative relationships to support the goals of the organization.

Customer focused: Committed to helping our customers by listening to their needs, working hard to meet their expectations and valuing all our customer interactions.

“As Wasaga Beach grows so must we. We will find smart growth opportunities to provide even more value to our community.”

Keith McAllister, President

Strategic Priorities

For a strategic plan to be effective, it must take into consideration the context in which an organization is operating—the policy and regulatory environment, technology changes, and the stakeholder community. To that end, we believe that setting strategic goals and objectives cannot be done in isolation. That’s why we reached out to our stakeholders through an extensive engagement process, which provided a unique and valuable perspective to this plan. Our stakeholders validated for us that what we are doing remains relevant and valued, while providing us with specific ideas for how to grow and improve existing services.

One of the things we heard was the overwhelming support for Geosands pursuing growth opportunities that increase net income while not overly exposing the company to risk. Geosands’ reliability of service and low price of distribution are celebrated by the community and at the heart of what we do, and our path forward must consider these qualities. We listened and adjusted the order of our strategic goals, and how we define them, to reflect this important feedback. Our three **strategic priorities** include:

- 1. Define how Geosands Inc. would like to grow and pursue growth:** Create a clear definition of growth and a framework to evaluate growth opportunities that has stakeholder buy-in and assess and pursue opportunities through this unified evaluation tool.
- 2. Preparing the organization to support this growth:** Prepare the organization, from front-line staff to the Boards of Directors, to support growth.
- 3. Strengthening the relationships underpinning this growth:** Ensure the relationships with key external stakeholders – the shareholder, customers, and the community more broadly – are maintained and improved upon.

The achievement of these priorities will lead to Geosands fulfilling its mission and vision.

Geosands' priorities are interconnected. They form a continuous feedback loop of activities to inform the next steps – identify and pursue growth opportunities, improve the organization, and improve stakeholder relations...repeat.



Strategic Goals

In response to the environmental scan and stakeholder feedback, each priority has specific goals that will become Geosands' touchstones to guide our activities over the next three to five years.

PRIORITY 1: Define how Geosands Inc. would like to grow and pursue growth.

Over the next five years, Geosands will focus on the following four goals:

Supporting Geosands' core business and the Town's population growth.

Geosands' core business is to support the growth of the distribution system to meet the needs of residential and business customers. Over the years, WDI and WRSI have diligently maintained equipment and assets in a safe and reliable working order and only when economically justified, upgraded or replaced equipment. However, Wasaga Beach is one of Canada's fastest growing municipalities in terms of five-year growth rate¹, and the organization has identified an opportunity to invest in its regulated business.

An updated 2021 – 2025 Distribution System Plan is currently under development by the Engineering and Operations Department. This plan will be executed to ensure Geosands' regulated business is meeting the expectations of high-quality services that the community has come to expect and supports the Town's projected population growth. It is important to note that WDI will seek to get an adjustment from the OEB in its Cost of Service application to provide a commercially allowable return to the shareholder. It is expected that at such a time the revenue requirements for the utility will be reviewed and cost recovery for capital expenditures will be recognized. If this occurs, the company's net income will grow - providing additional value to the company and shareholders.

Collaboratively creating an investment framework with the Boards of Directors and the shareholder.

Staff, Board members, the shareholder, and the community are all supportive of Geosands pursuing growth opportunities – be it in investments in the community, the acquisition of comparable local distribution companies (LDCs), improvements in the

¹ *Fastest-growing communities in Canada 2019*. MacLeans. 8 August 2019.

electricity service distribution system, or enhancements to customer service and awareness. However, there is not a unified definition between stakeholders of what growth means and how to evaluate different growth opportunities.

In the near term, Geosands will collaborate with relevant stakeholder groups to create an investment framework in which the organization can evaluate growth opportunities, such as opportunities to grow the regulated rate base via acquisition of similar LDCs, or growth in the non-regulated market. The framework will have clear tenets to support stakeholder buy-in and avoid permanent impairment of capital, while generating returns.

While an investment framework is needed, Geosands must also participate actively in the market to pursue appealing opportunities. Geosands is currently performing due diligence on a potential growth opportunity. If this opportunity is viewed positively, this opportunity will serve as a pilot project to inform the development of the forthcoming investment framework. It will allow the organization to conduct due diligence, assess its risk mitigation practices, and plan accordingly as further growth opportunities are considered.

Monitoring the market for non-regulated growth opportunities.

Geosands' operational and aspirational comparator utilities have a portfolio of non-regulated businesses. These include services such as construction, fibre optics and wireless network management, city streetlight maintenance, solar panel installation, electric vehicle charging station infrastructure, water billing and wastewater management, landfill, gas, and battery storage.

Over the next five years, Geosands will actively monitor the market to identify organic and inorganic opportunities to expand its non-regulated businesses and services. Active market intelligence will be obtained diligently and consistently, especially as COVID-19 is and will continue to create turbulence in the local economy. This may provide Geosands with unique and unexpected growth opportunities.

Pursuing the highest ranked opportunity and evaluate and iterate the framework before pursuing next ranked opportunity.

Once the investment framework is completed and market research and due diligence has been undertaken, and the organization is ready to support growth (*Priority 2: Preparing the Organization to Support this Growth*), the highest ranked opportunity will be pursued. This ranking will be provided as an output of the investment framework.

To support the success of this initiative, Geosands will create a full integration strategy that identifies how this new opportunity will be supported by Geosands' existing operations and governance structure, while also considering change management and communications requirements to support buy-in.

Once this opportunity has been executed, Geosands will take this moment to reflect on its achievements and evaluate areas of improvement to instill continuous improvement in its growth mindset.

This will include evaluating the investment framework and improving it with real-world data, assessing its integration capabilities, and gaining feedback from all stakeholders (staff, management, Board members, and shareholders) on how this growth was managed.

This will allow for the next growth opportunity to be executed with improved results and maintain momentum for Geosands to pursue growth.

PRIORITY 2: Prepare the organization to support this growth.

Over the next five years, Geosands will focus on the following four goals:

Maturing organizational capacity by ensuring key positions are filled and management skill sets can support growth.

Geosands will shortly undergo a large transformation. Of the 19 employees it is expected that seven will be eligible to retire or have indicated that they may retire within a five-year window. Within the executive group, it is expected that two or three of the group's four executives will no longer be with the organization within the next two years. For the organization to maintain its high service standards that the community expects while also pursuing new growth opportunities, these positions must be filled with the right people that have the right skills to drive this strategic plan and its goals forward.

Geosands will identify and recruit management and staff that can lead the daily operations and identify, pursue and integrate growth opportunities.

Building governance capacity and practice.

As outlined in the comparator research found in *Appendix B*, Geosands' corporate structure is similar to its utility comparators. However, an area of corporate structure improvement would be cross-appointing Board members to multiple Geosands' Boards. This will allow Board members to have more insight and awareness into the different activities of the entire organization and allow for a more agile Board structure that can quickly support growth opportunities. Geosands will support the cross-appointment of Board members in the near term.

As Geosands pursues the cross-appointment of Board members, the organization will focus on fostering inter-Board relationships to encourage collaboration and effective information and knowledge sharing across the three Boards. Geosands will also determine how best to effectively communicate these roles and responsibilities across the Boards of Geosands, WDI, and WRSI.

Addressing the organization's governance will allow the organization to be better prepared to support growth.

Building an action orientated culture and supporting change management initiatives.

Geosands' staff interact with the public each day, whether out in the field or in the office. This group of hardworking individuals are, to a large part, responsible for the organization's resounding success with its customers and the community.

The organization has seen a lot change in the recent years, and, through this strategic plan, more change is expected. To successfully support this change, the workplace culture must be action orientated, in which staff are comfortable and able to perform new and unfamiliar tasks to support growth.

As the organization changes and grows, staff need to have the information and opportunity to grow with Geosands. When decisions are made regarding growth, this important stakeholder group must be considered, and strategies developed to include them in the growth plan.

Preparing and managing areas of exposure and risk.

Recently, the organization has made a number of operational improvements, including updating the organization's business plan, creating a more in-depth review and preparation of the asset management plan, and the delivery of an increased capital replacement program. However, one area of improvement is Geosands' approach to risk management.

The organization currently lacks an-organization wide approach to identifying and minimizing risks that may affect Geosands and its customers. To address this issue, Geosands will develop a risk management framework within the next five years.

This risk management framework will be a structured process used to identify potential threats to Geosands and its subsidiaries, and define the strategy for eliminating or minimizing the impact of these risks, as well as the mechanisms to effectively monitor and evaluate this strategy.

This framework will support the organization in maintaining its high level of service while also ensuring that the risks presented by growth opportunities are eliminated or minimized.

PRIORITY 3: Strengthen the relationships underpinning growth.

Over the next five years, Geosands will focus on the following three goals:

Continuing and increasing shareholder engagement activities.

Geosands has recently increased its shareholder engagement activities, such as presenting annual business plans and holding annual general meetings. These increased engagement activities are well received by Town Council and are building increased trust and collaboration between the organization and its shareholder.

For Geosands to pursue growth opportunities, it will need a supportive shareholder that supports each opportunity and how it connects to the organization's strategy, understands the risks of each opportunity, and endorses Geosands' risk management framework to realize the benefits of each opportunity.

For this to occur, a strong relationship based on trust and transparency will be necessary between Geosands and its key stakeholders. While a foundation is being built, over the next five years Geosands will find more ways to engage the shareholder to foster a stronger relationship.

Maintaining and building strong customer relations by connecting to customers online.

Geosands and the publicly facing Wasaga Distribution Inc., are viewed positively by customers. This is demonstrated by the consistent strong customer performance score in OEB's scorecard and the customer survey found that over 90% of respondents were, at minimum, satisfied with Geosands' service.

However, as evidenced through the survey, there are ways in which Geosands can improve its customer experience – particularly through enhancements in its digital customer services. In the next five years, Geosands will improve its digital communications (website updates, social media presence, etc.), focus on connecting customers to existing digital resources, and enhance digital customer features such as electronic billing.

Continuing to drive value from collaborators.

The Ontario energy policy and regulatory environment will likely remain uncertain in the next five years. COVID-19 is directly and indirectly adding increased policy uncertainty.

As a result, Geosands must continue and bolster its involvement in policy development activities and thought leadership. As a smaller Ontario utility, its best course of action is to continue to participate and take an active role in organizations such as Cornerstone Hydro Electric Concepts Association (CHEC) and other collaborative organizations.

Plan on a Page

Vision

A growth oriented, community focused organization that is a leader in Ontario's energy sector.



Mission

- To provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities; and
- To operate a distribution network that supports Ontario's energy future by delivering obligations mandated by the Ontario Government and other regulatory agencies, while also seeking to grow the Utility through its non-regulated subsidiaries.

Values

A positive work environment

A safe work environment

Excellence

Risk management

Partnerships

Customer focused

Strategic Priorities and Goals



Define and pursue that growth

- Support Geosands' regulated business and the Town's population growth.
- Collaboratively create investment framework with the Board and the shareholder.
- Monitor the market for opportunities in non-regulated growth opportunities.
- Pursue highest ranked opportunity and evaluate and iterate the framework before pursuing next ranked opportunity.



Prepare the organization to support growth

- Mature organizational capacity by ensuring key positions are filled and management skill sets can support growth.
- Build governance capacity and practice.
- Build an action orientated culture and support change management initiatives.
- Develop a risk management framework and implement accordingly.



Strengthen the relationships underpinning growth

- Continue and increase shareholder engagement activities.
- Maintain and build strong customer relations through enhanced digital experiences.
- Continue to drive value from collaborators.

The Path Forward

Our updated strategic priorities and goals form a solid foundation for our direction over the next five years and will inform our business and operating plans. This strategic plan represents our commitment to our community and key stakeholders and is reflective of your needs and priorities and the environment in which we operate.

As we face multiple challenges that will directly impact Ontario's energy sector, the Town of Wasaga Beach, and our organization, we are prepared for change and uncertainty. We are confident that at its core, this plan provides the guidance we need to successfully grow and continue to provide our customers with excellent products and services in a competitive, safe, reliable and efficient manner, while always recognizing our community and environmental responsibilities.

We listened to you, we learned from you, and now it is time we act for you.

Appendix A: The Context

Policy & Regulatory Environment

The major findings of the policy and regulatory environmental scan concluded that Ontario's energy sector is undergoing a period of uncertainty, change, and the COVID-19 pandemic has further complicated an already unsettled environment. This environment, and the impacts of the pandemic, may have a variable impact on the strategic plan and Geosands' financial position over the next three to five years.

Increased regulatory uncertainty because of COVID-19

The energy sector was already facing policy and regulatory uncertainty and change before COVID-19.

- At the time of writing, uncertainty about the direction of the OEB is matched by concern about how Ontario will meet its need for new capacity in the power system given projected demand for electricity in the coming years.

The degree to which Geosands' is financially impacted by COVID-19 will depend on many factors.

- To address the financial impacts of the COVID-19 pandemic on Ontario residents and businesses, the provincial government announced new and expanded affordability policies, which may impact Geosands' financial position (bad debt, the operation of financial settlements, etc.) in the short-term.
- In the long-term, the degree to which Geosands' is financially impacted by COVID-19 will depend on the pandemic's impact on the Town of Wasaga Beach and its employment rate, the utility's customer base, the long-term regulatory implications of COVID-19 response policies, and how Geosands' identifies, measures, and tracks costs to address cost recovery².

² A standardized cost recovery approach for utilities impacted by COVID-19. Jim McMahon and Ned Hall – Charles River Associates. 2020 May.

Technology and Innovation

As Geosands considers and pursues opportunities to grow and invest in innovative technologies across the sector, the business case for each opportunity must consider Geosands' existing capacity, resources, skill sets, and financial commitments. Outlined below are three examples of new technologies that are driving innovation in the sector and could be pursued as part of an integrated investment framework.



Grid Modernization Technologies

- Grid modernization involves the updating, enhancing, and improving of a utility's electricity grid through technological advancements that ensure assets are optimized.
- It is driven by three key considerations, including increasing system resiliency, empowering customers, and optimizing assets to reduce costs.
- Benefits include increased efficiency, real-time data collection, and improved responses to customers and predictable supply and demand, which directly supports the timely and proactive maintenance of existing assets and infrastructure.

Implications

- Given projected population growth and continued focus on reliability and quality of service, WDI will continue to leverage ongoing opportunities to modernize its grid where appropriate to control costs, enhance reliability and resilience, and engage customers through asset management planning and required capital investments.



Distributed Energy Resources

- According to the IESO, Distributed Energy Resources (DERs) are electricity-producing resources or controllable loads that are connected to a local distribution system or host facility within a system.
- The business case for DERs, including roof-top solar, storage, etc., depends on the potential revenue streams, which are uncertain given the cancellation of the FiT program and other long-term funding commitments.
- However, investments in DERs can help avoid the need for more expensive and traditional capital investments by the utility, but not all investments can be included in the rate base.

Implications

- The business case for investment in DERs is unclear in the current regulatory and policy environment, and further clarity is needed before Geosands will study the feasibility of investments in DERs.



Electric Vehicle Charging Stations

- Governments at all levels are incentivizing the purchase of Electric Vehicles (“EVs”) or Hybrids, which are automotive vehicles powered via plug-in to electrical charging stations rather than traditional gasoline or diesel.
- EVs are projected to redefine the transportation industry as residential and commercial users look to diminish greenhouse gas emissions by switching from traditional internal combustion engine (“ICE”) vehicles.
- EV charging stations can be a potential revenue source, easily integrated with other innovations or technologies.
- However, there are risks associated with being an “early adopter,” and the connection of EV charging stations may complicate the operation of the grid.

Implications

- Stakeholder engagement identified that the public is supportive of further investments in EV charging stations.
- Geosands will continue to explore EV charging stations in partnership with an established player with experience in related DERs technologies to mitigate associated risks.

Appendix B: Comparator Analysis and Leading Practices

To complete a holistic assessment of Geosands' operating environment, the organization's governance and operational structures were compared to similar local distribution companies to determine the optimal structures and skill sets necessary to support the achievement of the strategic goals and priorities as set out by this plan. Additionally, this comparator analysis identified leading best practices and growth opportunities for Geosands to consider that have already been tested and validated with residents, stakeholders, and industry experts. The major findings of this assessment have been outlined below.

Comparators have similar strategic directions

Comparator LDCs are also focused on internal operational excellence.

- Most comparators are also focused on improving their core business to ensure the rate payer is receiving reliable and affordable energy in the coming years and the shareholder has a consistent dividend.

There is consensus on adopting innovative technologies.

- Comparators have identified in their own strategic and business plans the importance of adopting innovative technologies.

Comparators are focused on improving shareholder and community relations.

- A large majority of comparable organizations are focused on making a positive community impact and building strong relations with the shareholder by working with municipalities on different initiatives.

Leading practices demonstrate increasing investment in non-regulated adjacent services.

- Many leading comparator LDCs have focused on increasing services in the non-regulated space, including the addition of business lines that support ancillary utility services, such as tree-trimming, trenching, etc.

Existing governance structures diverge from industry best practices

Reviewing existing governance structures against applicable best practice from OEB.

- The OEB identified four indicators of leading corporate governance practices including Board independence, director skills, Board committee structures and functions, and supporting documentation and practices. While not exhaustive, Geosands is meeting most of the recommendations.
- The existing shareholder direction with the Town of Wasaga Beach was updated following the release of the OEB's 2018 report on corporate governance; however the capital expenditure processes and other reporting requirements may

constitute a transfer of decision-making authority, which should be explored further.

Geosands should rationalize, review, and align the structure and skill sets of the Boards of directors across the organizations, including the cross-appointment of directors.

- The lack of overlap of Board members across the three Boards may not effectively support information sharing, distribution of skill sets, and adequate staffing of subcommittees.
- Geosands should focus the cross-appointment of Board members to multiple Boards across Geosands and its subsidiaries, and support the development of inter-Board relationships, clearly defining the roles and responsibilities of each Board member in supporting these relationships.

Key financial indicators may demonstrate opportunities for increased expansion

Geosands and its subsidiaries may have potential capacity to take on more debt.

- WDI's Current Ratio (current assets/current liabilities), which is an indication of the company's ability to pay its short-term debts and financial obligations over the next 12 months, is a strength to the organization.
- The organization also has a lower debt-to-equity ratio (total liabilities/total shareholder equity) on average compared to other LDCs.
- This assessment suggests that WDI has capacity to take on more short-term and long-term debt to meet current and future asset and investment needs.

Further diversification of investments may enhance net income

Geosands and other LDCs that have comparable operational structures have a minimal amount of revenues generated from the non-regulated space.

- However, these comparators have identified an opportunity to increase net income through investment in ancillary utility services. As these other utilities grow, a material proportion of their net income may come from non-regulated services.



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (C) 2023 Customer Satisfaction Survey



ADVANIS

for



2023 Customer Satisfaction Survey

March 2023

Deliverables

Advanis is pleased to provide **this report with results of the 2023 Customer Satisfaction study**.

- We include comparisons to previous years of the study, where applicable.

In addition to this report, you have access to **Advanis' Online Reporting Environment (ORE)** which allows you to:

- create charts and tables like those contained in this report
 - you will be able to do much more analysis than we had space for in this overall report (e.g., look at results comparing segments of the annual consumption index or the regions within your LDC, if applicable)
- review the verbatim responses to:
 - the open-ended question “Is there anything you would like your LDC to do to improve its services to you?”.
 - Note that you can export the verbatim responses to Excel at the click of a button; and
 - search for key words or filter the results by different segments (e.g., customer type, region) or other questions in the survey.

To access the ORE, visit this link: portal.advanis.net and enter your username in the format `firstname_lastname`. If you've forgotten your password, there is a link to reset it on the login page. If you have any questions, please contact Gary.Offenberger@advanis.net.

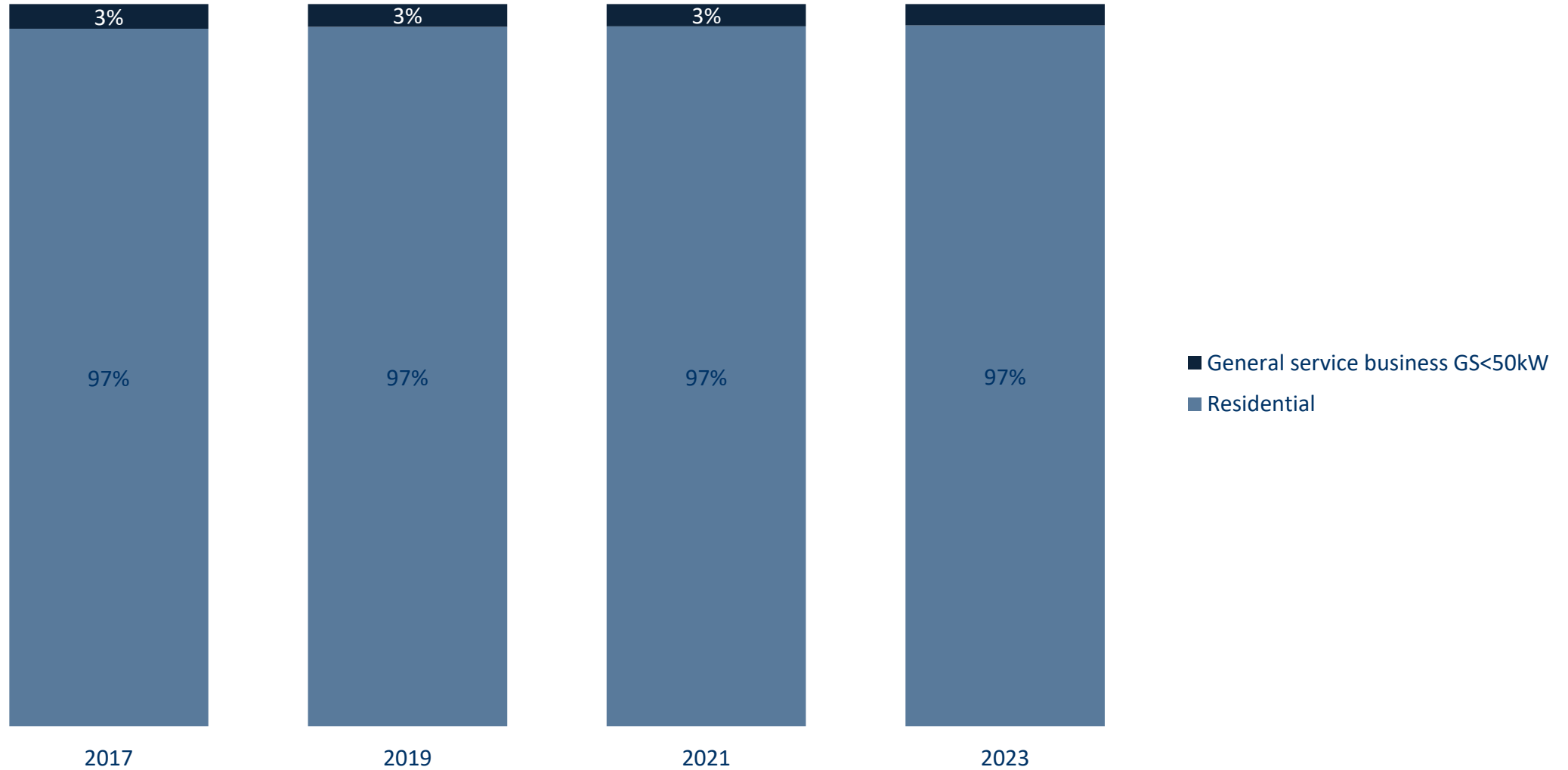
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Lead Consultant: Gary.Offenberger@advanis.net // 780.229.1140

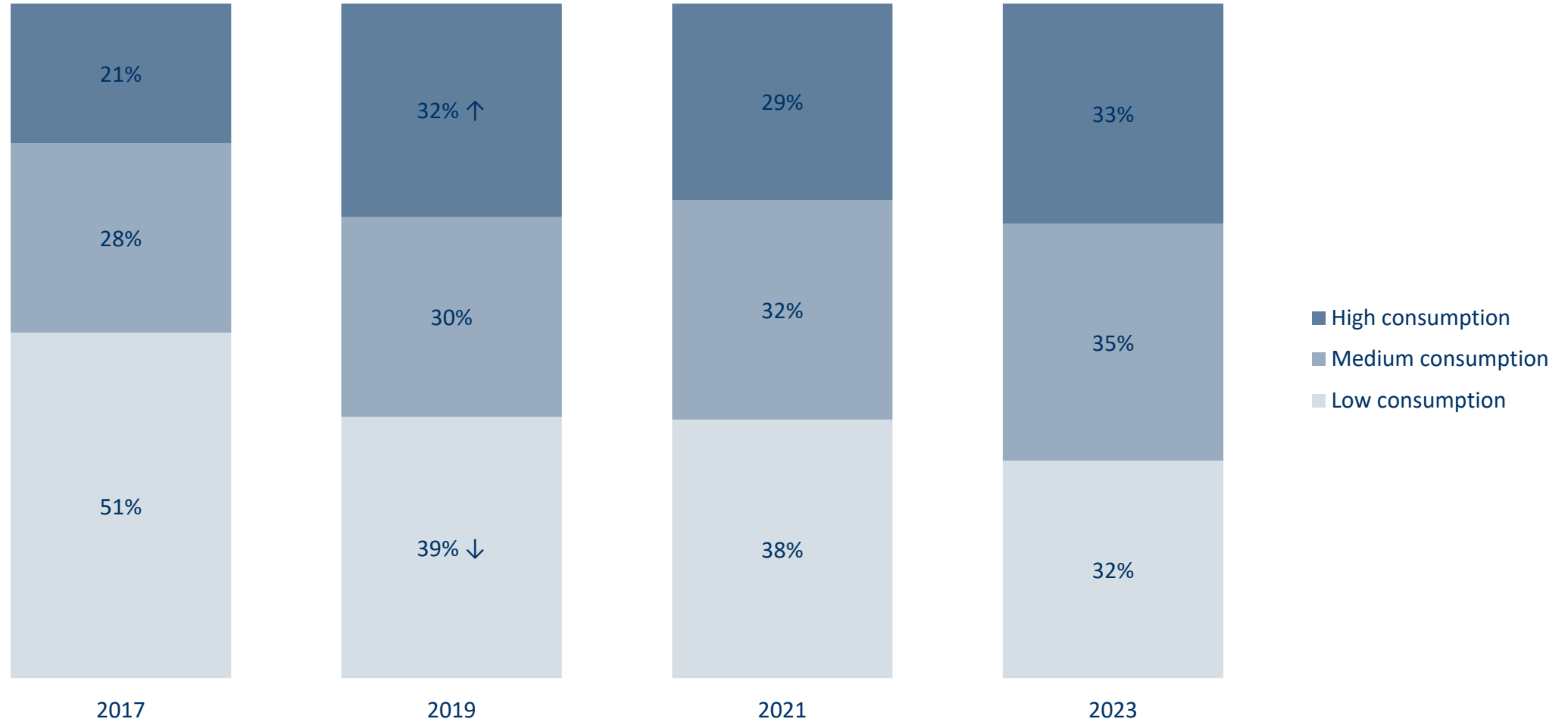
Customer (i.e., Survey Respondent) Profile

Customer Type - information provided by Wasaga Distribution



Weight: Aggregate weight for LDC based on customer_type
Filters: LDC: Wasaga Distribution

Indexed score of annual consumption (Only have GS data for 2023 onwards) - information provided by Wasaga Distribution

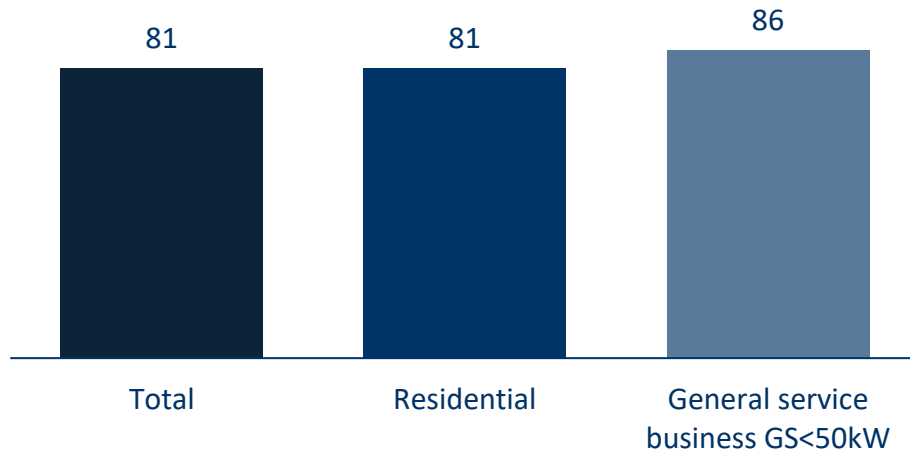


Weight: Aggregate weight for LDC based on customer_type
Filters: LDC: Wasaga Distribution

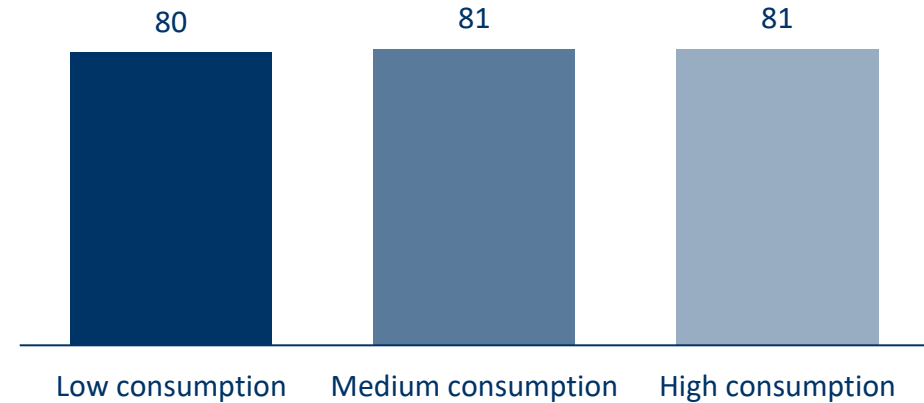
Customer Satisfaction Index Score – 2023 Results & Trend

Customer Satisfaction Index: Wasaga Distribution for 2023

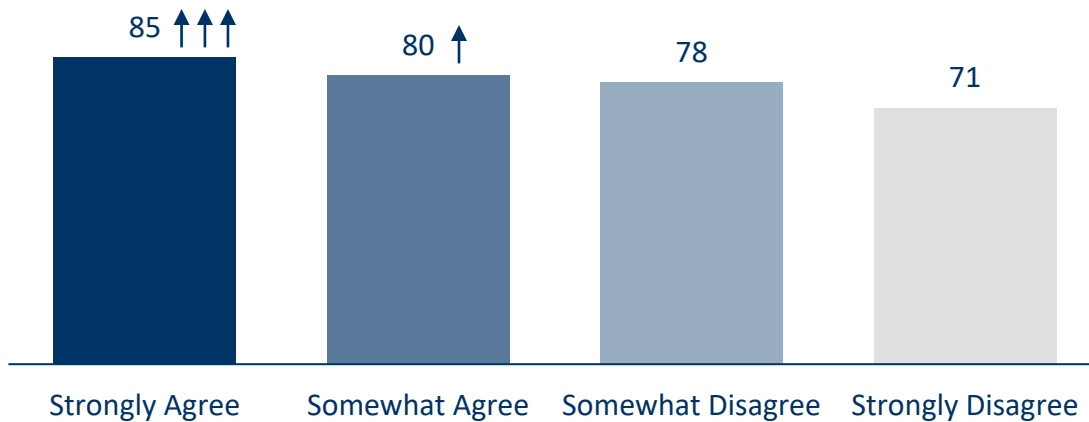
CSI Score – Total and by Customer Type



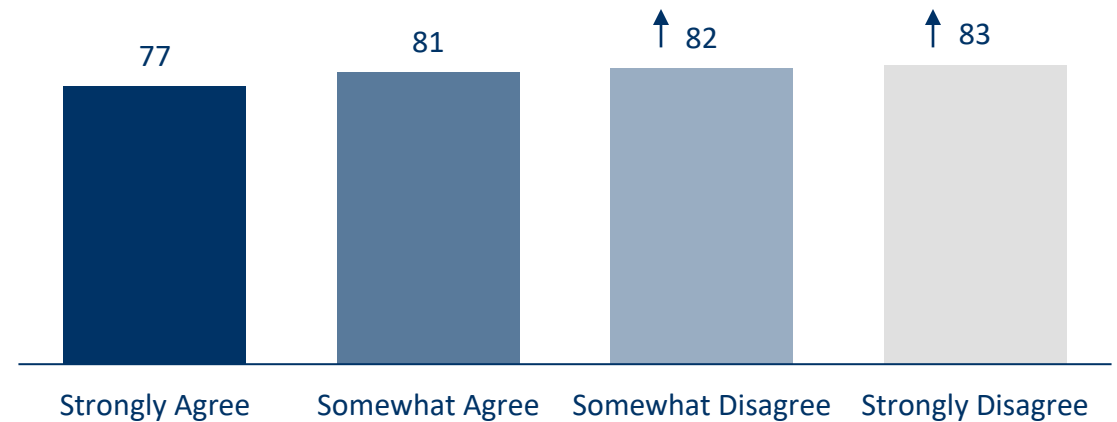
CSI Score by Annual Consumption Index



CSI Score for each segment of agreement with:
“Customers are well served by the electricity system in Ontario”



CSI Score for each segment of agreement with:
“The cost of my electricity bill has a major impact [on personal finances] OR [bottom line of organization]”

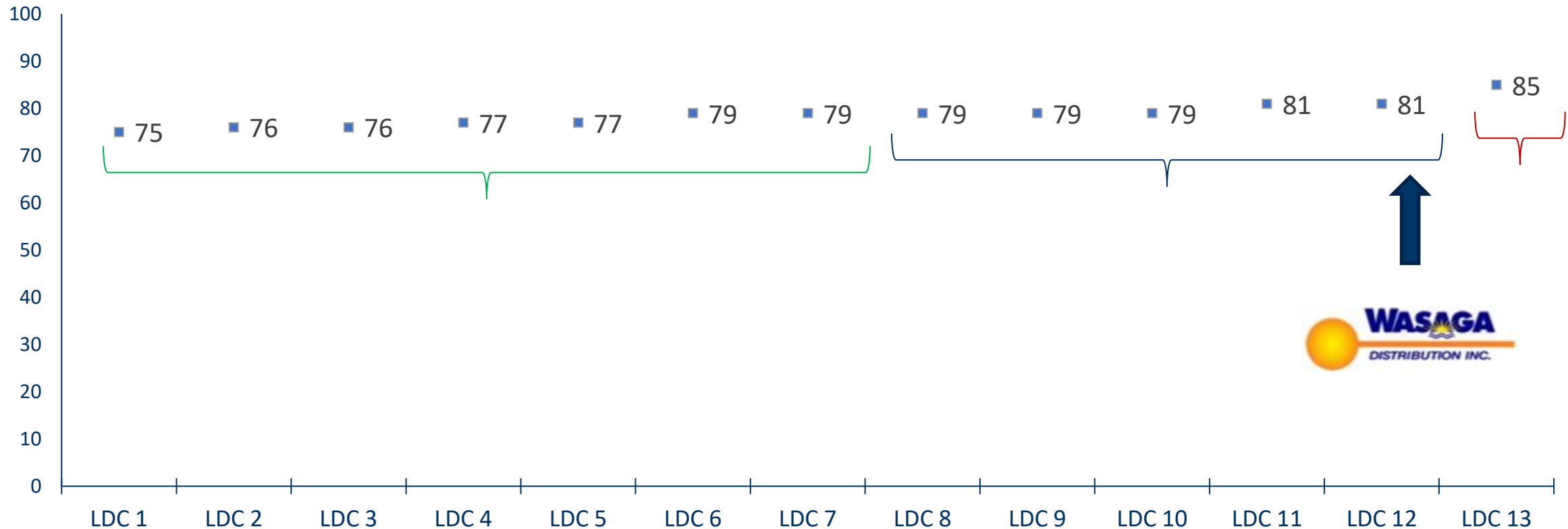


Weight: Aggregate weight for LDC based on customer_type
Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

Note: Arrows denote statistically higher than other segment(s) at 95% confidence level; sometimes an apparent difference is not statistically significant because of low base size in a segment

Customer Satisfaction Index: Compared to Other CHEC Members

- In 2023, Wasaga's score of 81 is *statistically* the same as that of 4 other LDCs.
- Wasaga's score is *statistically* higher than that of 7 other LDCs.
- Wasaga's score is *statistically* lower than that of 1 other LDC.

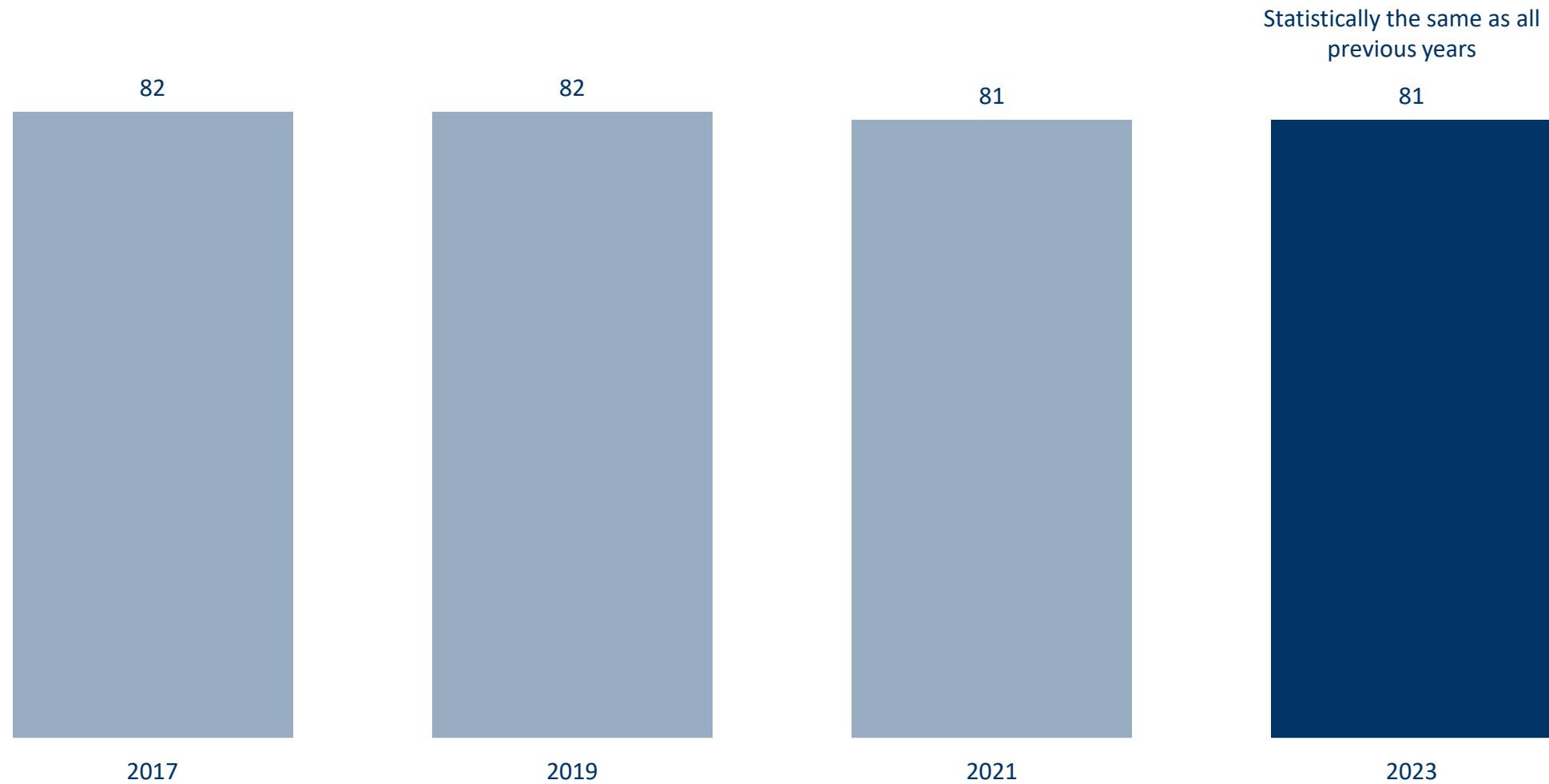


Weight: Aggregate weight for LDC based on customer_type

Filters: Year of Data Collection: 2023

Note: Statistical differences at 95% confidence level; sometimes an apparent difference is not statistically significant because of low base size in a segment

Wasaga Distribution's Customer Satisfaction Index by Year



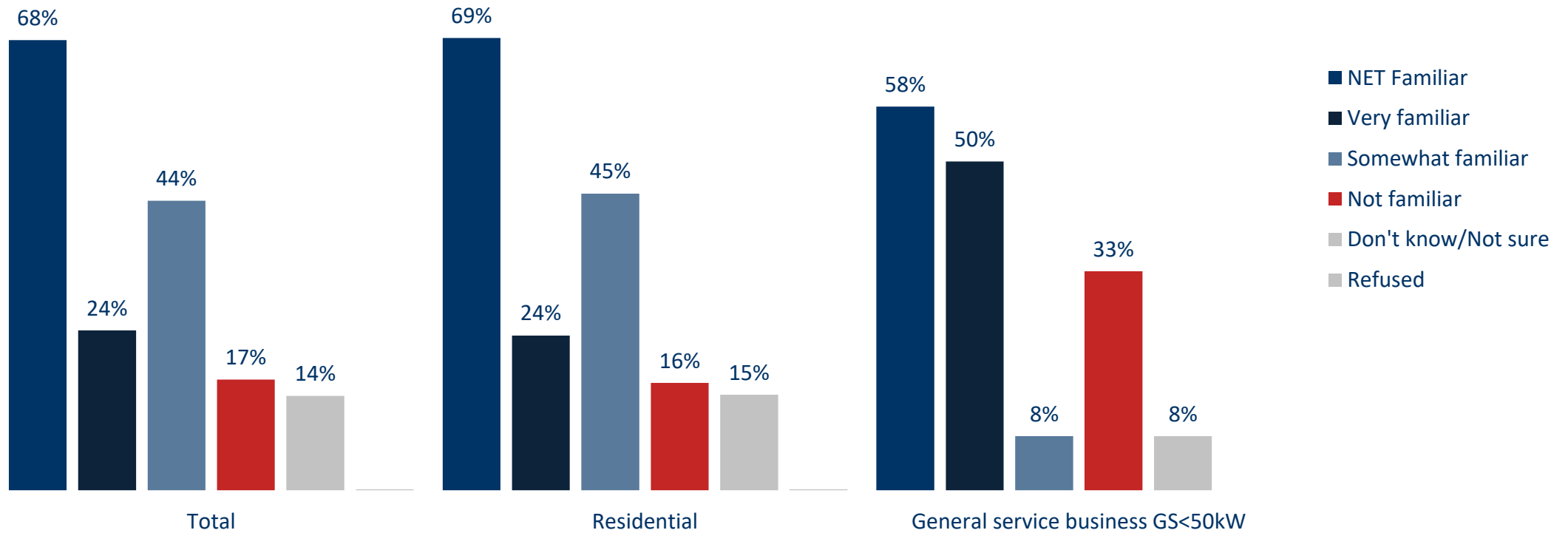
Weight: Aggregate weight for LDC based on customer_type

Filters: LDC: Wasaga Distribution

Note: Statistical differences at 95% confidence level; sometimes an apparent difference is not statistically significant because of low base size in a segment

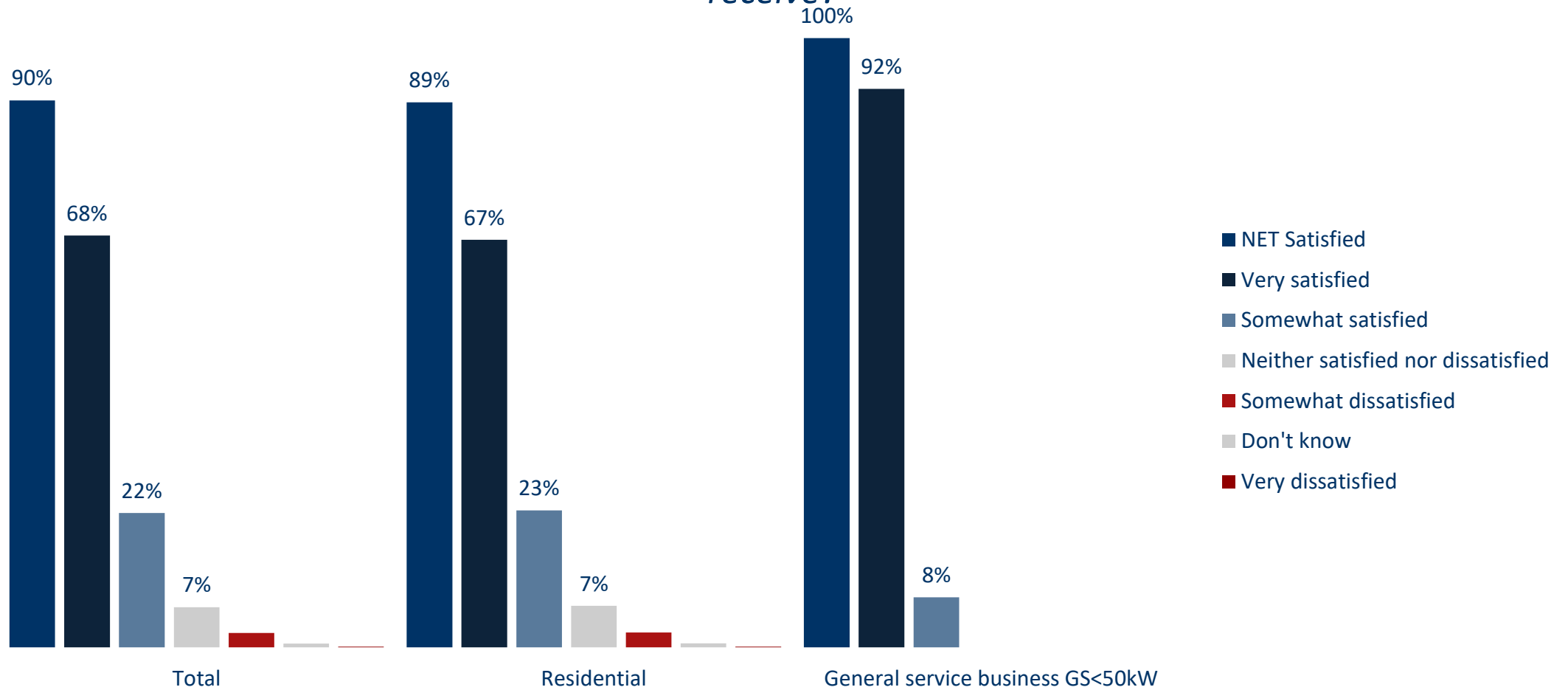
Core (OEB) Survey Questions – 2023 Results

How familiar are you with Wasaga Distribution, which operates the electricity distribution system in your community?



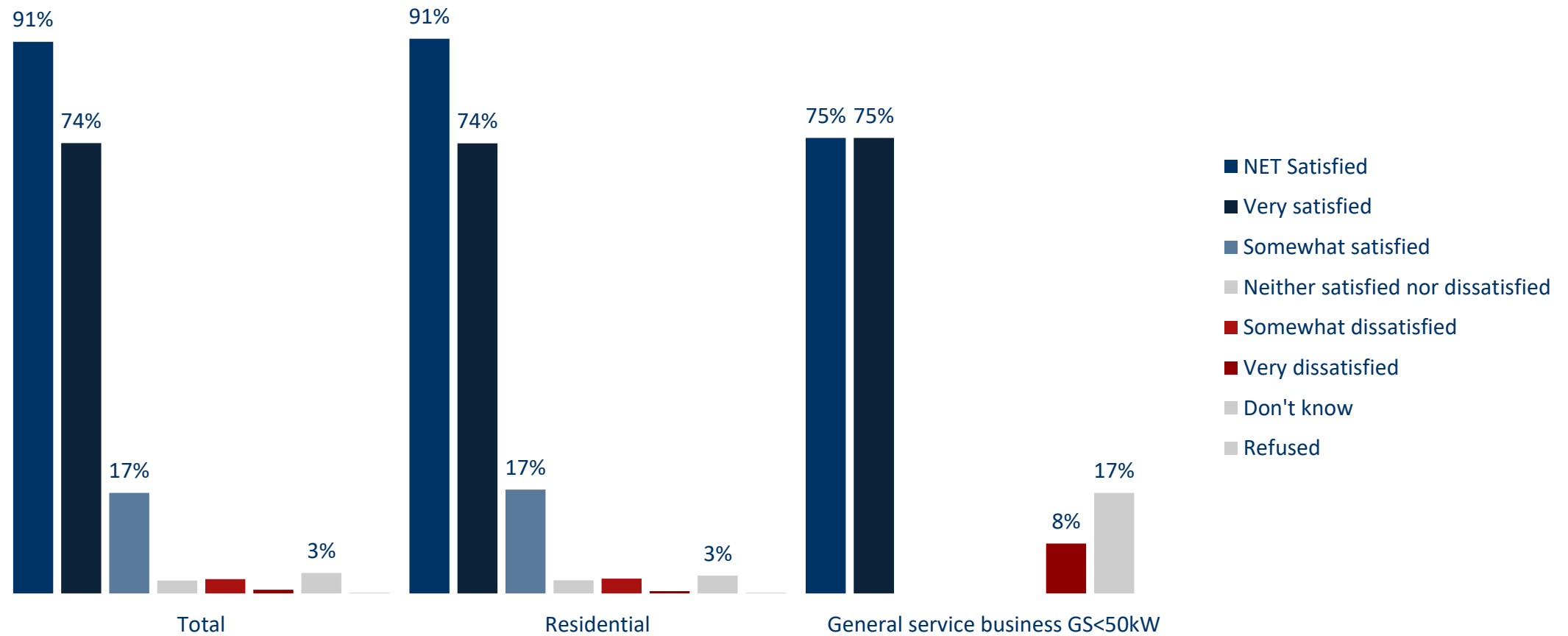
Weight: Aggregate weight for LDC based on customer_type
Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

Thinking specifically about the services provided to you and your community by Wasaga Distribution, OVERALL, how satisfied are you with the services that you receive?



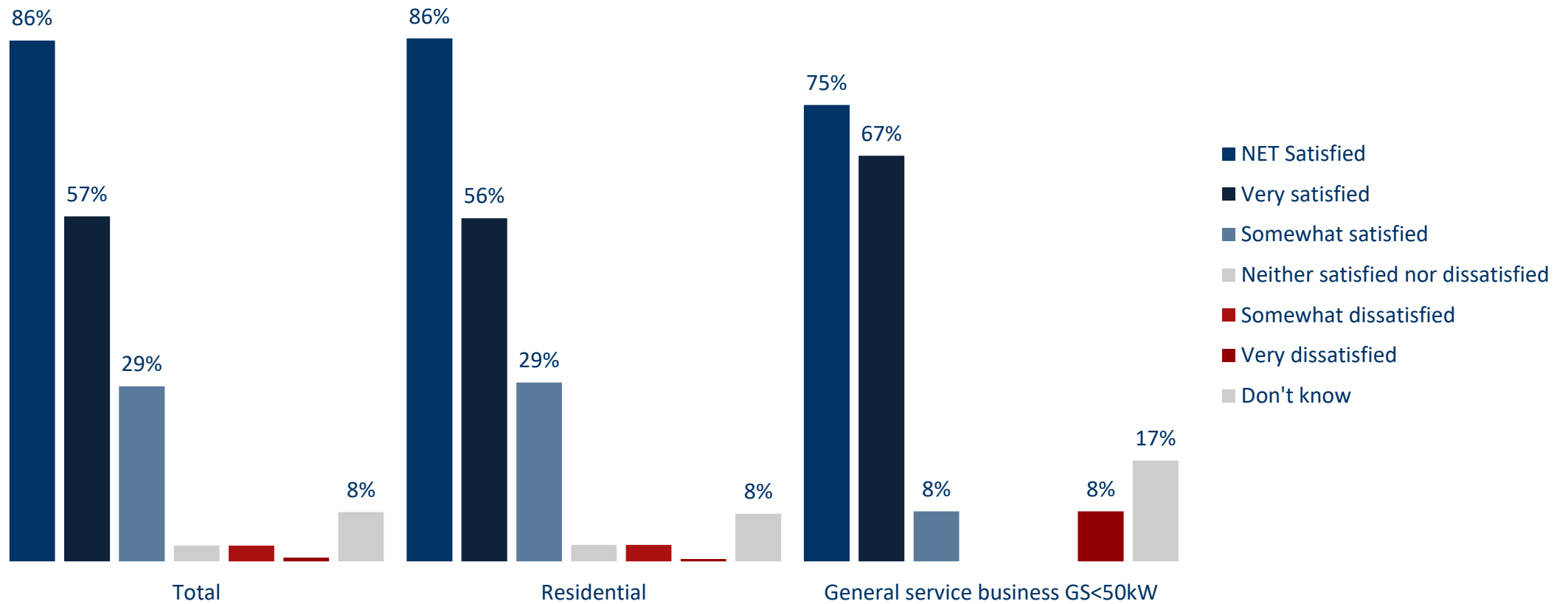
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the electrical service that you receive from Wasaga Distribution - based on the RELIABILITY of your electrical service as judged by the number of outages you experience?



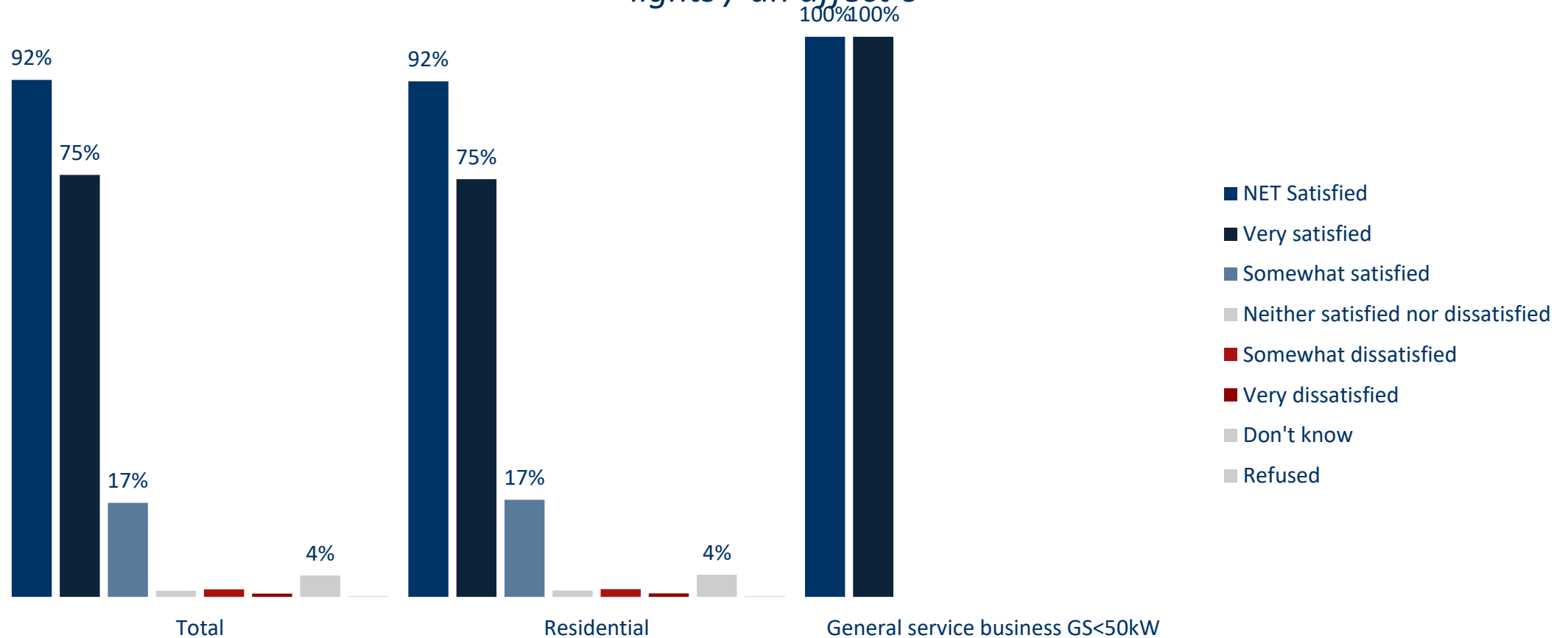
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the electrical service that you receive from Wasaga Distribution - based on the amount of TIME IT TAKES TO RESTORE POWER when outages occur?



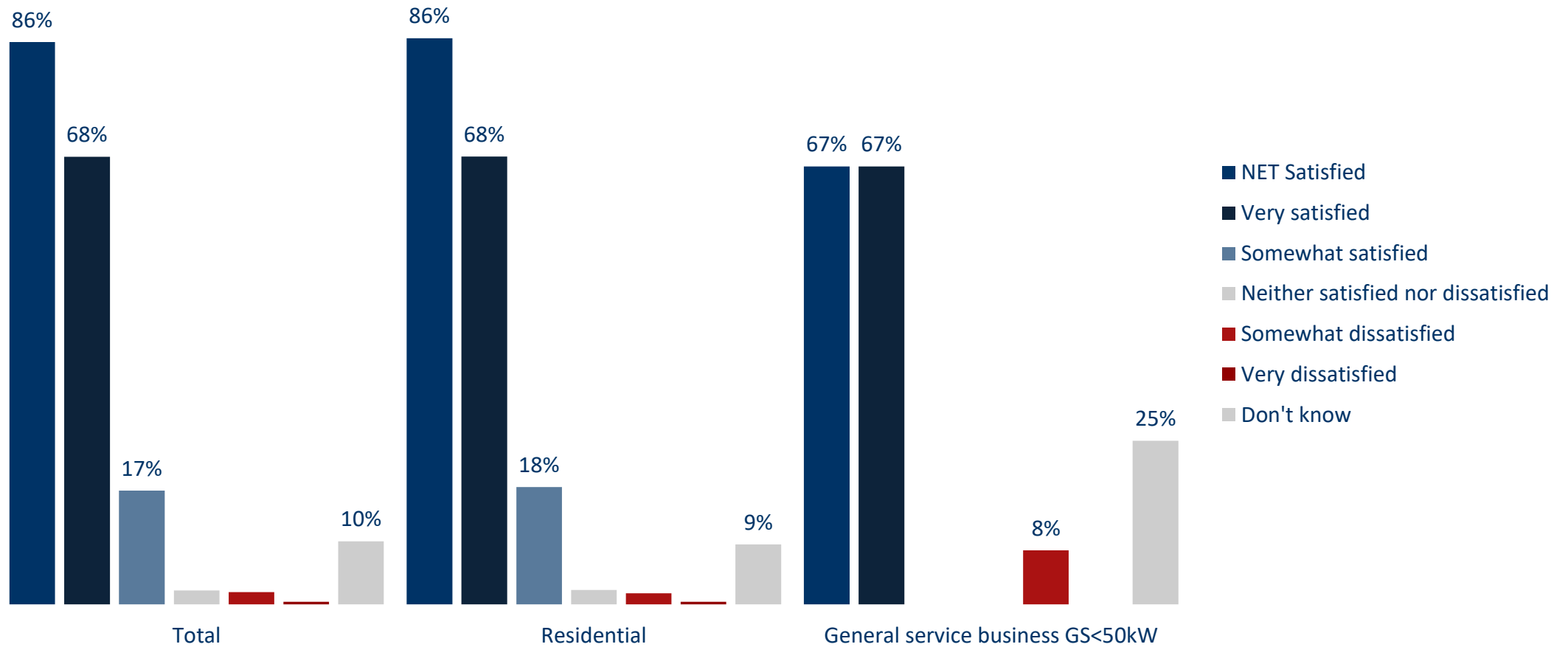
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the electrical service that you receive from Wasaga Distribution - based on the QUALITY OF THE POWER delivered to you as judged by the absence of voltage fluctuations that can result in flickering/dimming of lights / an affect o



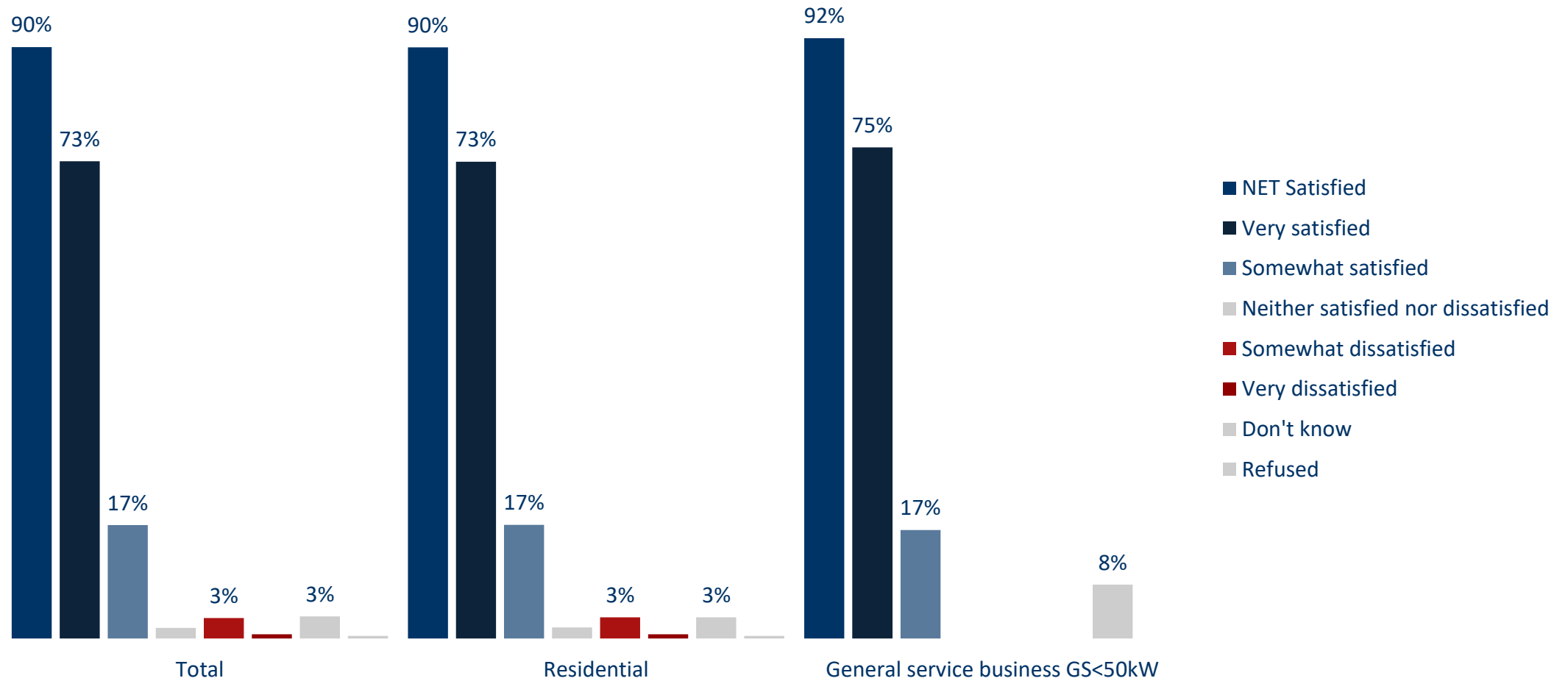
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the bills that you receive from Wasaga Distribution - based on them providing ACCURATE BILLS?



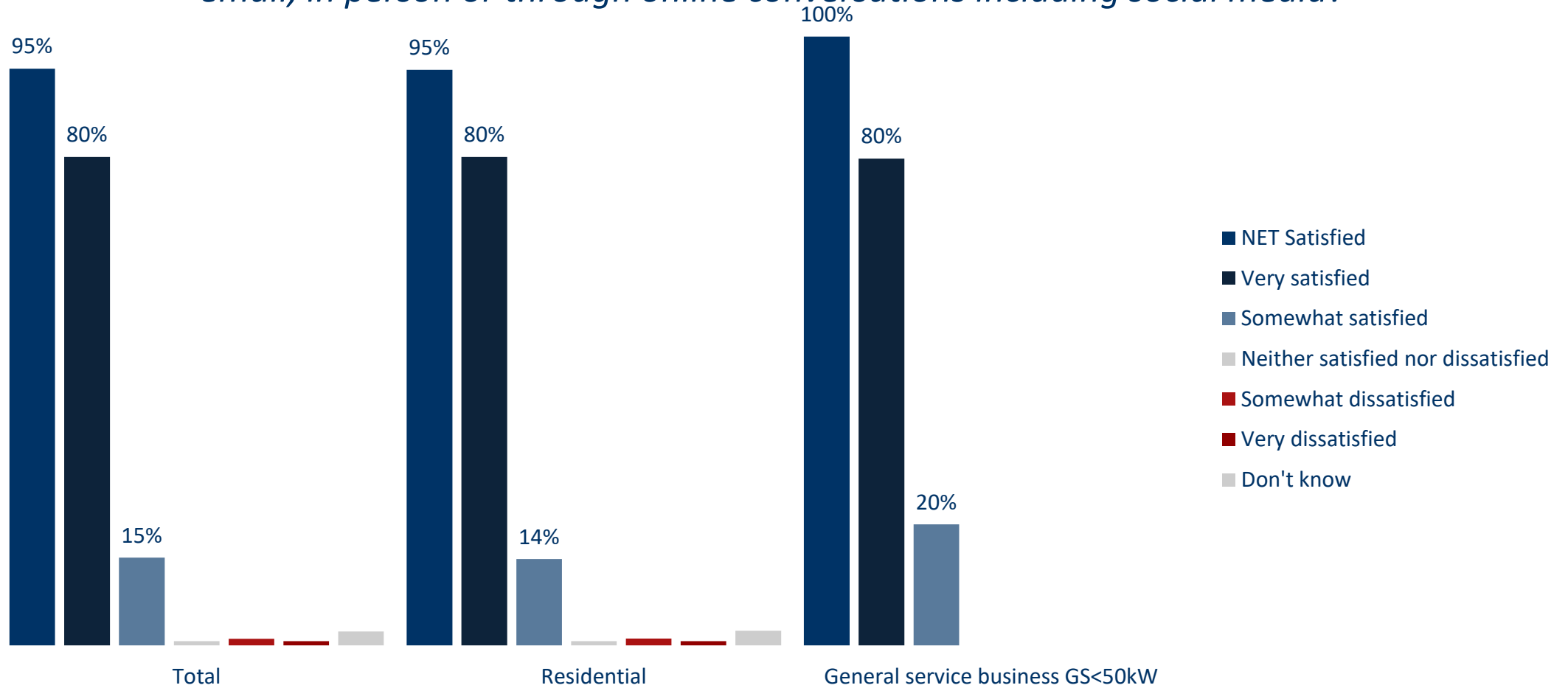
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the bills that you receive from Wasaga Distribution - based on them providing CONVENIENT OPTIONS TO RECEIVE AND PAY BILLS?



Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How satisfied are you with the CUSTOMER SERVICE you have received when dealing with employees of Wasaga Distribution, whether on the telephone, via email, in person or through online conversations including social media?

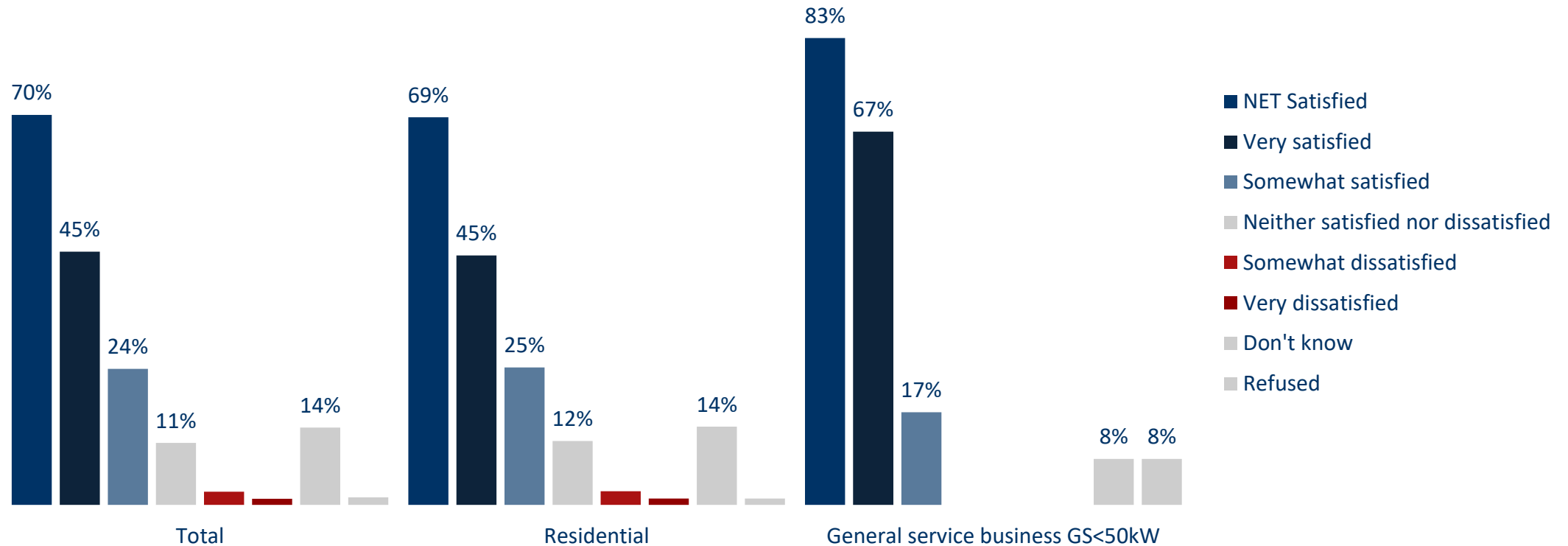


Weight: Aggregate weight for LDC based on customer_type

Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

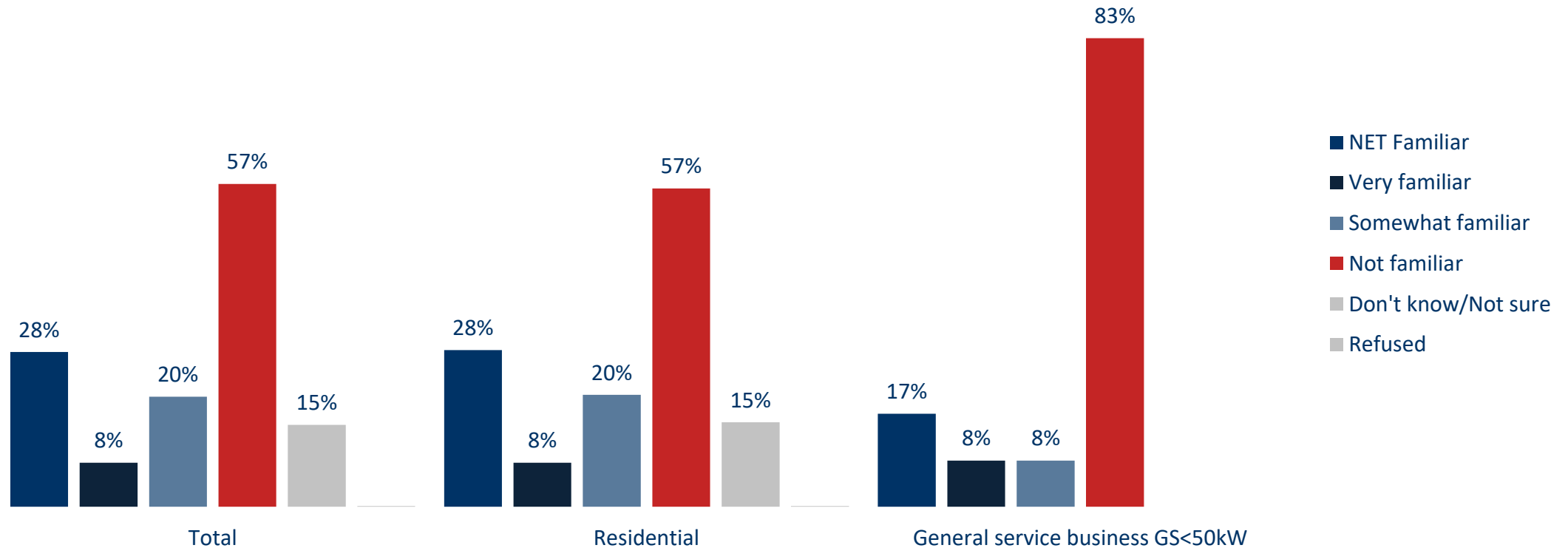
Note: Base excludes those who indicated that they had not contacted customer service, thus could not provide an assessment

How satisfied are you with the COMMUNICATIONS that you may receive from Wasaga Distribution without talking directly to an employee, including information found on their website, bill inserts, advertising, notices, emails, or social media sites?



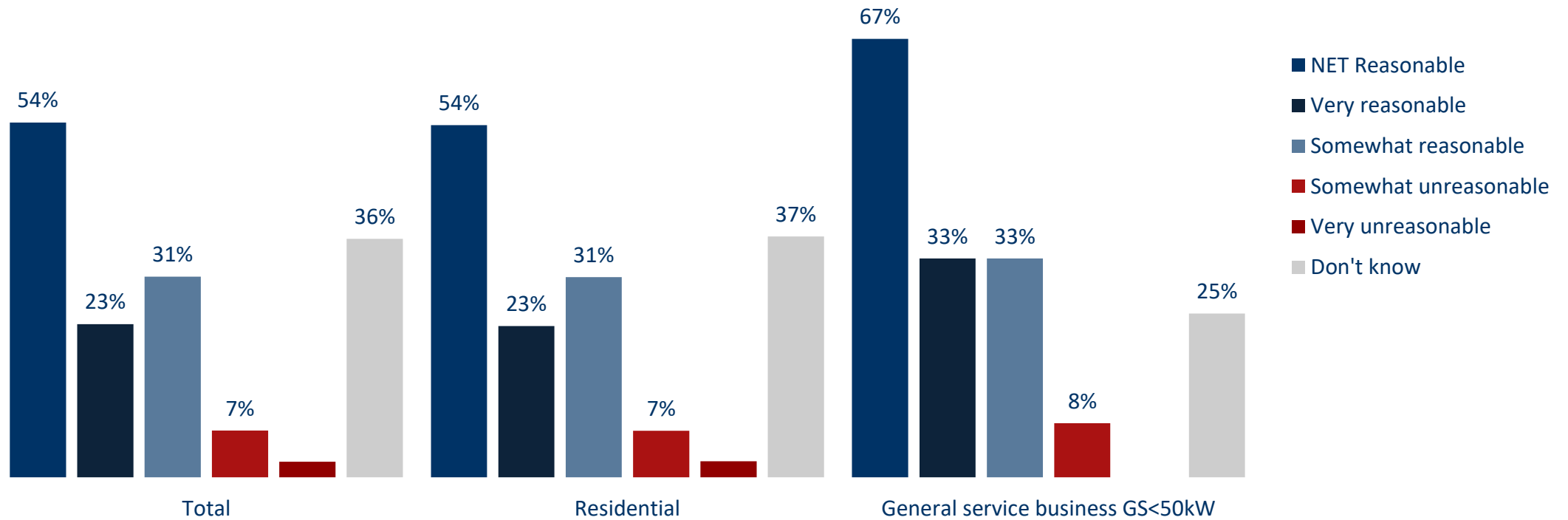
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

How familiar are you with the percentage of your electricity bill that went to Wasaga Distribution? So, NOT the portions allocated to power generation companies, transmission companies, the provincial government and regulatory agencies.



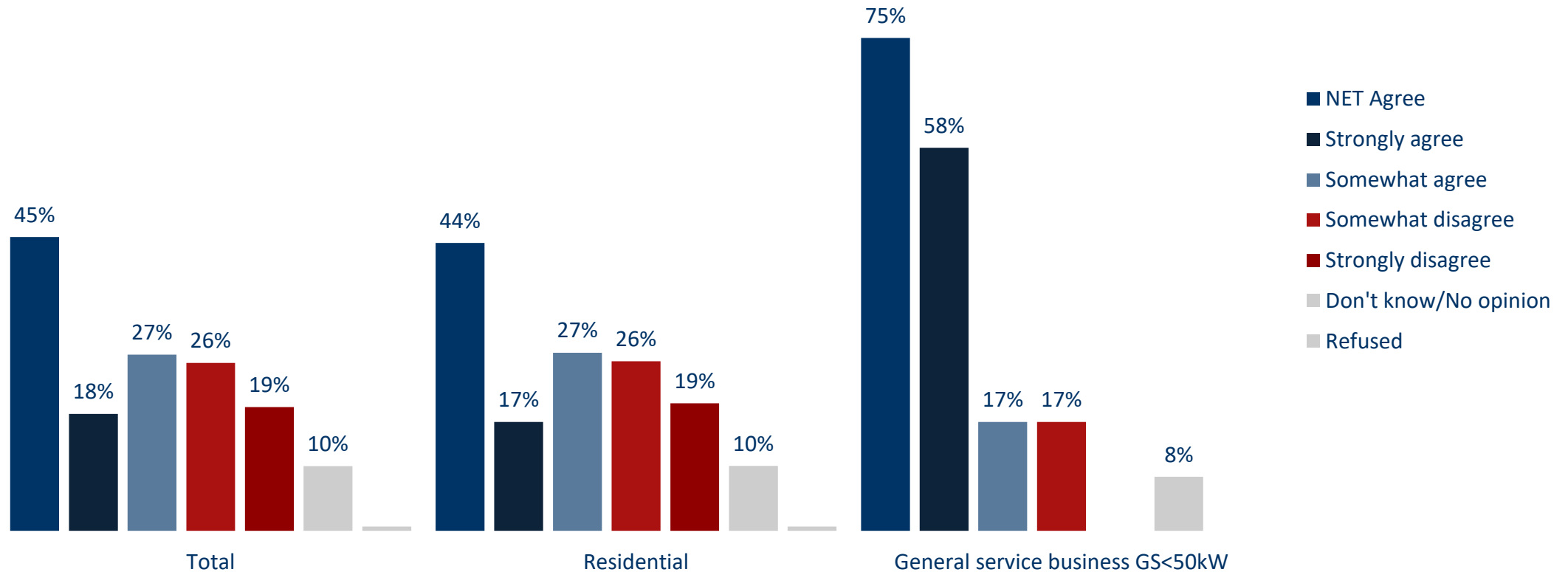
Weight: Aggregate weight for LDC based on customer_type
 Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

Do you feel that the percentage of your total electricity bill that you pay to Wasaga Distribution for the services they provide is...?

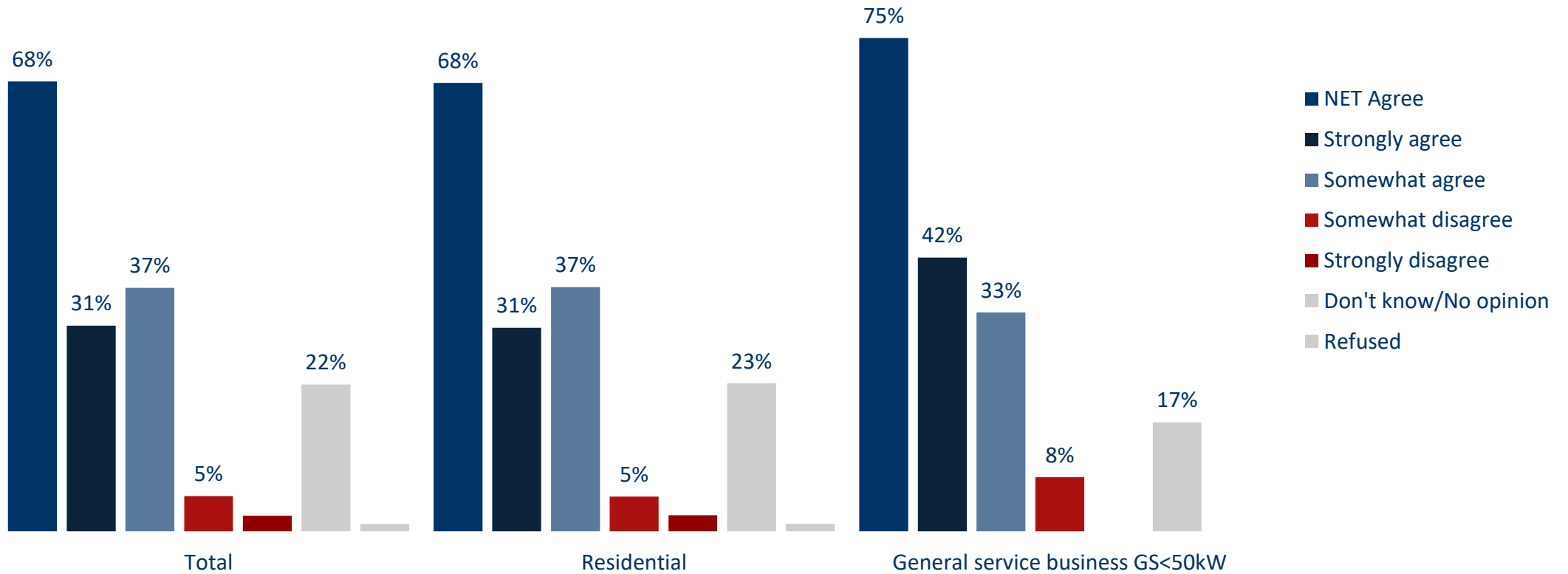


Weight: Aggregate weight for LDC based on customer_type
Filters: Year of Data Collection: 2023, LDC: Wasaga Distribution

To what extent do you agree with "The cost of my electricity bill has a major impact [on personal finances OR bottom line of organization]"?

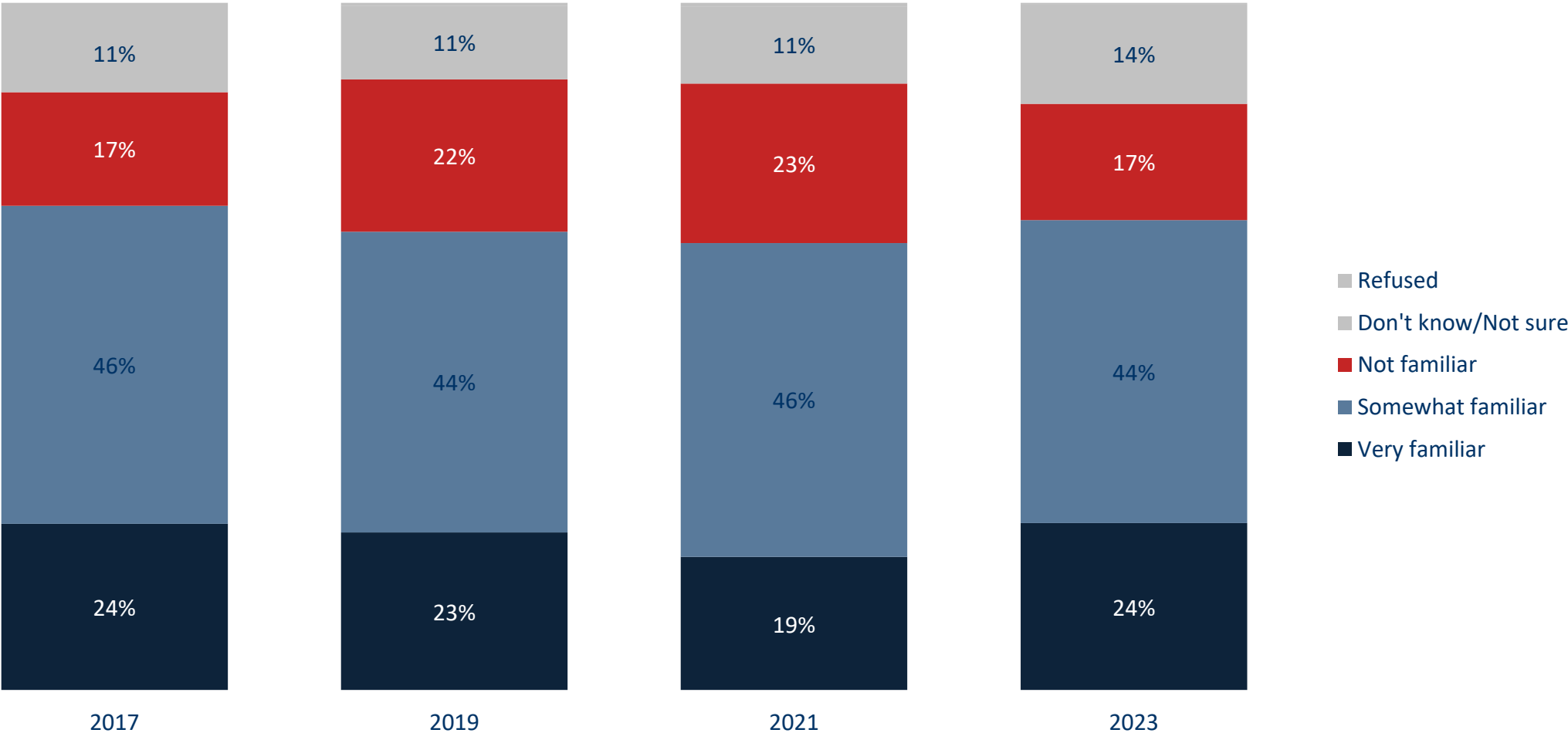


To what extent do you agree with "Customers are well served by the electricity system in Ontario"?



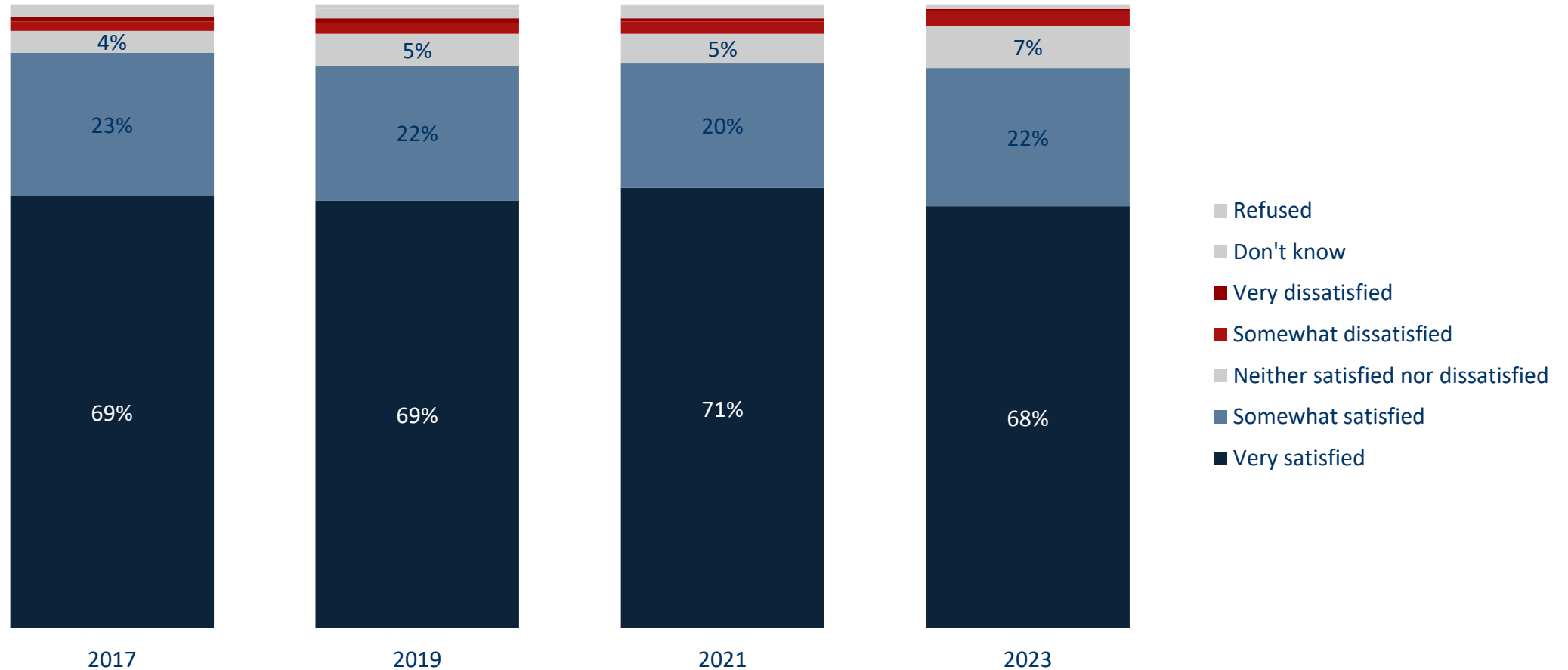
Core (OEB) Survey Questions – Trend over Time

How familiar are you with Wasaga Distribution, which operates the electricity distribution system in your community?



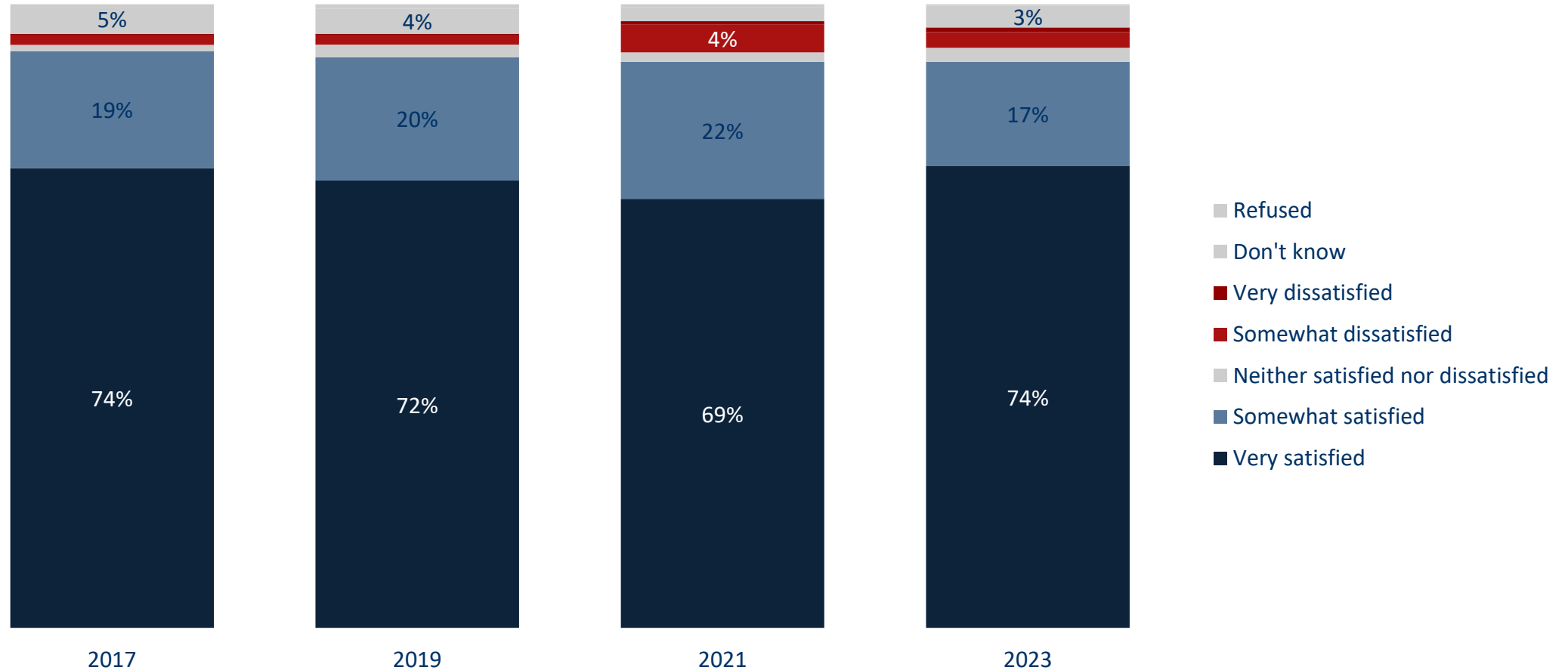
Weight: Aggregate weight for LDC based on customer_type
Filters: LDC: Wasaga Distribution

Thinking specifically about the services provided to you and your community by Wasaga Distribution, OVERALL, how satisfied are you with the services that you receive?



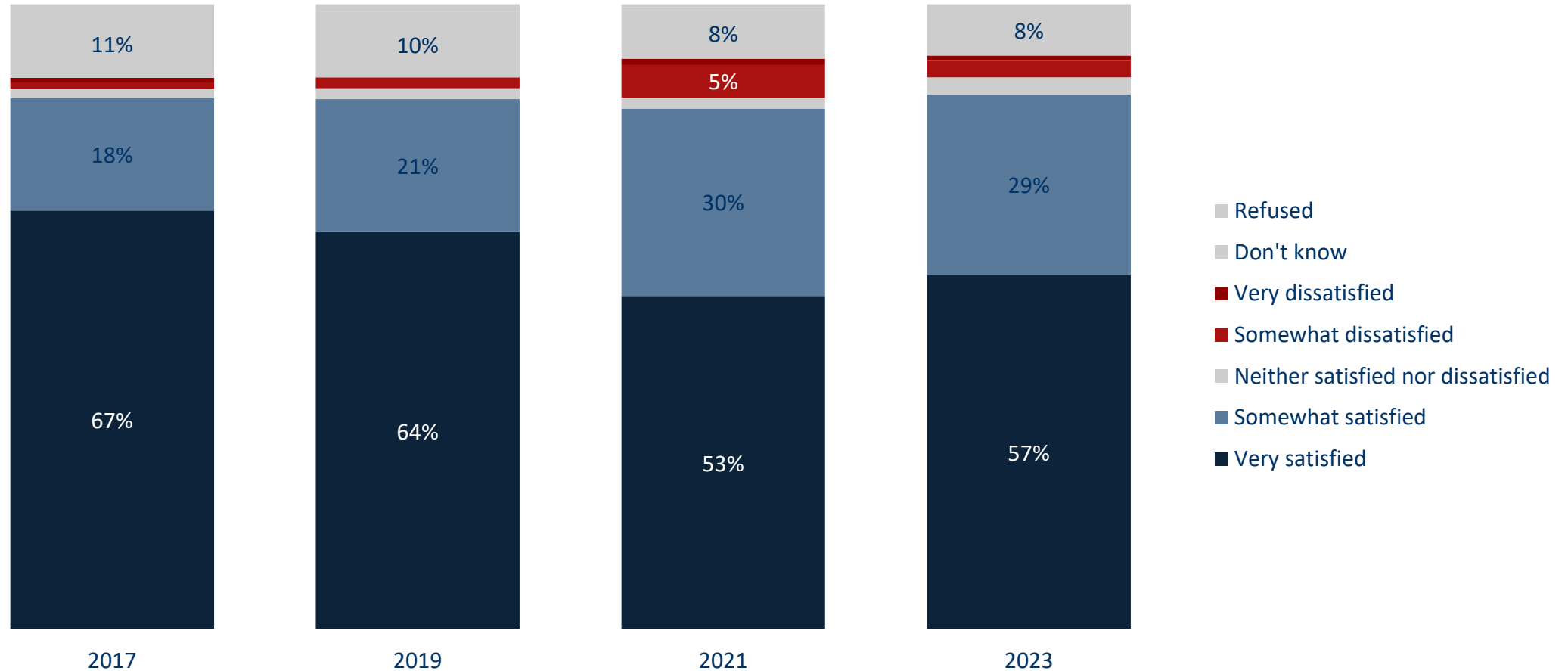
Weight: Aggregate weight for LDC based on customer_type
 Filters: LDC: Wasaga Distribution

How satisfied are you with the electrical service that you receive from Wasaga Distribution - based on the RELIABILITY of your electrical service as judged by the number of outages you experience?



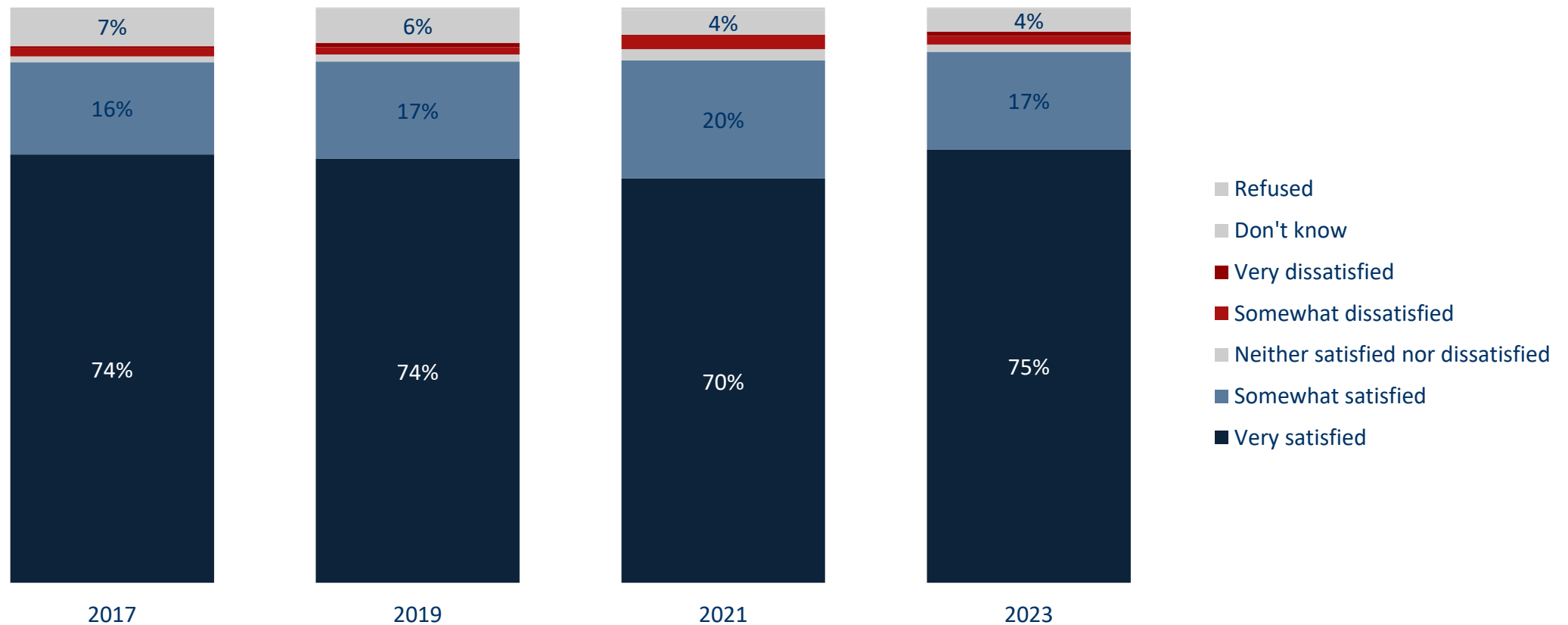
Weight: Aggregate weight for LDC based on customer_type
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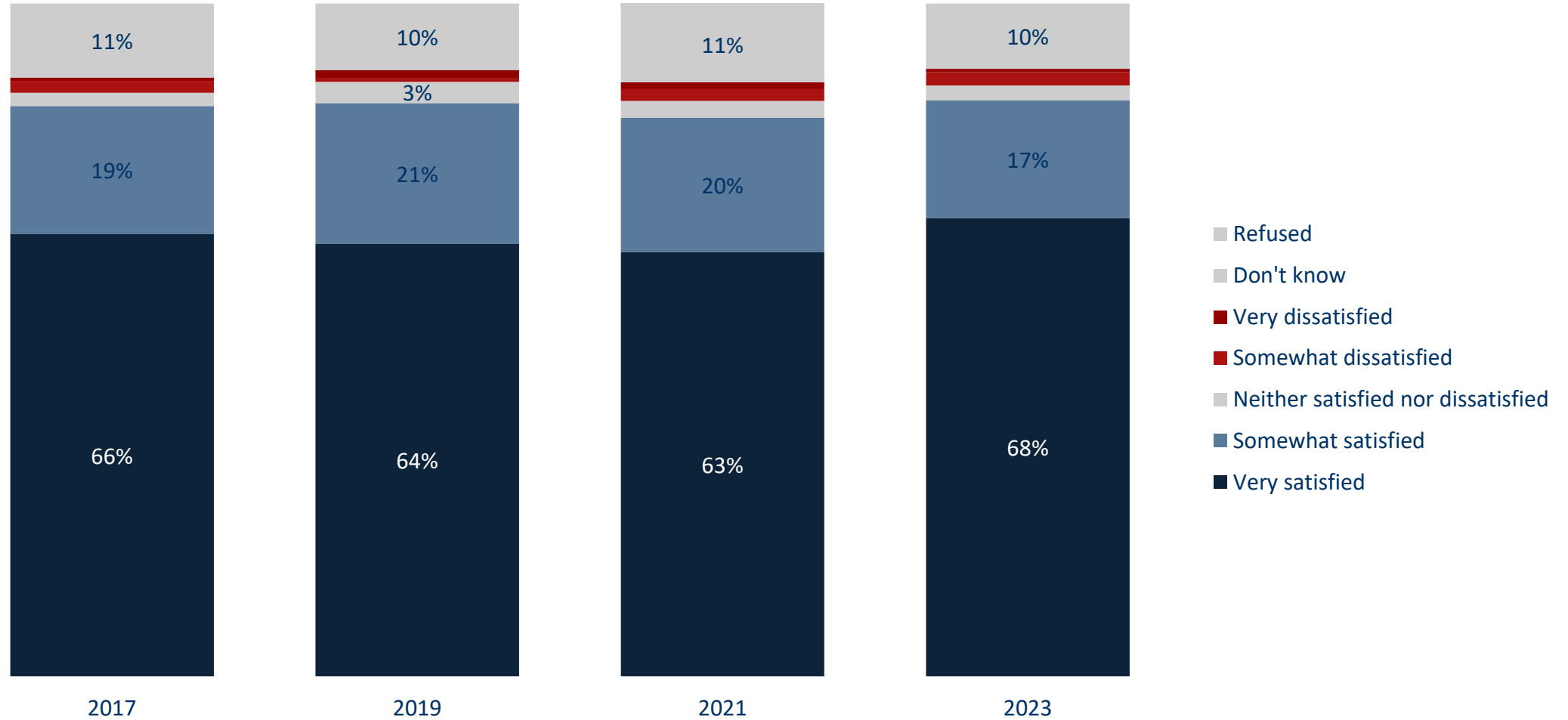
Weight: Aggregate weight for LDC based on customer_type
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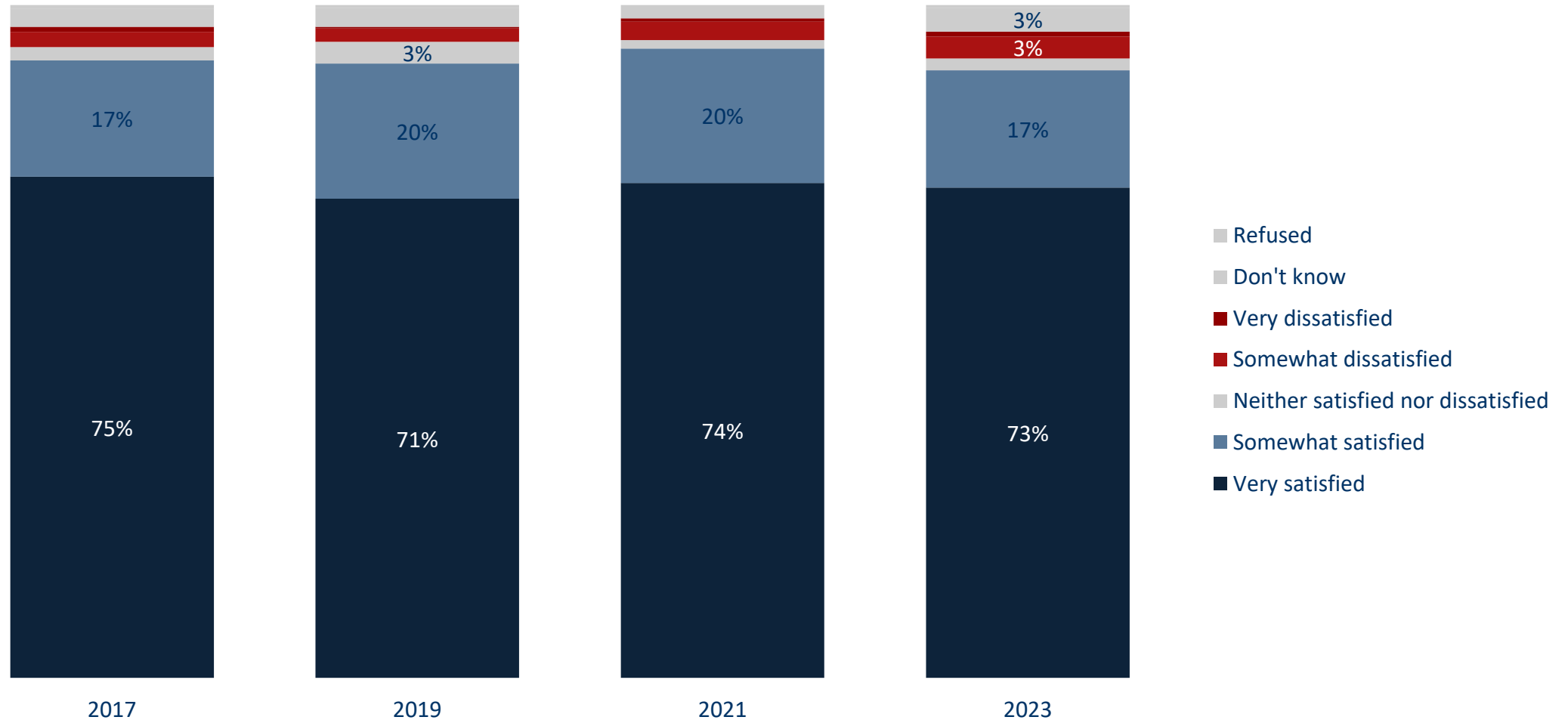
Weight: Aggregate weight for LDC based on customer_type
 Filters: LDC: Wasaga Distribution

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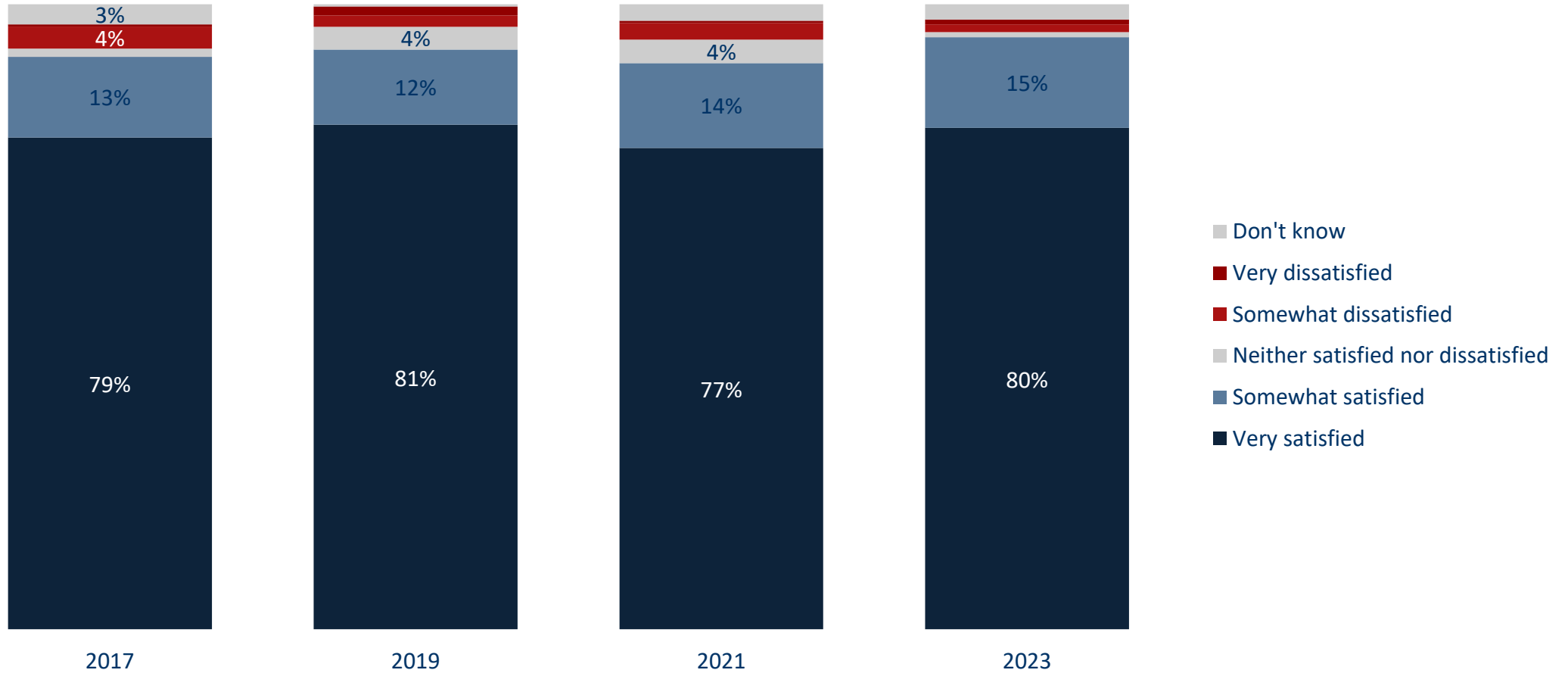
Weight: Aggregate weight for LDC based on customer_type
 Filters: LDC: Wasaga Distribution

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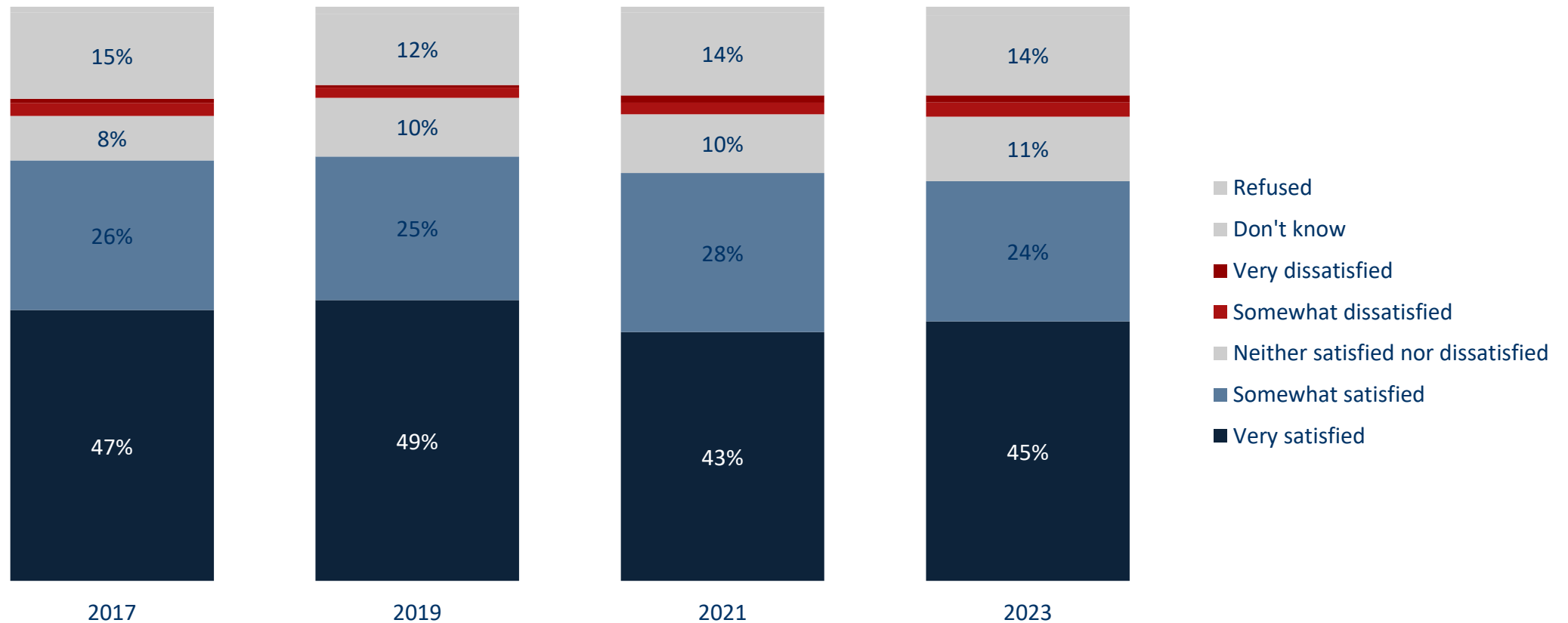


Weight: Aggregate weight for LDC based on customer_type

Filters: LDC: Wasaga Distribution

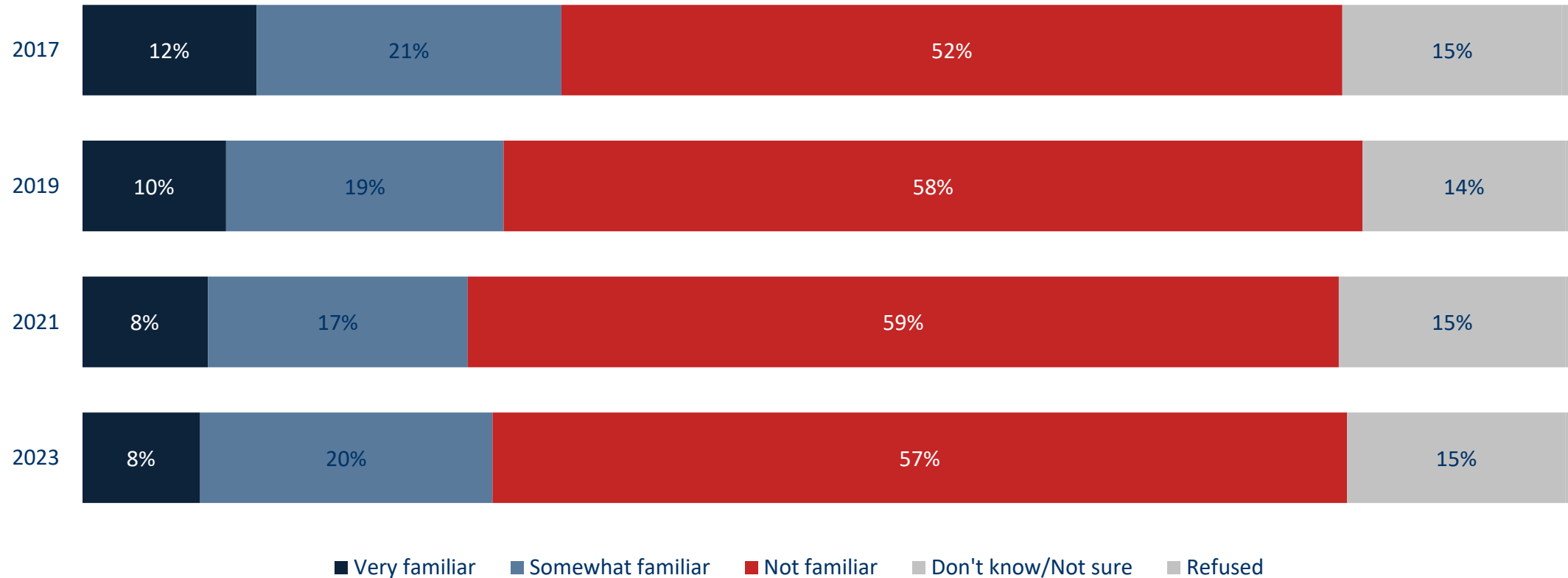
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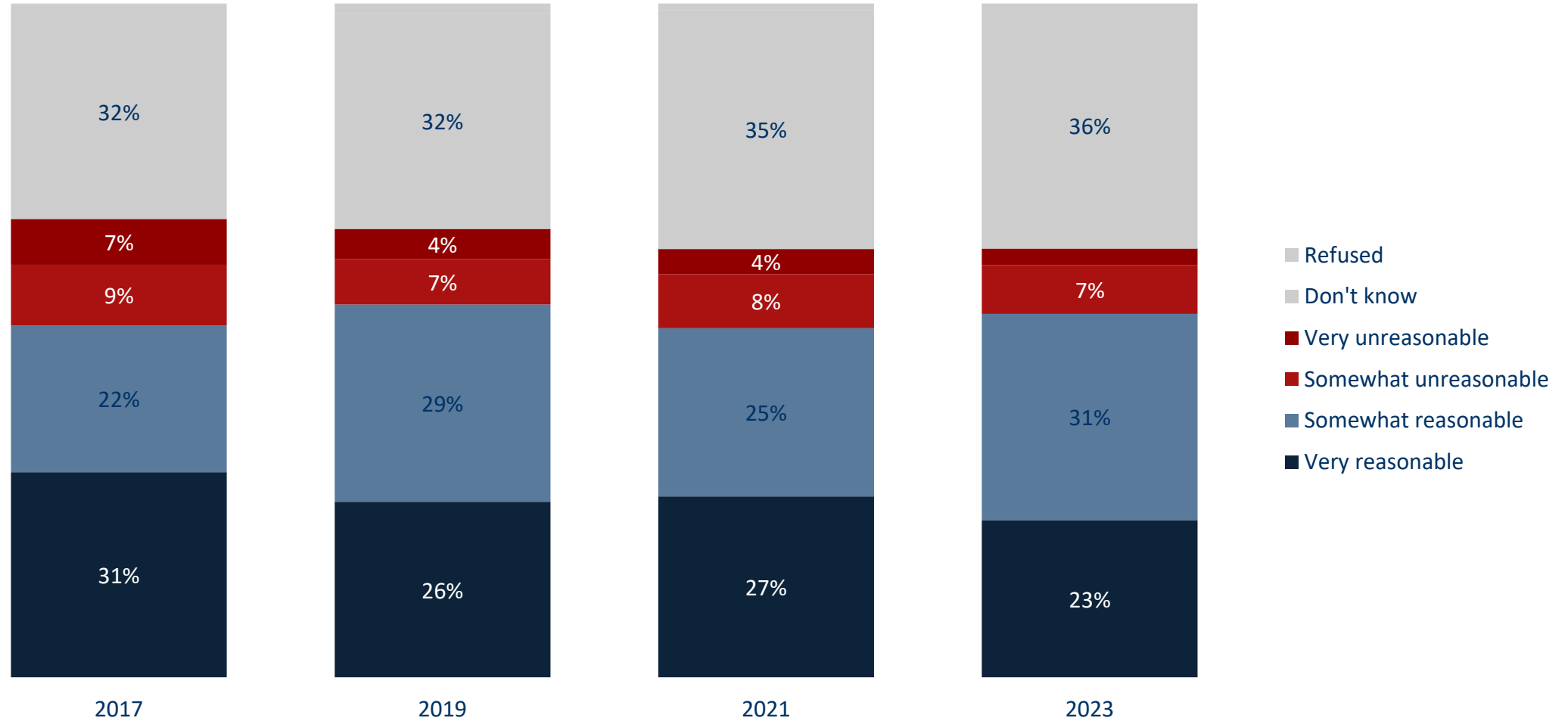
Weight: Aggregate weight for LDC based on customer_type
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How familiar are you with the percentage of your electricity bill that went to Wasaga Distribution? So, NOT the portions allocated to power generation companies, transmission companies, the provincial government and regulatory agencies.



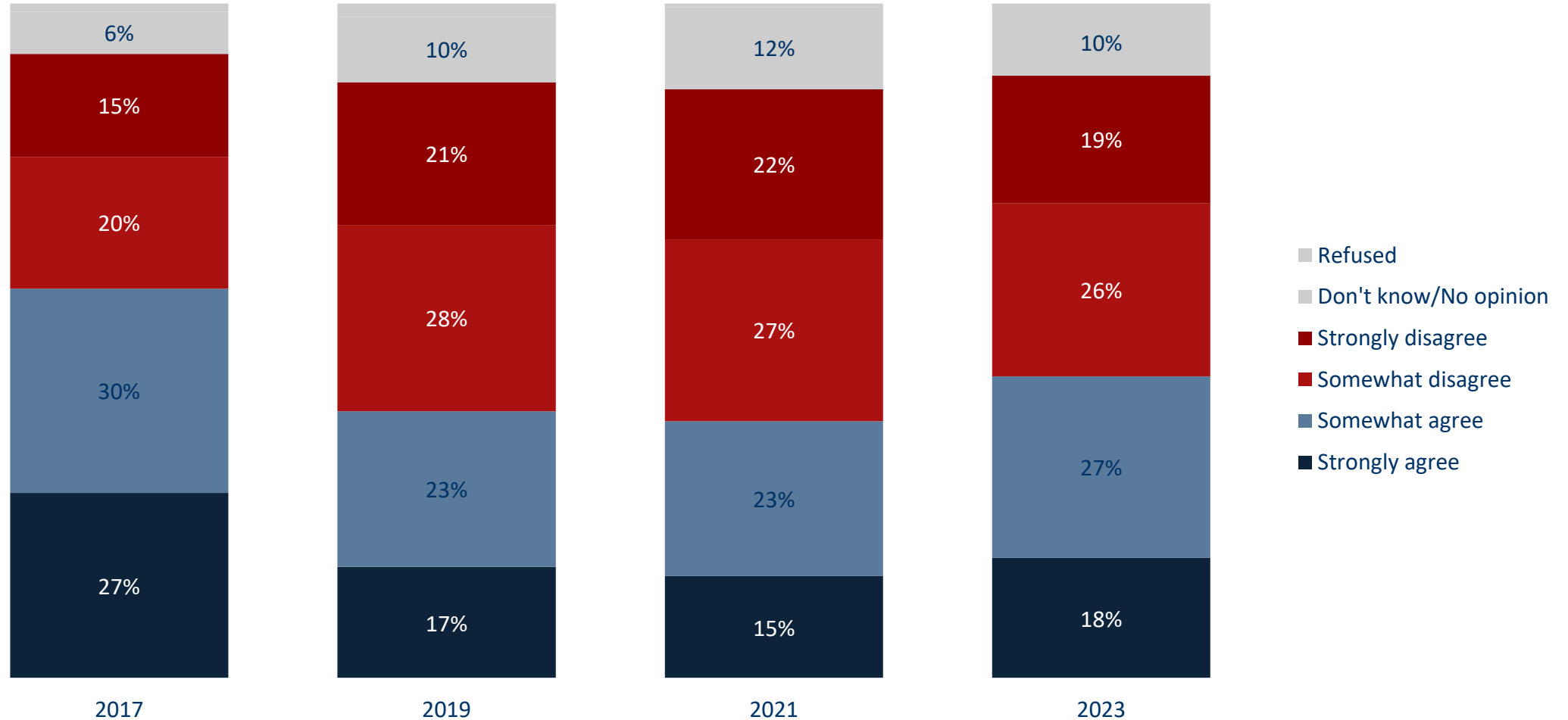
Weight: Aggregate weight for LDC based on customer_type
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Do you feel that the percentage of your total electricity bill that you pay to Wasaga Distribution for the services they provide is...?



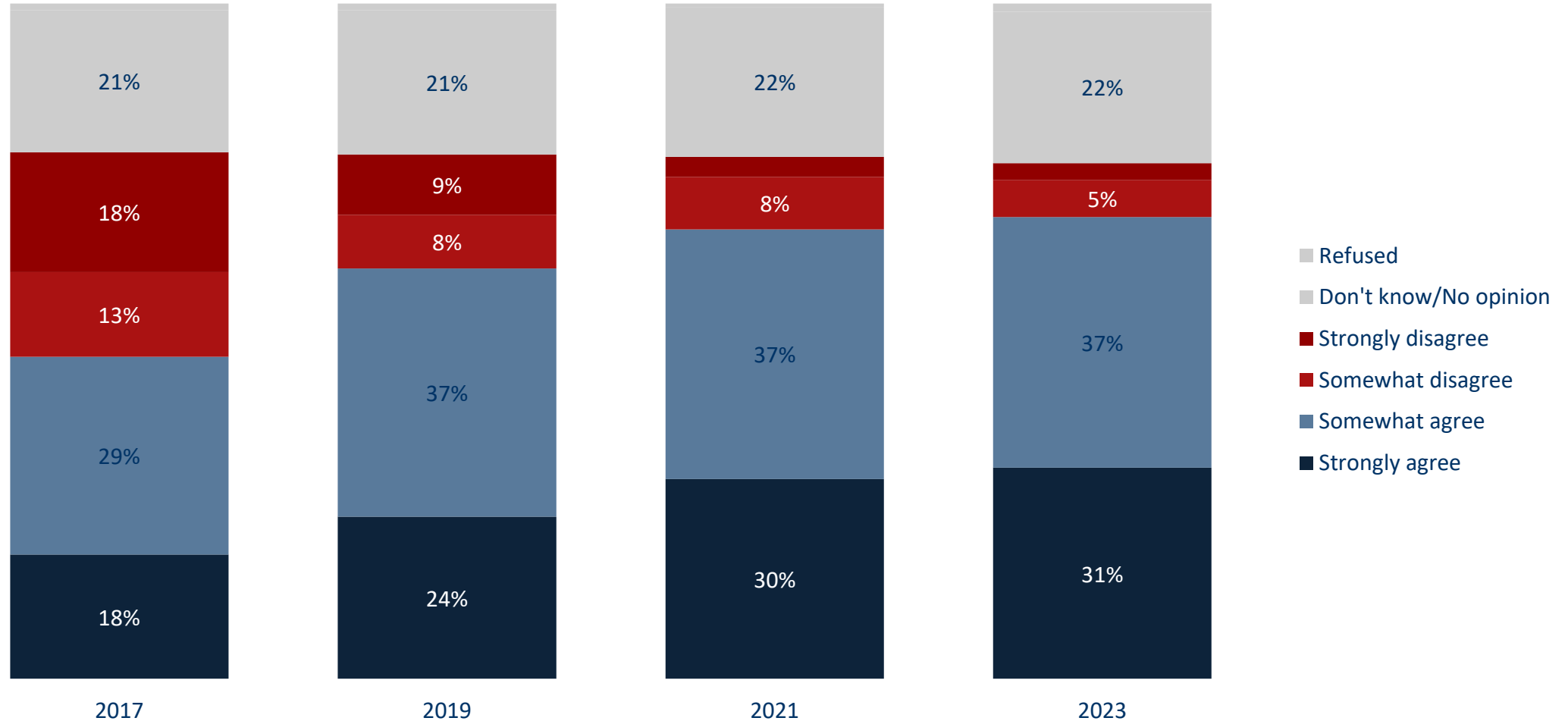
Weight: Aggregate weight for LDC based on customer_type
 Filters: LDC: Wasaga Distribution

To what extent do you agree with "The cost of my electricity bill has a major impact [on personal finances OR bottom line of organization]"?



Weight: Aggregate weight for LDC based on customer_type
Filters: LDC: Wasaga Distribution

To what extent do you agree with "Customers are well served by the electricity system in Ontario"?



Weight: Aggregate weight for LDC based on customer_type
Filters: LDC: Wasaga Distribution

Methodology

Methodology Summary

Commissioned by	Wasaga Distribution
Sample size	402 randomly selected customers
Margin of error	±4.8 percentage points, 19 times out of 20
Survey mode	Random telephone survey of customer base, CATI data collection
Survey sample	Residential and GS <50kWh customer lists provided by Wasaga Distribution
Time of calling	4PM-9PM Weekdays, 10AM-5PM Saturdays, scheduled callbacks
In-field dates	January 9-February 22, 2023
Language	English only
Survey author	Innovative Research/Electricity Distributors Association
Question Order	Core (OEB) questions then LDC-specific questions
Question Wording	Questions shown in report largely as asked; exact questionnaire available upon request
Survey Company	Advanis Gary.Offenberger@advanis.net

Methodology Details (1/4)

Target Respondents

The respondents of the survey were Ontario residents who are the primary bill payer or share the responsibility if residential or the person in-charge of managing the electricity bill at the organization if general service, and who resided within one of LDC's service territory(ies). Service territories were determined based on customer lists provided by the LDC.

Sample Size and Statistical Reliability

The final total completed surveys by LDC, and the associated margin of error for each, are shown below.

All margins of error are shown at a 95% confidence level.

- E.g., the margin of error associated with a sample size of 400 for a large (infinite) population is ± 4.9 percentage points, 19 times out of 20.

Since each LDC has a finite population, we used the specific population sizes (i.e., the number of sample records received from each LDC) in the calculation of margin of error. Doing so is more accurate, and results in a narrower margin of error than if we simply assumed large (infinite) population for each.

Sample sizes were set according to the *LDC Customer Satisfaction Survey: Methodology & Survey Implementation Guide*, prepared for the Electrical Distributors Association (April 19, 2016 revision):

Where possible, sample size of $n=400$.

Distributors with 3000 to 4999 customers (residential + GS<50), $n=300$

Distributors with <3000 customers (residential + GS<50), $n=200$

Methodology Details (2/4)

Sampling Methodology

Advanis was provided sample lists from each LDC. Customer lists included all basic information required such as name, telephone number, region (where applicable), customer type (residential or GS<50), LDC fee, Annual or Monthly consumption values. Redhead then calculated which quartile group each resident belonged to by evenly dividing them into four groups within each region and customer type. These quartiles were calculated based on annual consumption value.

To minimize low response:

- Sample was loaded in batches to ensure the sample was fully utilized before moving onto fresh sample records;
- Calls were made between the hours of 4pm and 9pm ET; and
- Call backs were scheduled and honored between the hours of 9am and 9pm ET.

Sample Cleaning

Redhead cleaned the customer lists individually once received from each LDC to ensure the customer list counts reflected actual individual records that could be called. The following steps were taken during sample cleaning.

- All records with no phone numbers were removed.
- All phone numbers were checked to see if they were valid numbers (i.e., 10 digits, all numerical, etc.) and any bad cases were removed.
- When duplicates were detected based on phone number, the average of the consumption value was calculated and kept for one consolidated record. All others were removed.
- Residential and GS<50KW were separated into their own lists to be loaded and managed separately in the calling system.

Regions within each customer list were given a numerical value to be used for calling quotas.

Methodology Details (3/4)

Questionnaire

The survey instrument was provided by the Electricity Distributors Association (EDA) developed in conjunction with Innovative Research. The survey consisted of an introduction, overall satisfaction, power quality and reliability, billing and payment, customer service experience, communications, price, optional deeper dive questions, and final personal finance / sector mood measures. Additional questions were provided individually by some LDCs. These questions are not required as part of the survey and, as outlined in the methodology guideline, were asked after all the standard and required questions.

Data Collection

Computer aided telephone interviews (CATI) were conducted from **January 9-February 22, 2023**.

Quality Control

- Advanis trained its interviewers to understand the study's objectives;
- Detailed call records are kept by the automated CATI system, and are supplemented by output files to SPSS for productivity analysis (i.e., not subject to human error);
- The survey was soft launched in LDCs that had the most available sample, and the data was then checked before calling began in full for each;
- 100% of all surveys are digitally recorded for potential review (see next bullet);
- Advanis' Quality Assurance team listened to the actual recordings of five-ten percent of completed surveys and compared the responses to those entered by the interviewer to ensure that responses from respondents are properly recorded;
- Team Supervisors conduct regular more formal evaluations with each interviewer, in addition to nightly monitoring of each interviewer on their team;
- Project Managers closely monitored the progress of data collection, including call record dispositions;
- All SPSS code is reviewed by a more senior researcher;
- All report output is reviewed by a more senior researcher; and
- All values in the report are reviewed by another team member to ensure accuracy.

Methodology Details (4/4)

Analysis of Findings & Data Weighting

Results were weighted to match the proportion of low volume rate class records as provided to Advanis after cleaning of the sample file. Where a region flag was also provided, results were weighted to the low volume rate class within each region and regions were weighted proportionately to one another based on the customer base as provided in the cleaned sample file.

The Customer Satisfaction index scores have been highlighted and were calculated as described below, based on instructions in the Survey Methodology Guidelines. The “response values” referenced in the description below were also determined and provided by the survey authors.

Data analysis and cross-tabulation have been conducted using SPSS and Advanis’ proprietary Online Reporting Environment software.

As noted above, LDCs without a region flag were weighted to their low volume rate class proportion based on the cleaned sample file. LDCs with a region flag were weighted to their low volume rate class proportion within each region based on the cleaned sample file, and then regions were weighted proportionately to one another based on the customer base as provided in the cleaned sample file.

Specific values of the number of sample records, estimated population proportions, and final weighted sample counts within LDC are provided on the next slide. The sum of the regional population proportions within an LDC may not equal 100% due to rounding.

This index score is calculated using the following process:

Step 1: Weight data to n=400 with each low volume rate class proportionate to its share of LDC customer base.

Step 2: Rescale the index score variables onto the 0 to 1 scale as indicated by the response values detailed below.

Step 3: The average result of the questions asked for each OEB topic and the overall satisfaction score will be added together³.

	B5
+	[C6+C7+C8] divided by 3
+	[D9+D10] divided by 2
+	E11
+	F12
+	G14
=	Total cumulative scores

Step 4: The total cumulative score from Step 2 will be divided by 6 to generate the **Customer Satisfaction Index Score** (bound between 0-1).

The chart on the following page illustrates how the **Customer Satisfaction Index Score** will be calculated.

Methodology Tables

Margin of error

LDC	Clean Customer Records from LDC	Completed Surveys	Sample Size as % of Customer list	Margin of Error @ 95% confidence level
Wasaga Distribution	11,036	402	3.64%	+/- 4.8%

* Since each LDC has a finite population, we used the specific population sizes (i.e., the number of sample records received from each LDC) in the calculation of margin of error. Doing so is more accurate, and results in a narrower margin of error than if we simply assumed large (infinite) population for each.

Sample weighting

Wasaga Distribution						
Regions Flagged in Sample	Low Volume Rate Class	Sample Received (Cleaned, Deduplicated)	Rate Class Proportion	Estimated Customer Proportion	Weighted Sample Count	Unweighted Sample Count
TOTAL	Residential	10,711	97%	100%	390	390
	General Service < 50 kW	325	3%		12	12
					402	402



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780.229.1140



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (D) 2022 Electrical Safety Awareness Survey



2022 Wasaga Distribution
Electrical Safety
Awareness Survey Final
Report

Introduction and Summary

Thank you for selecting Redhead Media Solutions for this important project for Wasaga Distribution. We appreciate your confidence in us to provide you with data on Electrical Safety Awareness (ESA) in your region which provides both a current snapshot and can be used to compare with previous surveys and among other LDCs in Ontario that we work with.

It is always our goal to improving our deliverables and provide value to our clients. This report contains data for 2022 as well as historical data for 2018 and 2020 as well as comparative data where appropriate.

Should there be any specific data or breakouts that you require we would be happy to provide them. Please contact us to discuss how we can assist you and ensure you are getting the most from this project.

Sincerely,

Graydon Smith
President
Redhead Media Solutions Inc.



Introduction and Summary

Redhead Media Solutions Inc. (Redhead), partnering with ADVANIS for data collection and reporting, has been retained by Cornerstone Hydro Electric Concepts Inc. (CHEC) to conduct a 2022 Electrical Safety Awareness Survey for Wasaga Distribution. This survey is a required part of an LDC's Balanced Scorecard and other reporting and regulatory requirements for the Ontario Energy Board (OEB).

The complete group of participating CHEC LDCs are as follows:

- Centre Wellington Hydro
- EPCOR
- EARTH Power
- Grimsby Power
- Lakefront Utilities
- Lakeland Power Distribution
- Niagara-on-the-Lake Hydro
- Orangeville Hydro
- Ottawa River Power Corp
- Renfrew Hydro
- Rideau St. Lawrence Distribution
- Tillsonburg Hydro
- Wasaga Distribution
- Wellington North Power

Introduction and Summary

This final report contains data specifically for Wasaga Distribution.

Redhead Media Solutions, partnering with Advanis for data collection, is consulting on behalf of Wasaga Distribution to conduct the Electrical Safety Authority's Public Awareness survey for 2022. This survey is a required part of the LDC Balanced Scorecard for reporting to the Ontario Energy Board (OEB).

This survey is comprised of 400 randomly selected interviews with Ontario residents who are 18 years or older and reside in the required Wasaga Distribution service territory. The sample frame is stratified by age group and gender within each the territory, and the data is weighted to be representative of the adult population within the territory.

The objective of the survey is to provide an Electrical Safety Awareness (ESA) index score for Wasaga Distribution. This is a calculated aggregate value based on the responses of individuals to six core measures in the survey instrument.

Wasaga Distribution's 2022 Electrical Safety Awareness Score is 84.1%, This is a 0.1% decrease over the 2020 score (84.2%) and 0.3% greater than the average of all LDCs (83.8%). This is not a statistically significant difference from previous surveys or other LDCs.

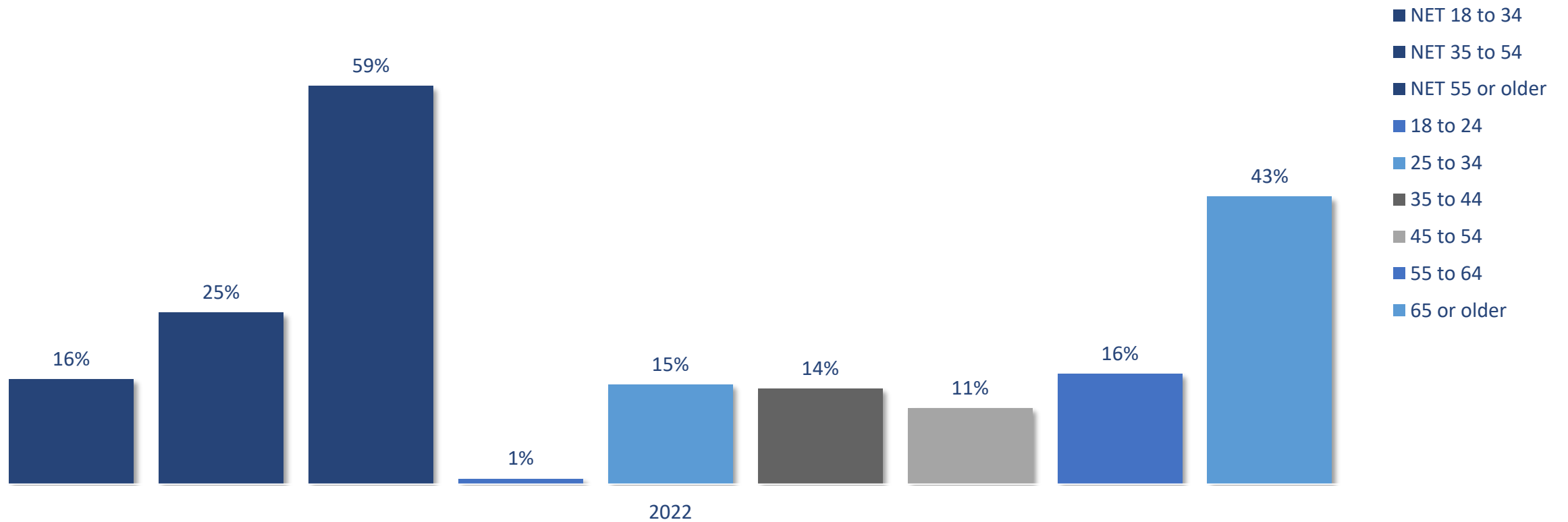
This falls within a very tight spectrum of index scores we processed for all LDCs that participated in the 2022 survey via Redhead. When the confidence interval and margin of error is applied to all index scores, there is significant overlap between LDCs which underlines the similarity of electrical safety awareness among participants.

The following report contains data and for all core questions as well as any additional questions supplied by the LDC (optional), asked after the core questions.

Question scoring and index methodologies were prescribed by the ESA/Innovative. As such, there has been limited additional analysis provided beyond the direction provided to meet the reporting guidelines. Should you wish further analysis of the data please contact our office to discuss.

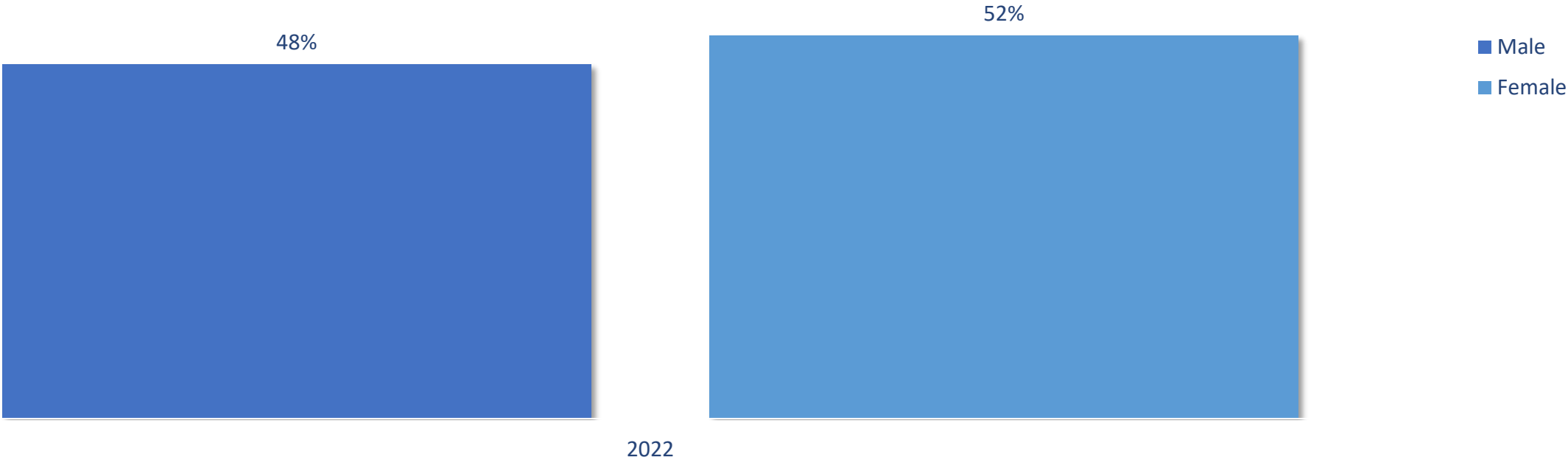
DEMOGRAPHICS

age_r - Age of respondent (based on A2, A2a)



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

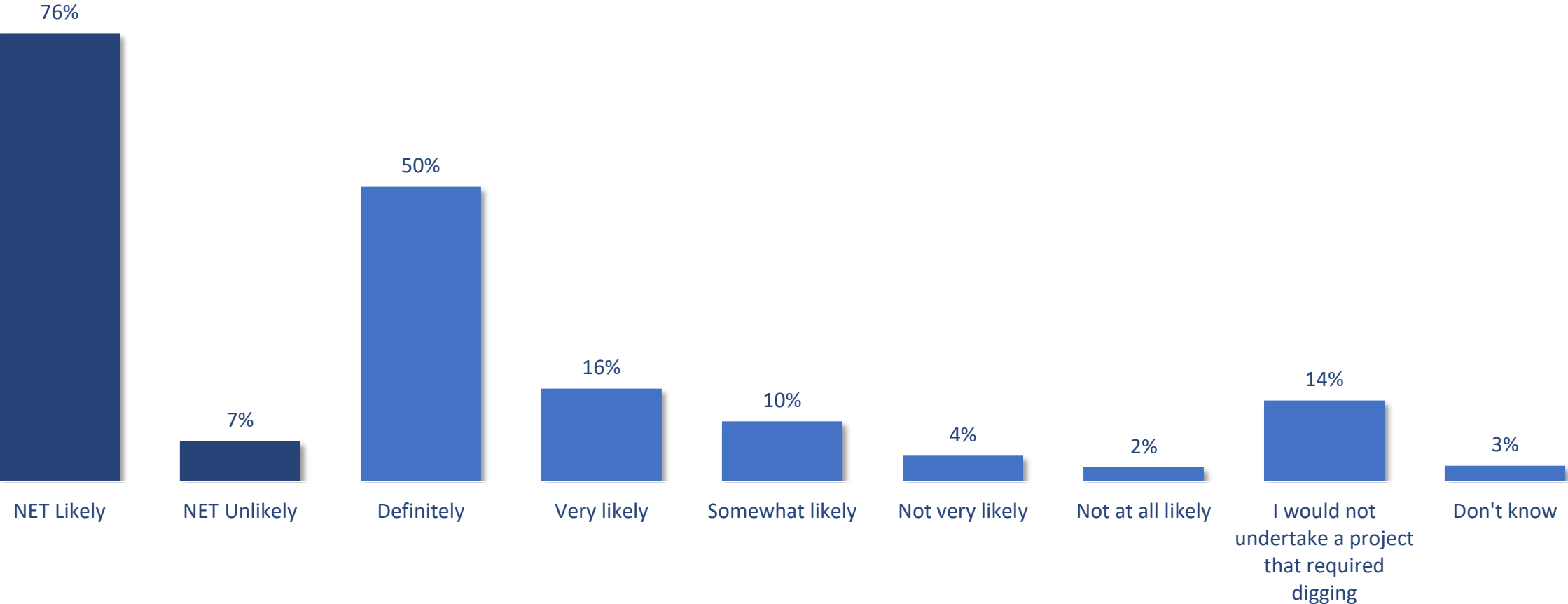
a4 - Gender



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

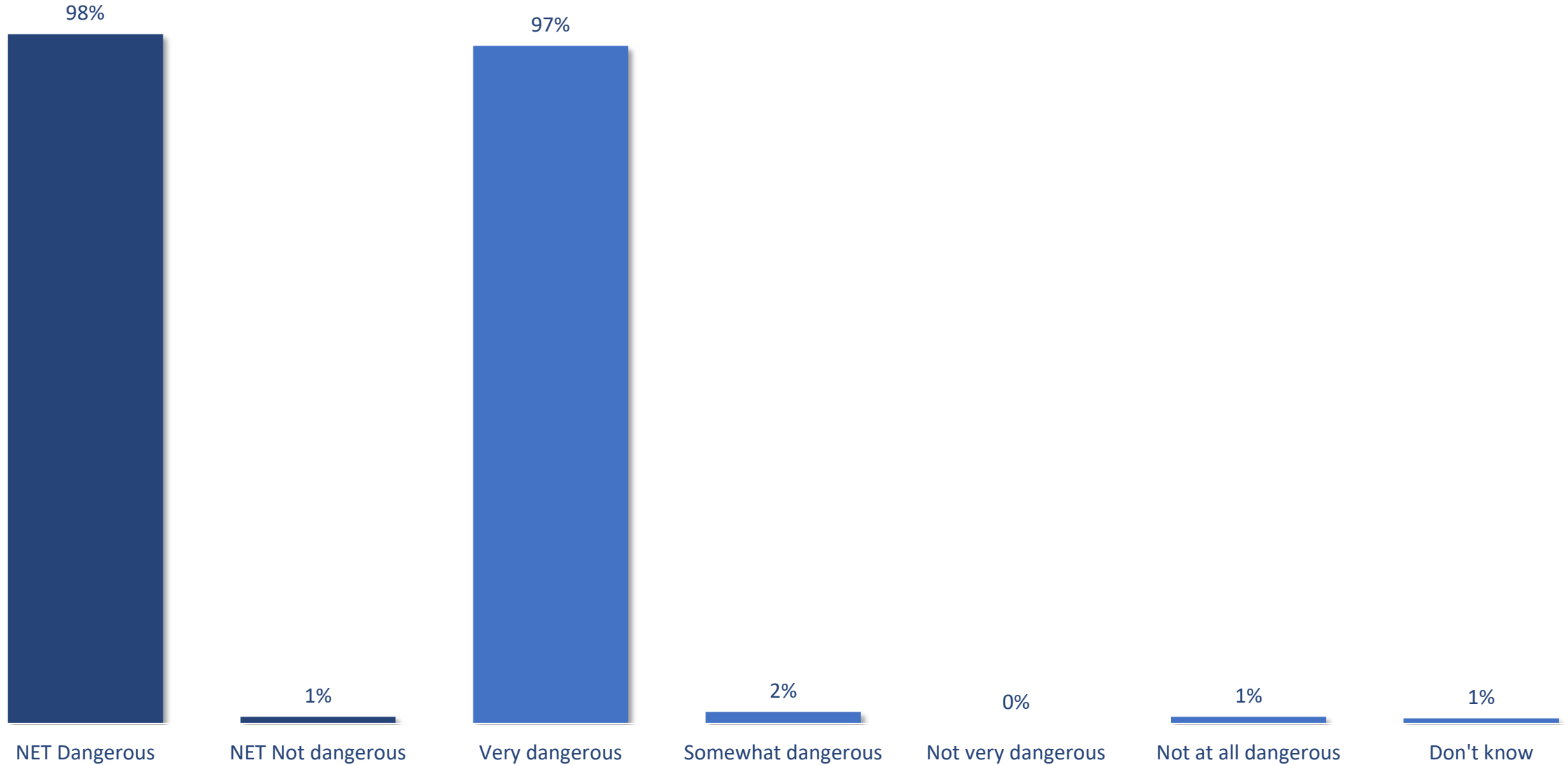
QUESTIONS/DATA

b5 - If you were to undertake a household project that required digging, such as planting a tree or building a deck, how likely are you to call to locate electrical or other underground lines?



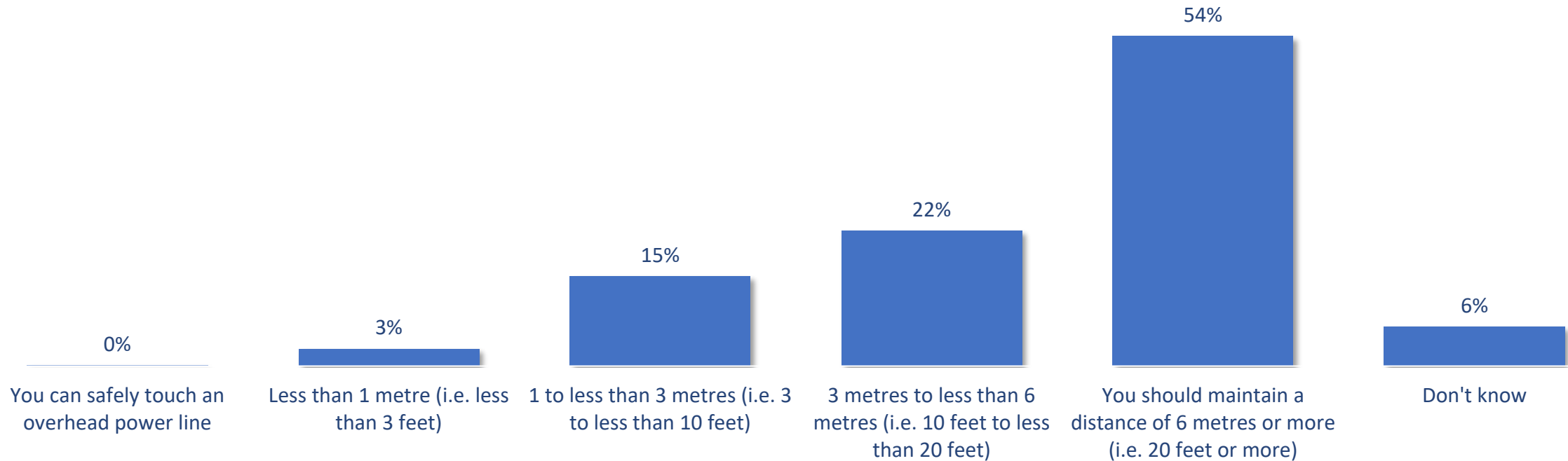
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b6 - How dangerous do you believe it is to touch - with your body or any object - an overhead power line?



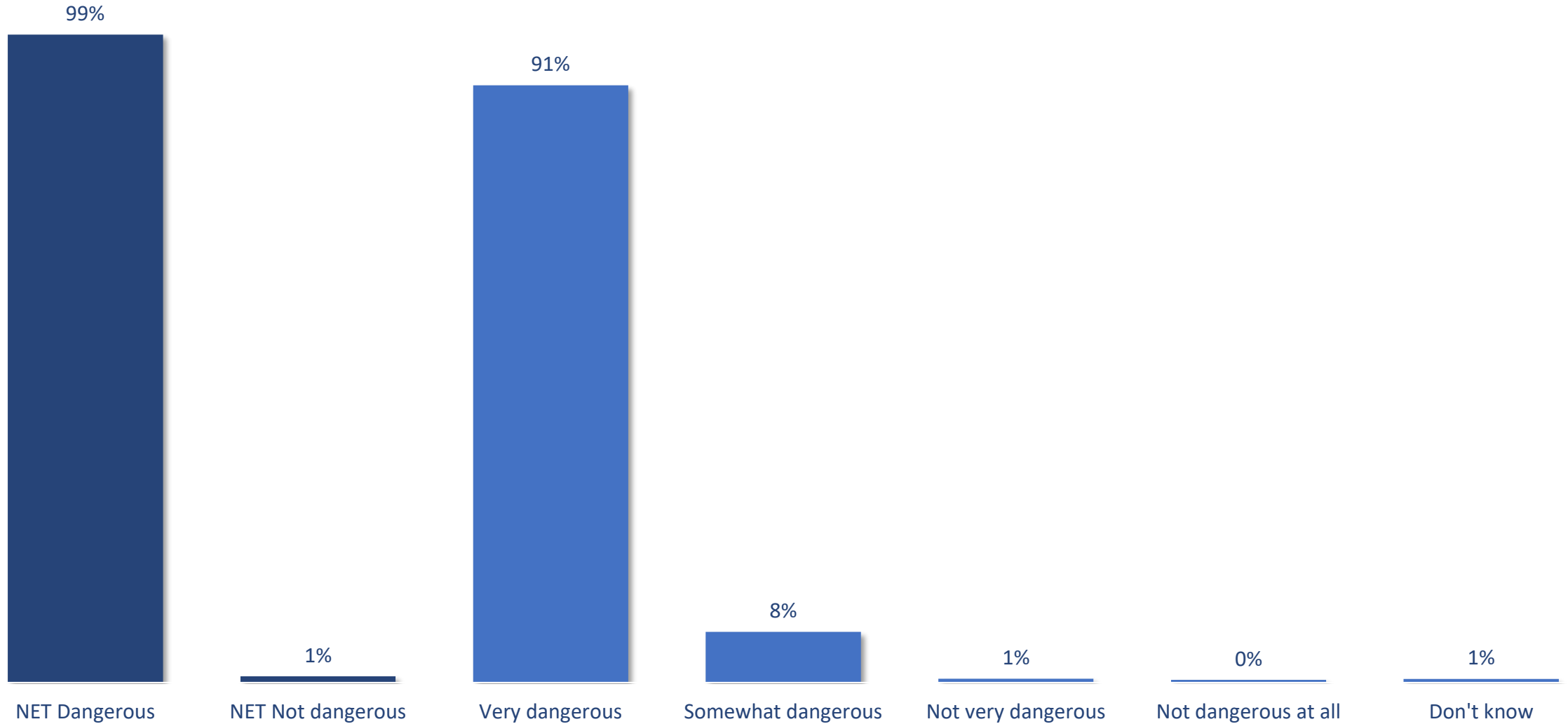
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b7 - When undertaking outdoor activities, how closely do you believe you can safely come to an overhead power line with your body or an object?



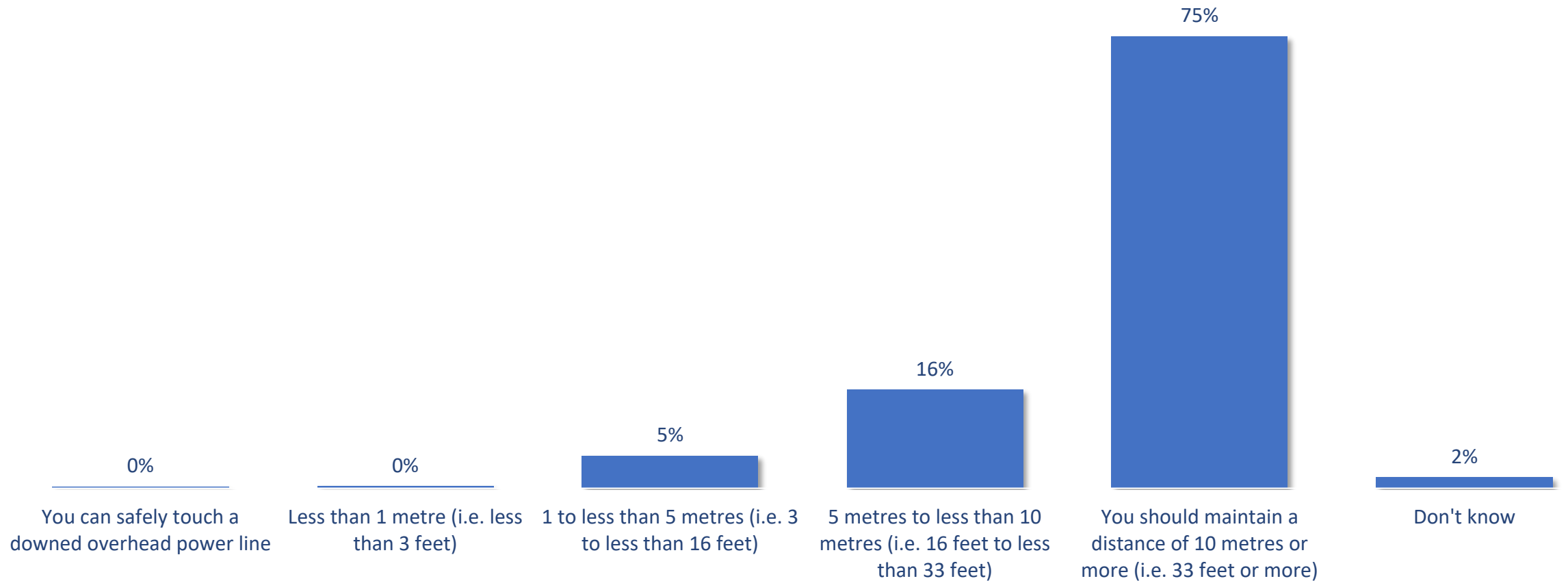
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b8 - How dangerous do you believe it is to try to open, remove contents, or touch the equipment inside locked electrical utility equipment?



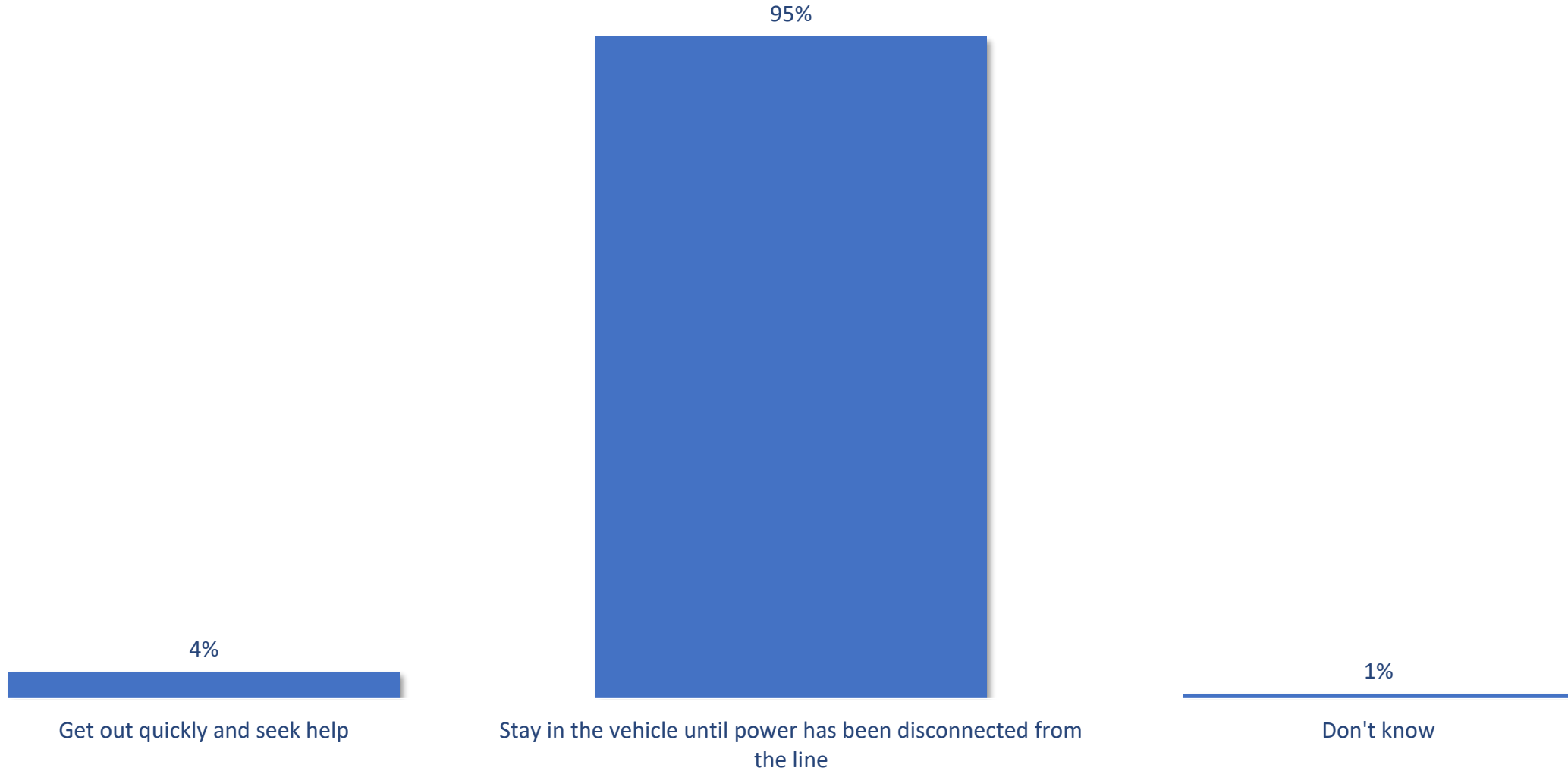
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b9 - How closely do you believe you can safely come to a downed overhead power line, such as a downed line caused by a storm or accident?



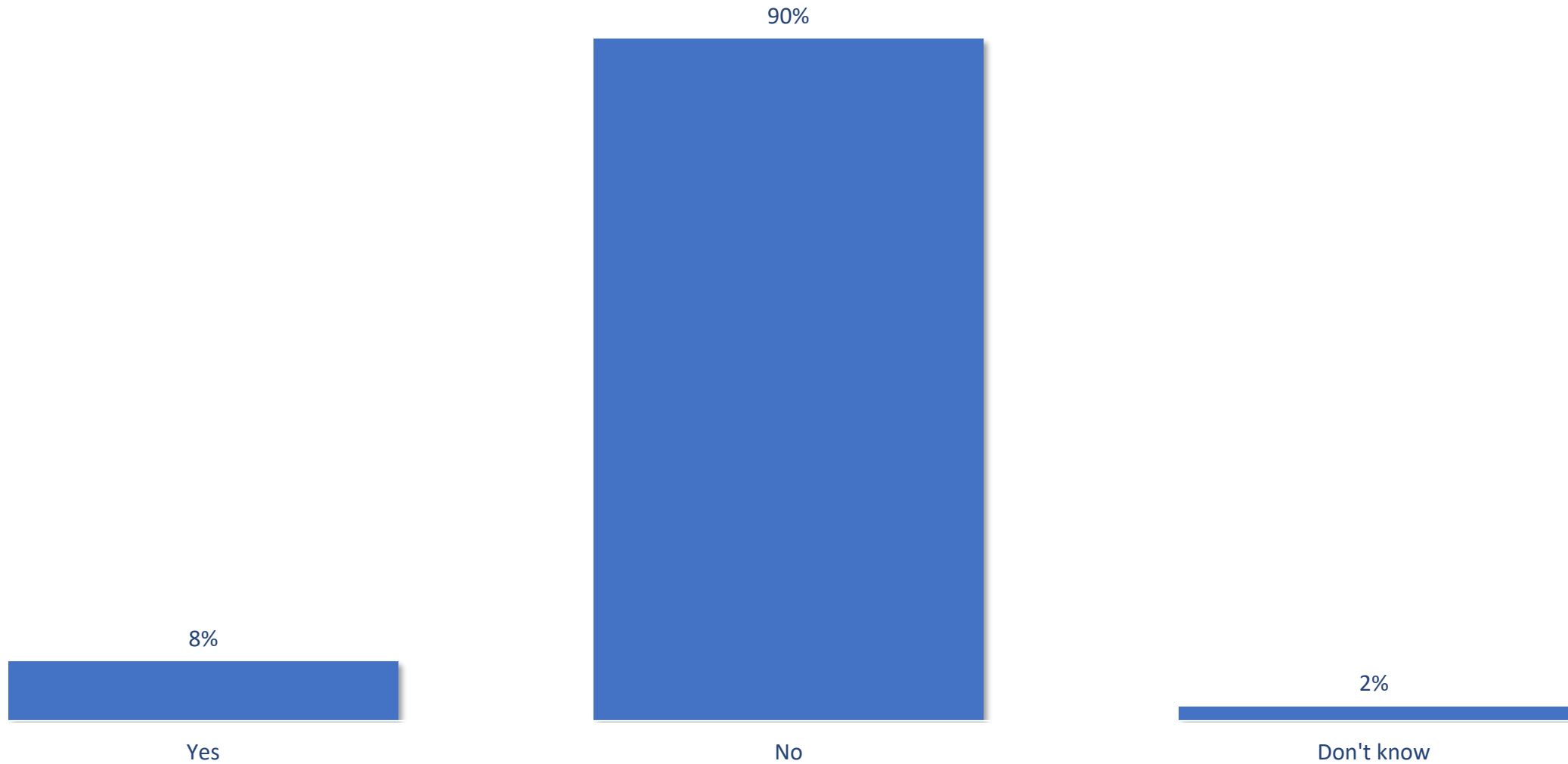
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b10 - If you were in a vehicle, such as a car, bus, or truck, and an overhead power line came down on top of it, which of the following options do you believe is generally safer?



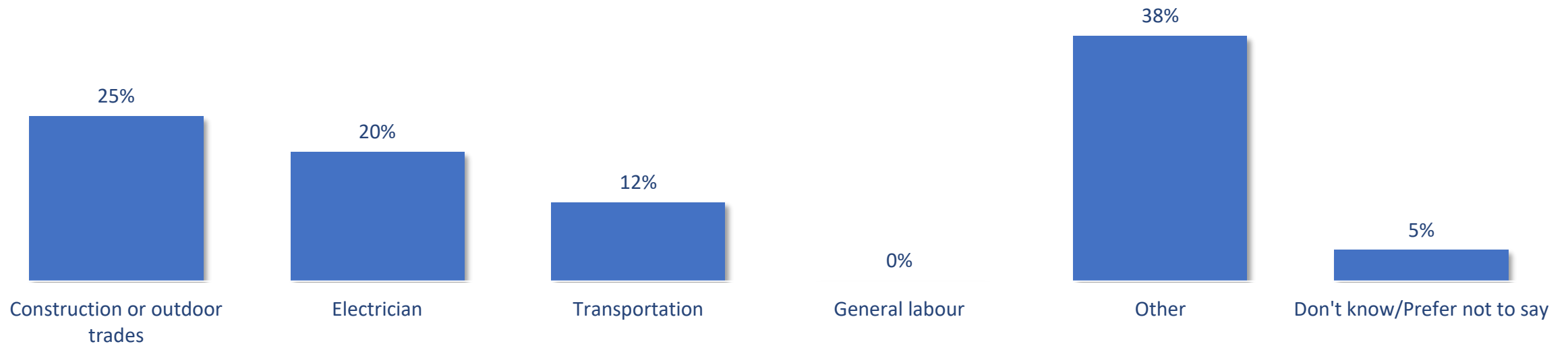
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b11 - Does your job regularly cause you to come close to energized power lines?



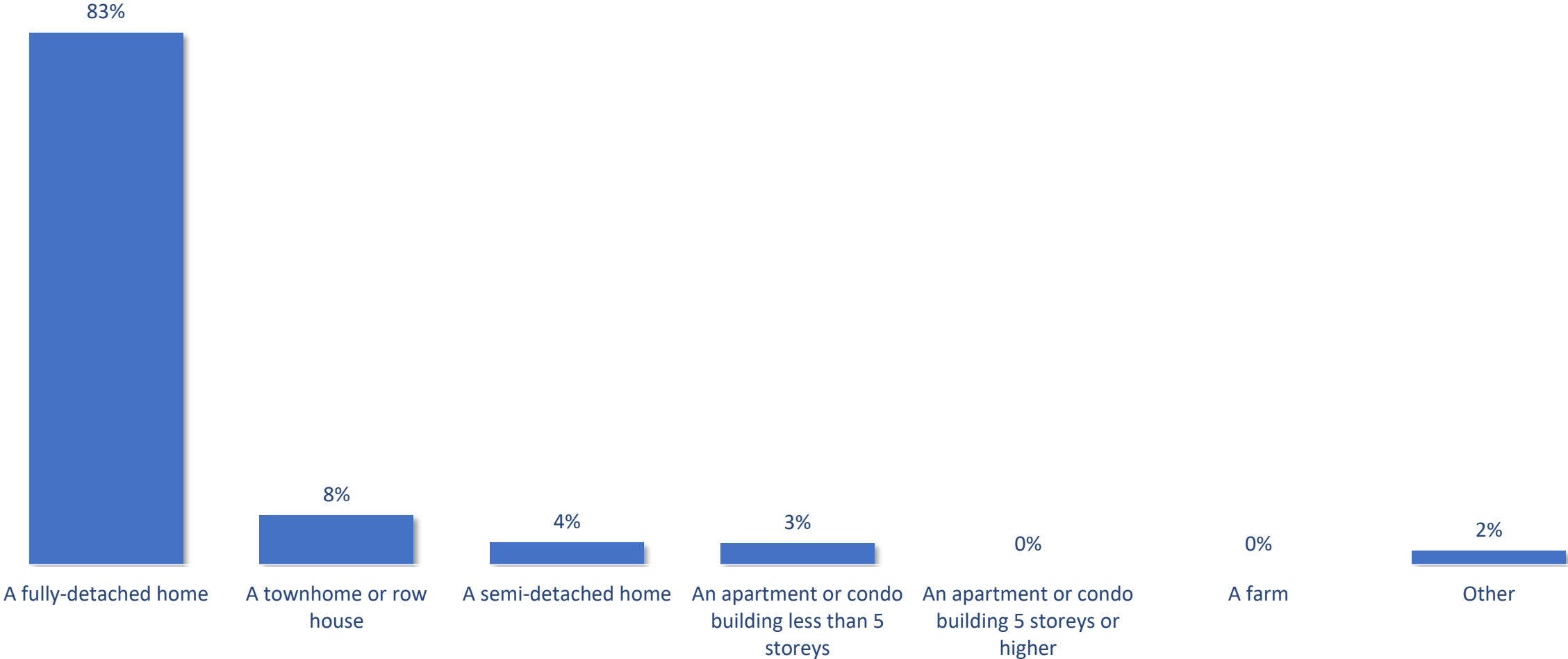
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

b12 - [Among those with a job featuring close contact to energized power lines] Do you work in any of the following fields?



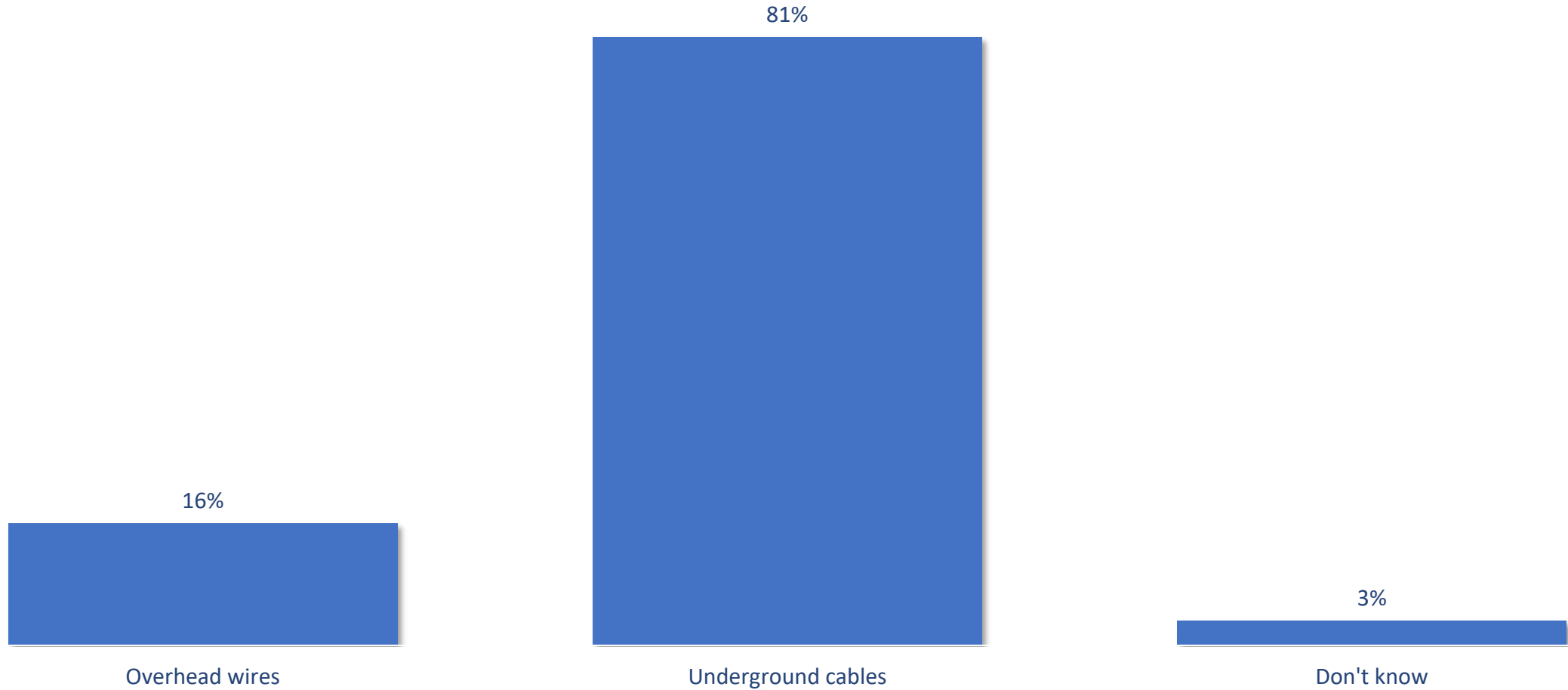
Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=24.

b13 - How would you describe your primary residence?



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

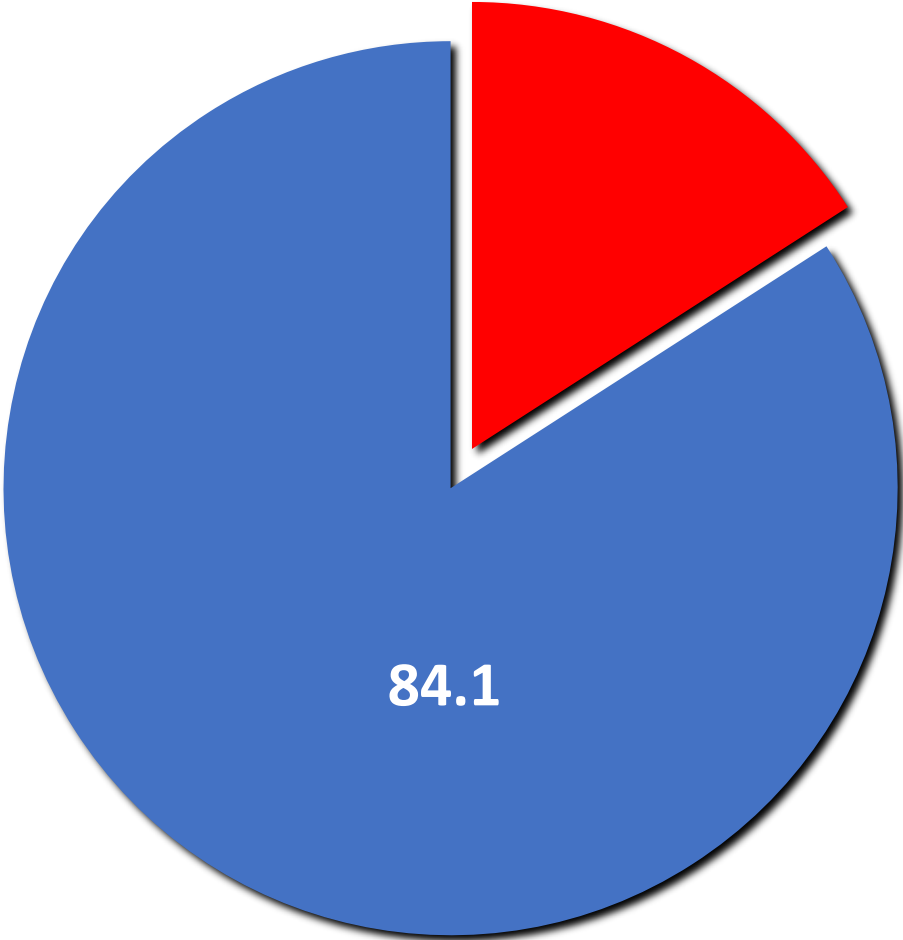
b14 - Does your primary residence receive electricity through overhead wires or underground cables?



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

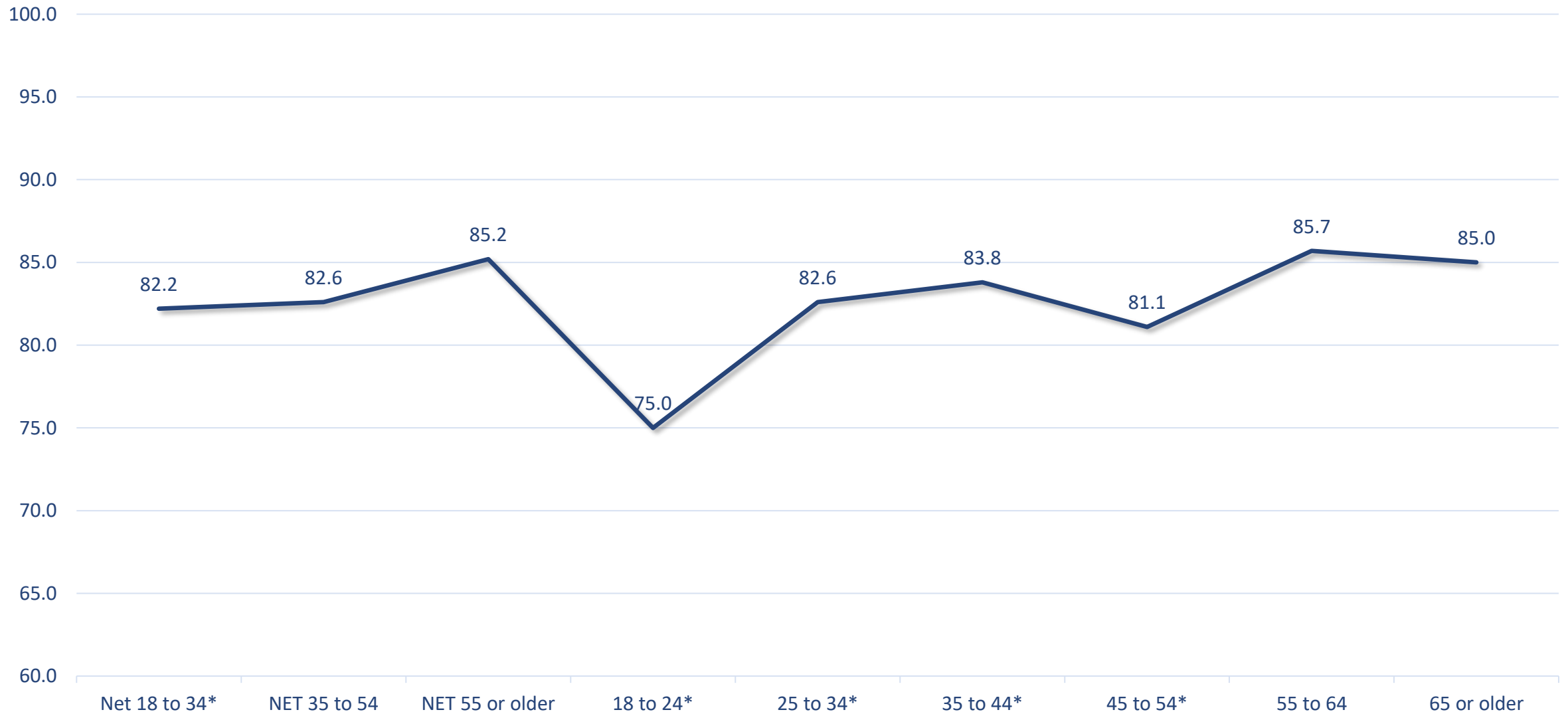
CUSTOMER SATISFACTION INDEX

ESA Index Score



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

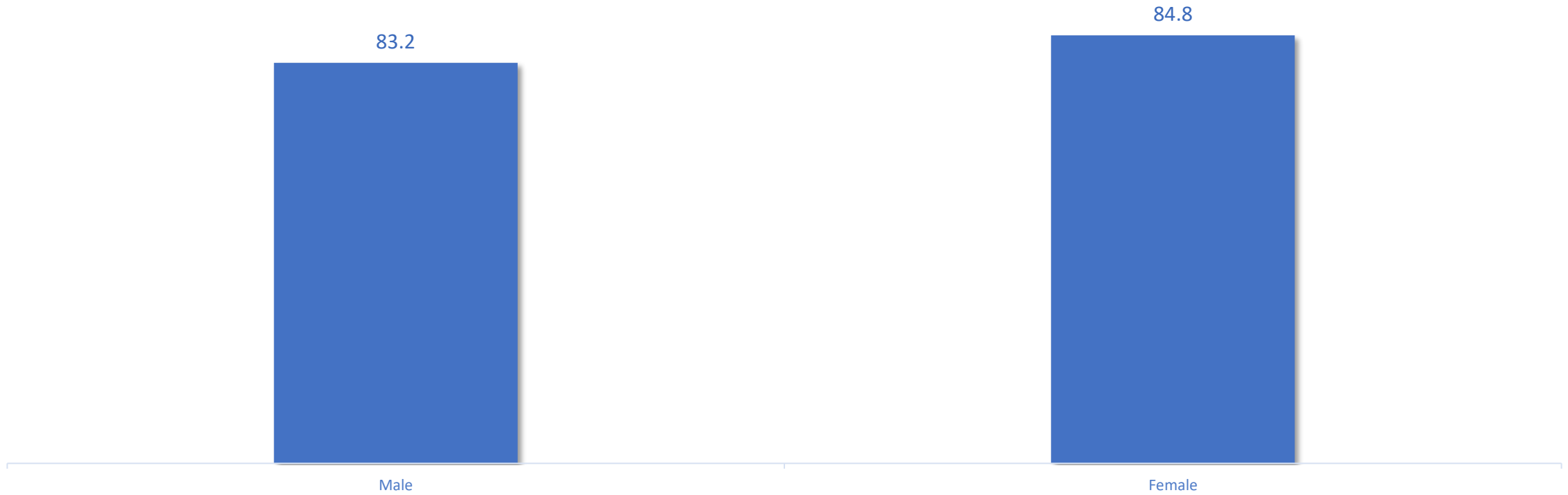
ESA Index Score by Age Category



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20. *Caution base size <50.

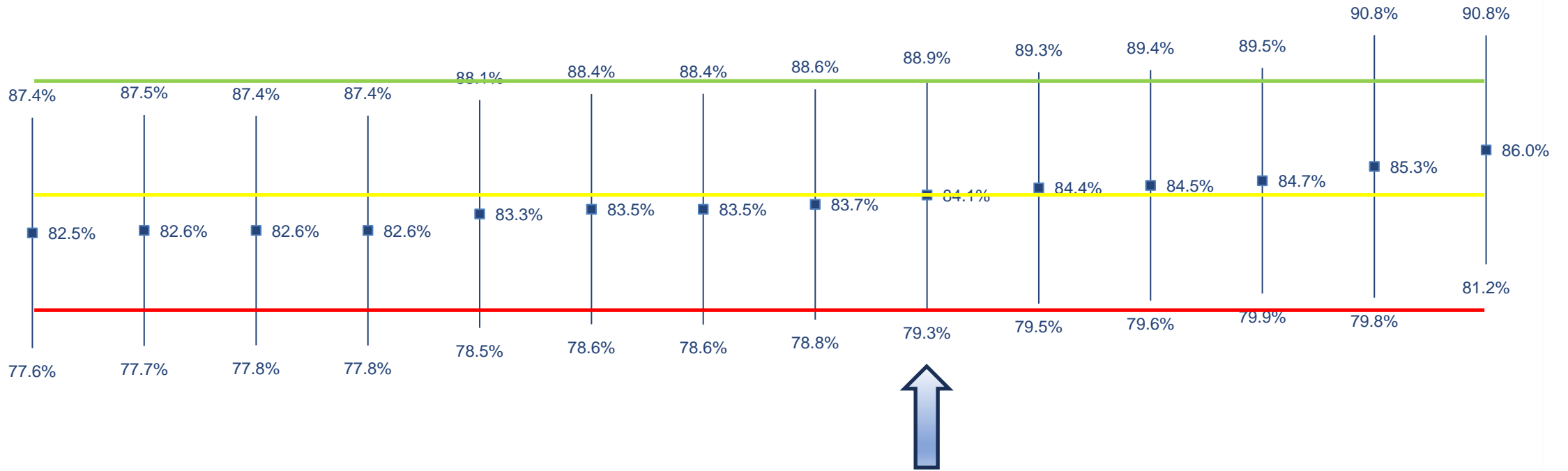


ESA Index Score by Gender



Source: Redhead Media Solutions/Advanis telephone survey of 18-year-old + individuals residing in the service territory, January 4-February 25, 2022, n=400, accurate 4.9 percentage points plus or minus, 19 times out of 20.

ESA Index Score Comparison to External LDCs Upper and Lower Bound



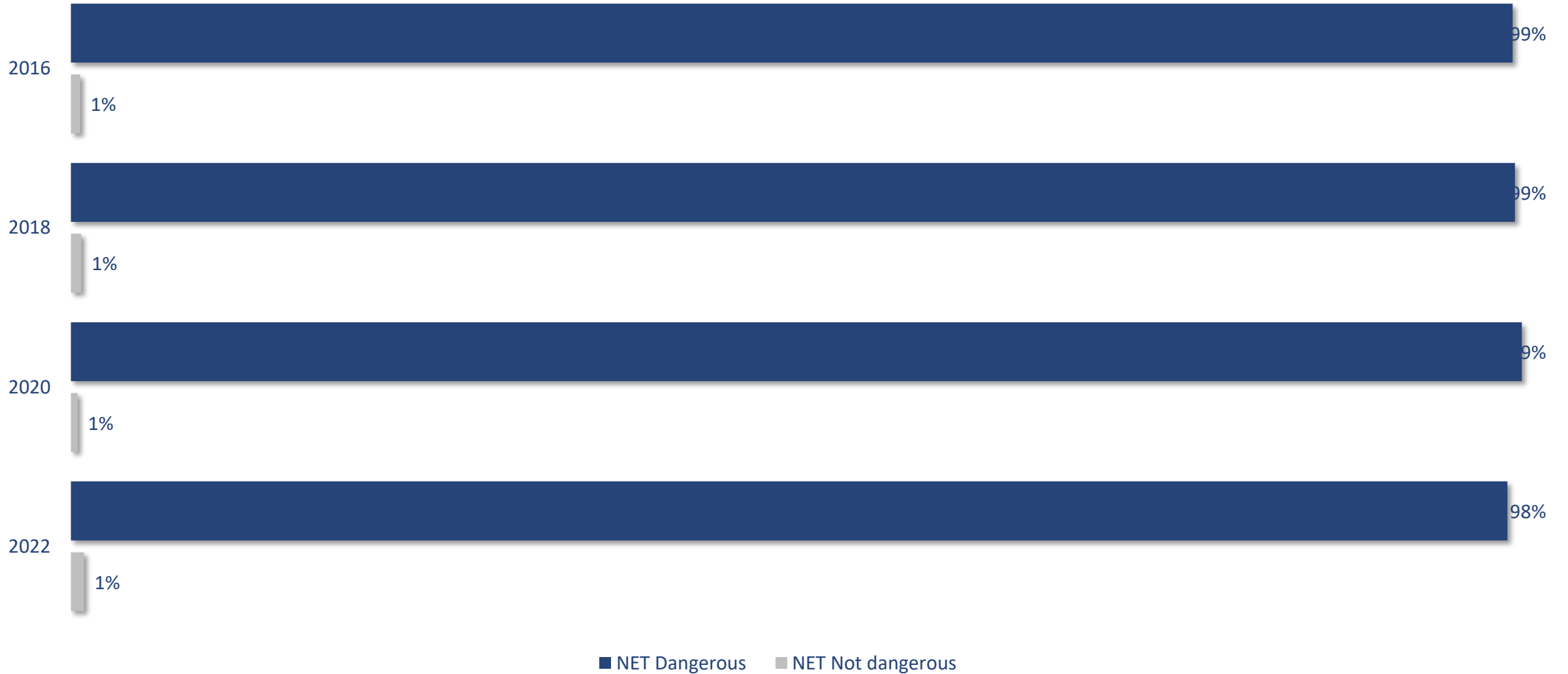
- The lines denote Wasaga Distribution’s upper and lower bound based on the Public Safety Awareness Score.
- All LDCs confidence intervals overlap, similar to 2020.
- CWH overlaps with all other LDCs, indicating statistical uniformity.

CORE COMPARATIVE DATA 2018-2022

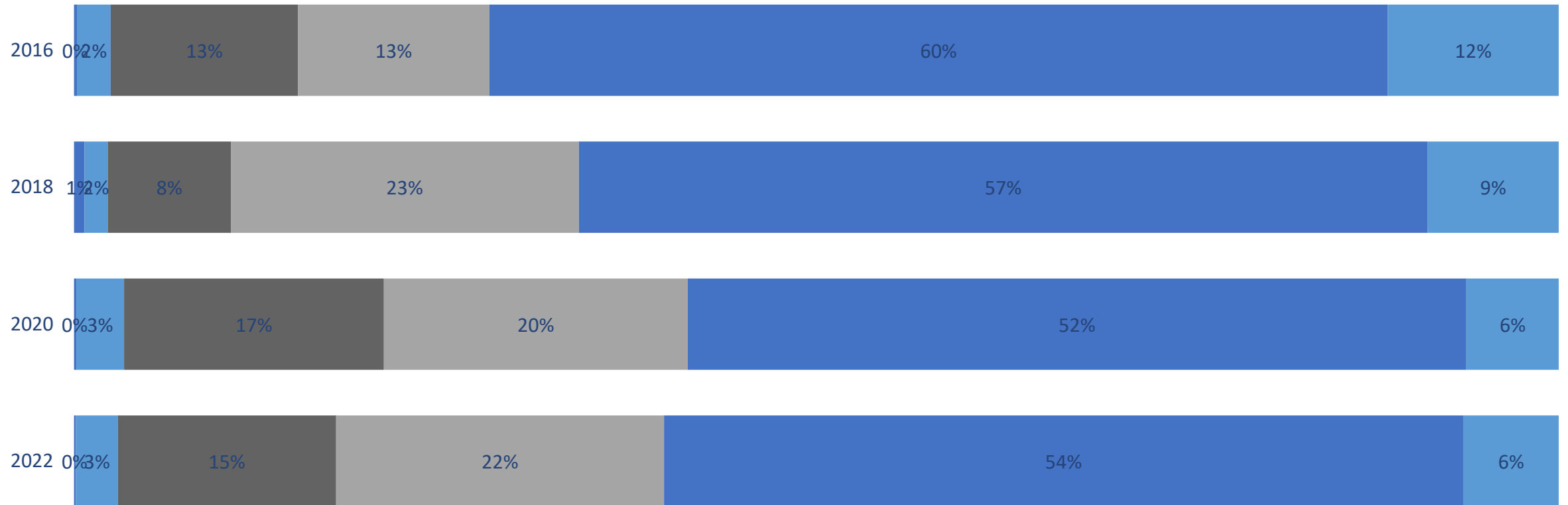
b5 - If you were to undertake a household project that required digging, such as planting a tree or building a deck, how likely are you to call to locate electrical or other underground lines?



b6 - How dangerous do you believe it is to touch - with your body or any object - an overhead power line?



b7 - When undertaking outdoor activities, how closely do you believe you can safely come to an overhead power line with your body or an object?

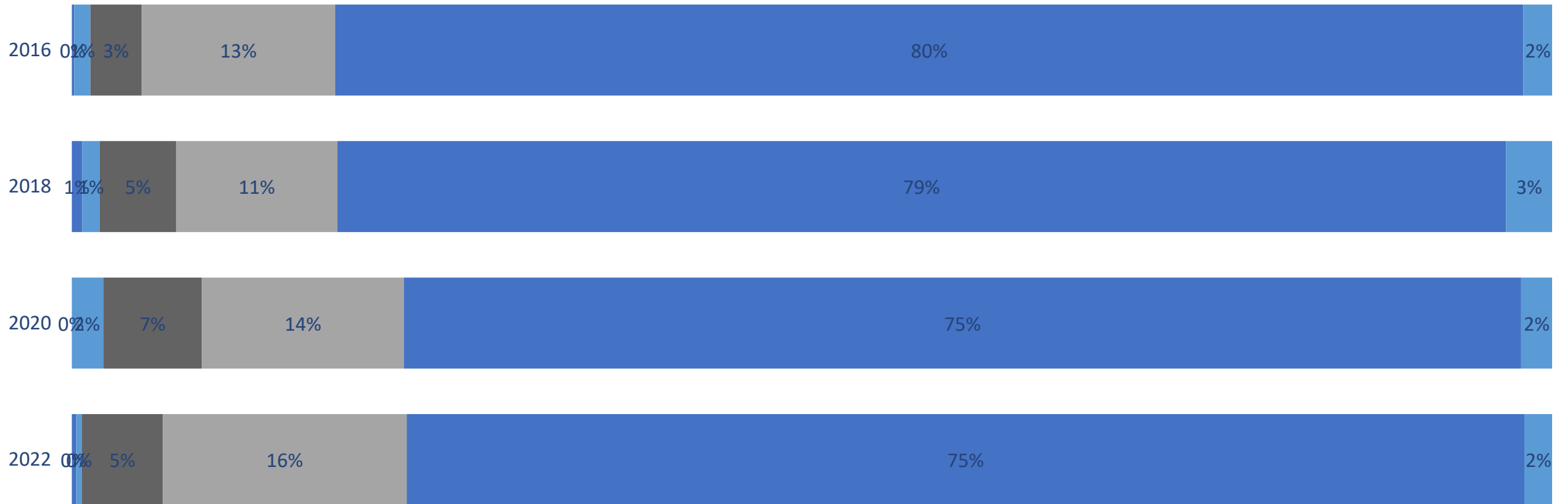


- You can safely touch an overhead power line
- 1 to less than 3 metres (i.e. 3 to less than 10 feet)
- You should maintain a distance of 6 metres or more (i.e. 20 feet or more)
- Less than 1 metre (i.e. less than 3 feet)
- 3 metres to less than 6 metres (i.e. 10 feet to less than 20 feet)
- Don't know

b8 - How dangerous do you believe it is to try to open, remove contents, or touch the equipment inside locked electrical utility equipment?

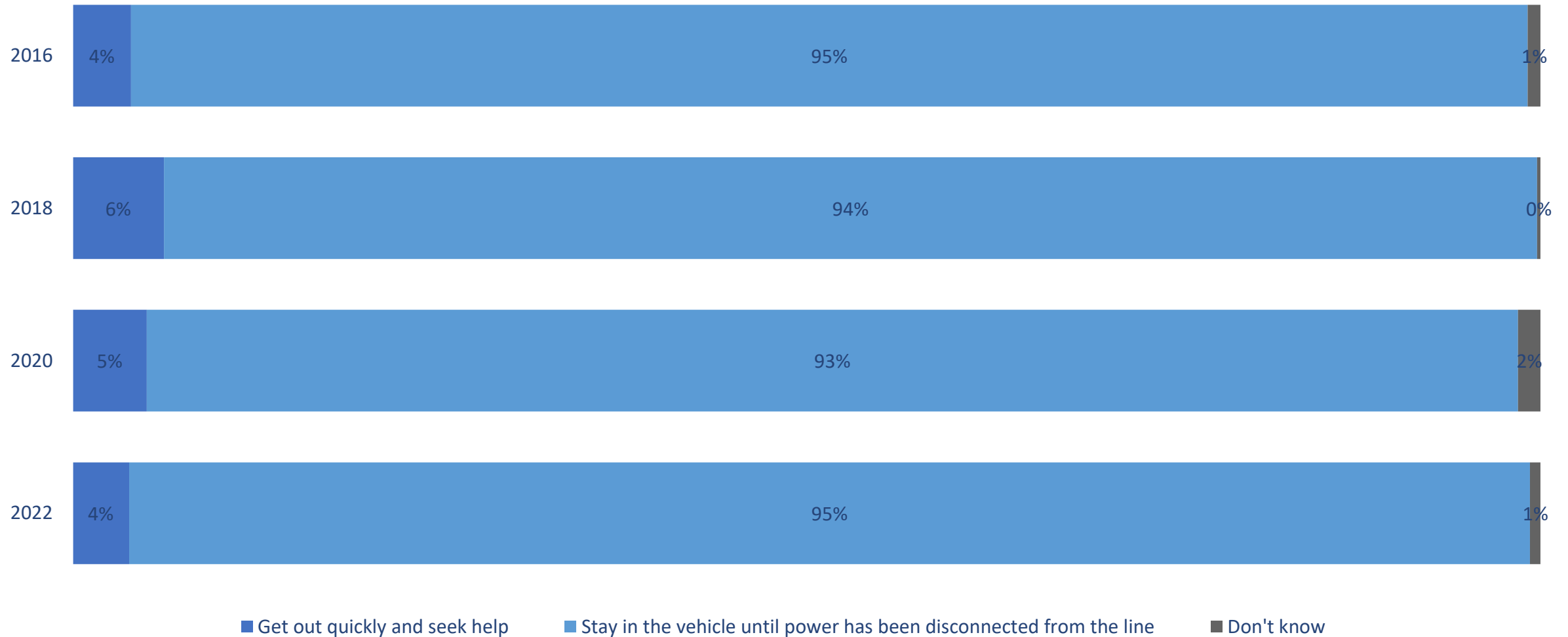


b9 - How closely do you believe you can safely come to a downed overhead power line, such as a downed line caused by a storm or accident?

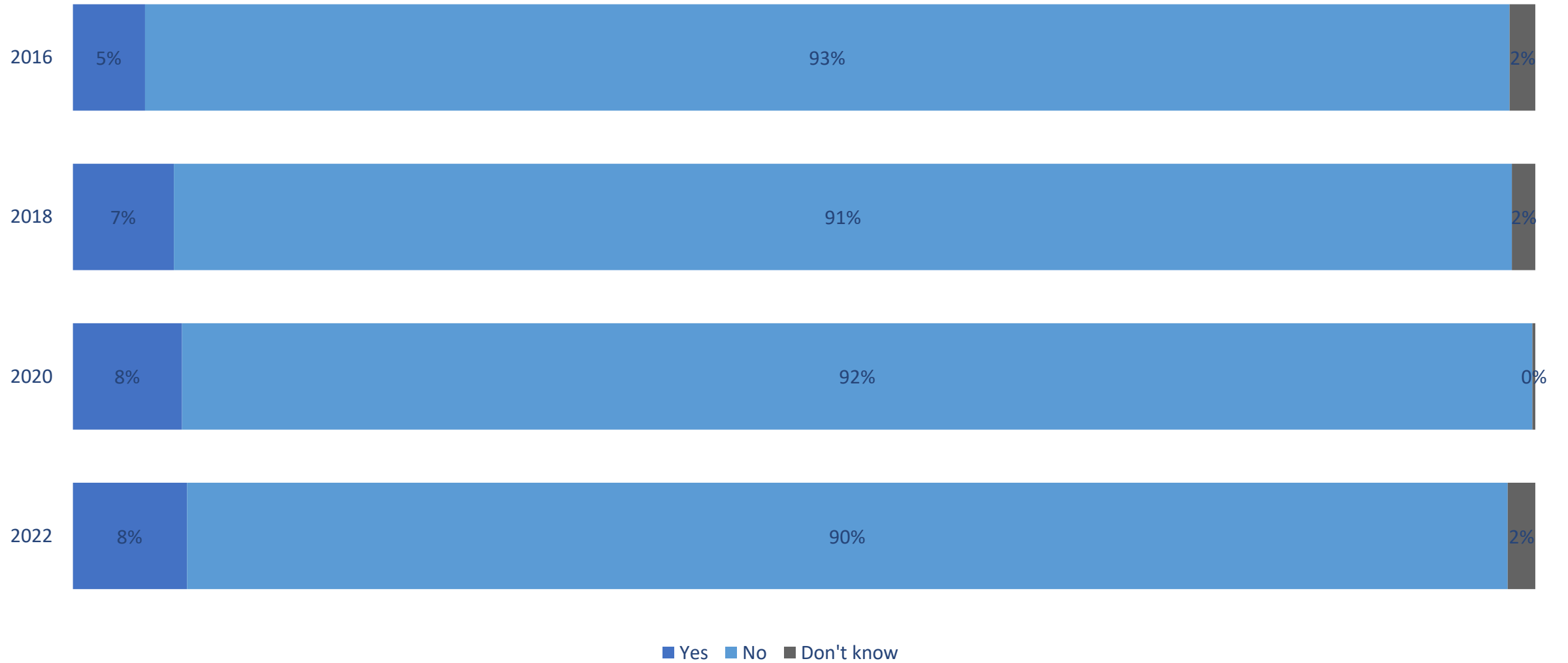


- You can safely touch a downed overhead power line
- 1 to less than 5 metres (i.e. 3 to less than 16 feet)
- 5 metres to less than 10 metres (i.e. 16 feet to less than 33 feet)
- You should maintain a distance of 10 metres or more (i.e. 33 feet or more)
- Less than 1 metre (i.e. less than 3 feet)
- Don't know

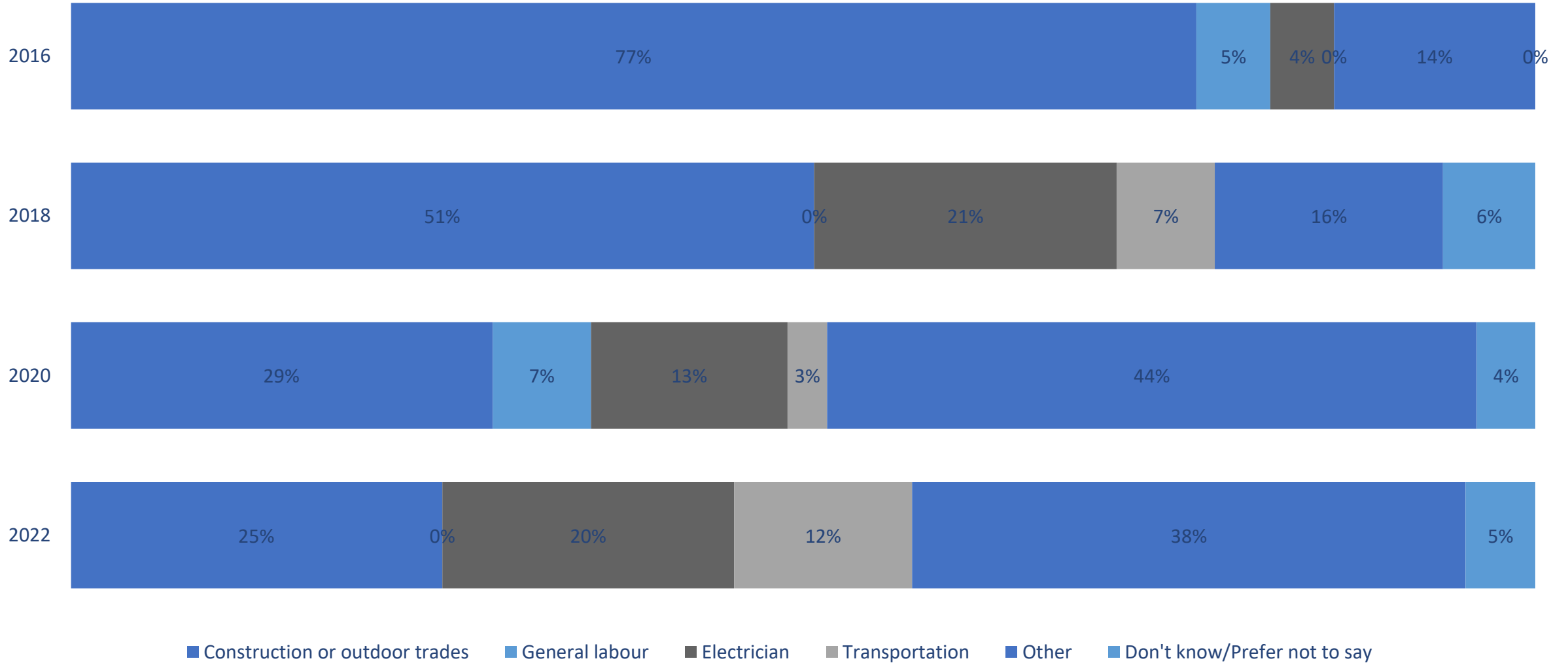
b10 - If you were in a vehicle, such as a car, bus, or truck, and an overhead power line came down on top of it, which of the following options do you believe is generally safer?



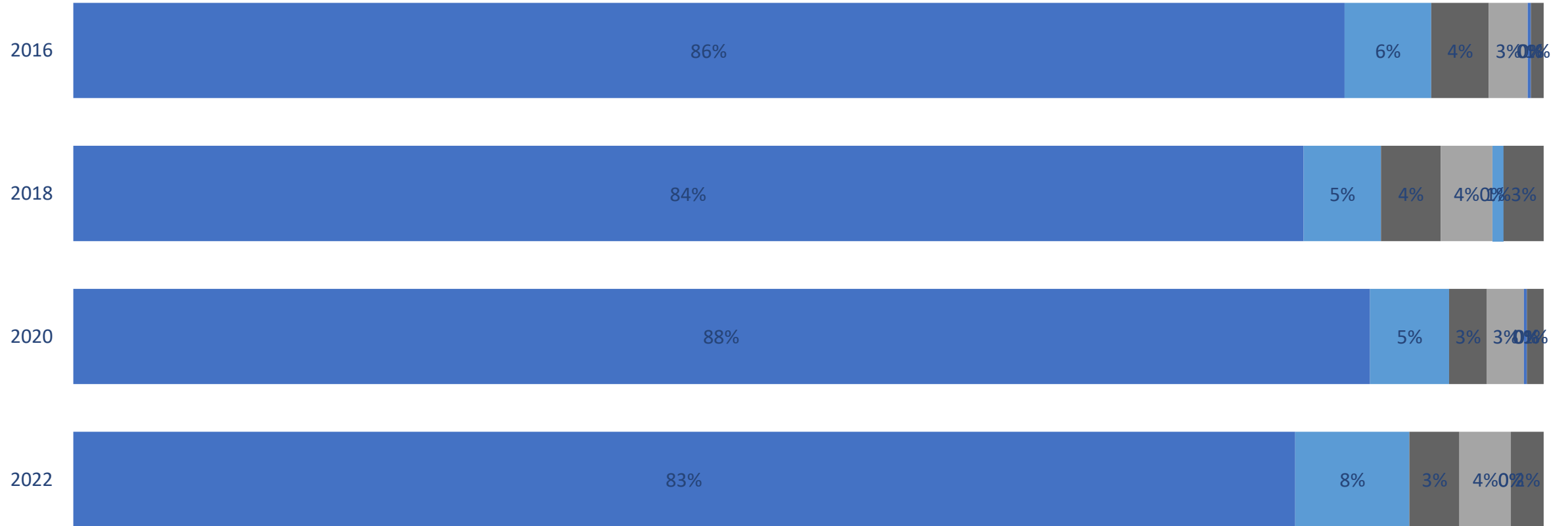
b11 - Does your job regularly cause you to come close to energized power lines?



b12 - [Among those with a job featuring close contact to energized power lines] Do you work in any of the following fields?

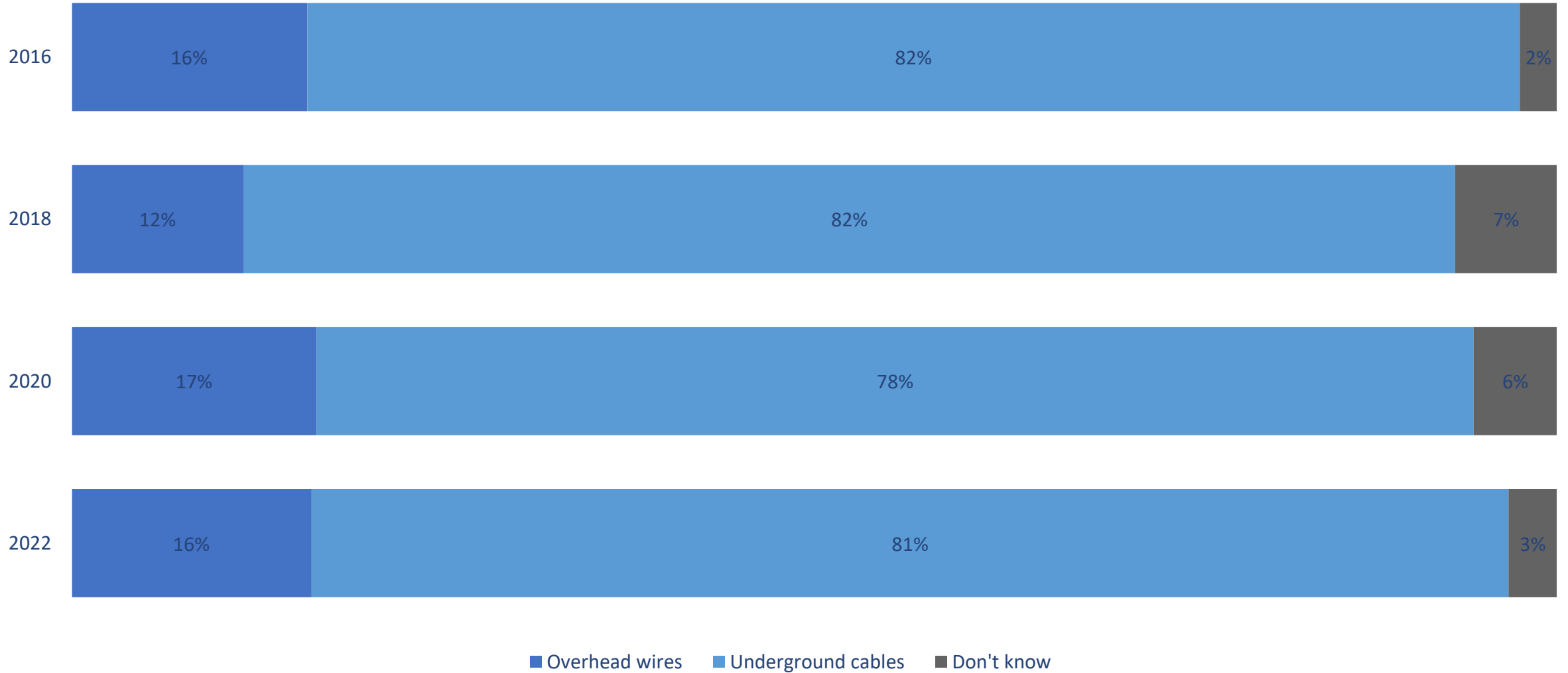


b13 - How would you describe your primary residence?

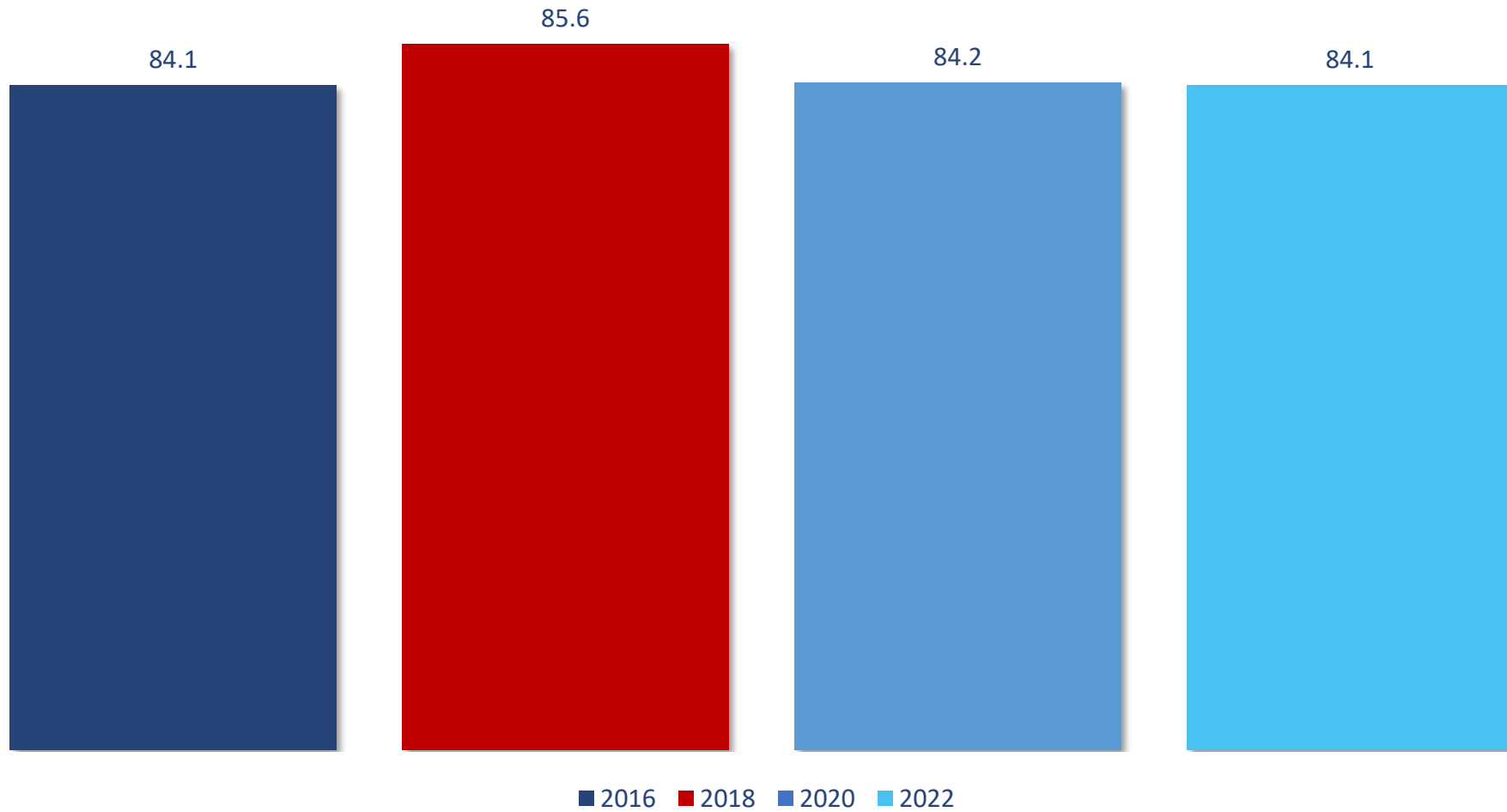


- A fully-detached home
- A townhome or row house
- An apartment or condo building less than 5 storeys
- A semi-detached home
- A farm
- An apartment or condo building 5 storeys or higher
- Other

b14 - Does your primary residence receive electricity through overhead wires or underground cables?



ESA Index Score by Year



METHODOLOGY

Methodology Summary

Commissioned by	Wasaga Distribution
Sample size	400 18-year-old + individuals residing in the service territory
Margin of error	±4.8 percentage points, 19 times out of 20
Survey mode	Random telephone survey of customer base, CATI data collection
Survey sample	Residents 18 years of age + who reside in the service territory of the Wasaga Distribution
Time of calling	4PM-9PM ET Weekdays, callbacks scheduled 9AM-9PM ET
In-field dates	January 4-February 25, 2022
Language	English only
Survey author	Innovative Research/Electrical Safety Authority
Question Order	Report shown in order
Question Wording	Questions shown in report as asked
Survey Company	Redhead Media Solutions Inc/Advanis

Methodology Details

Target Respondents

The respondents of the survey were Ontario residents 18 years of age or older who reside within Wasaga Distribution's service territory. Target areas were determined based on a list of postal codes provided by Wasaga Distribution.

Sample Size and Statistical Reliability

All margins of error (MoE) are shown at a 95% confidence level.

- E.g., the margin of error associated with a sample size of 400 for a large (infinite) population is ± 4.9 percentage points, 19 times out of 20.
- Because Wasaga Distribution's service area has a smaller adult (18+) population, and MoE is a function of the relationship between sample size and population, it is appropriate to apply a finite population correction factor when calculating MoE. When sample size is a higher percentage of the population, the MoE may narrow.

Sample sizes were set according to the *Public Awareness of Electrical Safety: Methodology & Survey Implementation Guide*, prepared for the Electrical Safety Authority by Innovative Research (November 2015):

- Where possible, sample size of $n=400$.
- For LDCs with a service territory population of less than 5,000, a minimum sample size of $n=400$ is appropriate.
- For LDCs with a service territory population of less than 3,000, a minimum sample size of $n=200$ is appropriate.

Methodology Details

Sampling Methodology

Redhead was provided service territory postal codes from Wasaga Distribution. Both landline and wireless sample were used. The landline sample used listed numbers only, the wireless sample was drawn randomly from the most recent working cell phone lists in rate centers in or around the specified area(s). We then sampled from these lists randomly using Advanis' proprietary sample server.

To minimize low response:

- Sample was loaded in batches to ensure the sample was fully utilized before moving onto fresh sample records;
- Calls were made between the hours of 4pm and 9pm ET on weekdays; and
- Call backs were scheduled and honored between the hours of 9am and 9pm ET.

Questionnaire

The survey instrument was provided by the Electrical Safety Authority (ESA) developed in conjunction with Innovative Research. The survey consisted of an introduction, electrical safety core questions and demographic information.

Data Collection

Computer aided telephone interviews (CATI) were conducted from January 4-February 25, 2022.

Methodology Details

Quality Control

The accuracy and integrity of results is of the highest importance for Redhead/Advanis. As such, several controls are implemented to ensure the highest quality output is achieved:

- Advanis, on behalf of Redhead, trained the interviewers to understand the study's objectives;
- Detailed call records are kept by the automated CATI system, and are supplemented by output files to SPSS for productivity analysis (i.e., not subject to human error);
- The survey was soft launched in select markets. The data was then checked before calling began in full for Wasaga Distribution;
- 100% of all surveys are digitally recorded for potential review;
- Advanis' Quality Assurance team listened to the actual recordings of five percent of completed surveys and compared the responses to those entered by the interviewer to ensure that responses from respondents are properly recorded;
- Team Supervisors conduct regular more formal evaluations with each interviewer, in addition to nightly monitoring of each interviewer on their team;
- Project Managers closely monitored the progress of data collection, including call record dispositions;
- All SPSS code is reviewed by a more senior researcher;
- All Report Builder output is reviewed by a more senior researcher; and
- All values in the report are reviewed by another team member to ensure accuracy.

Methodology Details

Analysis of Findings & Data Weighting

Within each LDC, results were weighted to match corresponding population proportions from the most recent Statistics Canada census data for these six combinations of gender and age:

- Males 18-34
- Females 18-34
- Males 35-54
- Females 35-54
- Males 55 and older
- Females 55 and older

As noted above, the service territory was specified by postal code. Since census data is not available by postal code, Redhead provided Advanis with the municipalities covered by the LDC, and the population numbers for the Census Subdivisions that most closely matched those municipalities were totaled to arrive at the LDC population proportions for each of the six gender/age combinations.

The Public Safety Awareness index scores have been highlighted and were calculated as described below, based on instructions from the Electrical Safety Authority (ESA). The “provided response values” referenced in the description below were also determined and provided by the ESA. Data analysis and cross-tabulation have been conducted using SPSS and Report Builder software.

This **index score** is calculated using the following formulas:

Step 1: Add each individual respondent's key measurement questions using the provided response values.

$$\begin{aligned} & B5 \\ + & B6 \\ + & B7 \\ + & B8 \\ + & B9 \\ + & B10 \\ = & \text{Individual respondent's cumulative score} \end{aligned}$$

Step 2:

$$\text{Individual respondent's cumulative score} / \# \text{ of sections} \\ = \text{Respondent Standardized Score}$$

Step 3:

$$\text{Summation of all "Respondent Standardized Scores"} / n\text{-size (i.e. total sample size)} \\ = \text{Raw Index Score}$$

Step 4:

$$\text{Raw Index Score} \times 100 = \text{Index Score (bound between 0-100\%)}$$

Methodology Tables

Margin of error

LDC	Completed Surveys	Sample Size as % of population	Assuming Large Population	Using Actual 18+ Population
Wasaga Distribution	400	2.3%	+/- 4.9%	+/- 4.8%

Sample weighting

LDC	Total Postal Codes in Service Territory	Forward Sortation Areas Covered	Number of Local Delivery Units in Each FSA
Wasaga Distribution	200	L9Z	200

Thank You

We greatly appreciate working on this important project for Wasaga Distribution and hope we have met or exceeded your expectations.

We are happy to present this data to your staff or Board members upon request. If you wish to do so, please contact us for an appointment.

We look forward to working with you on future projects, including the Customer Satisfaction Survey later in 2022. Please note if you have any other projects that we may be able to help you with, don't hesitate to be in touch.

Graydon Smith - President
Redhead Media Solution Inc.
3-200 Manitoba St.
Suite 416
Bracebridge, ON
P1L 2E2



REDHEAD
MEDIA SOLUTIONS



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (E) Customer Priority Survey



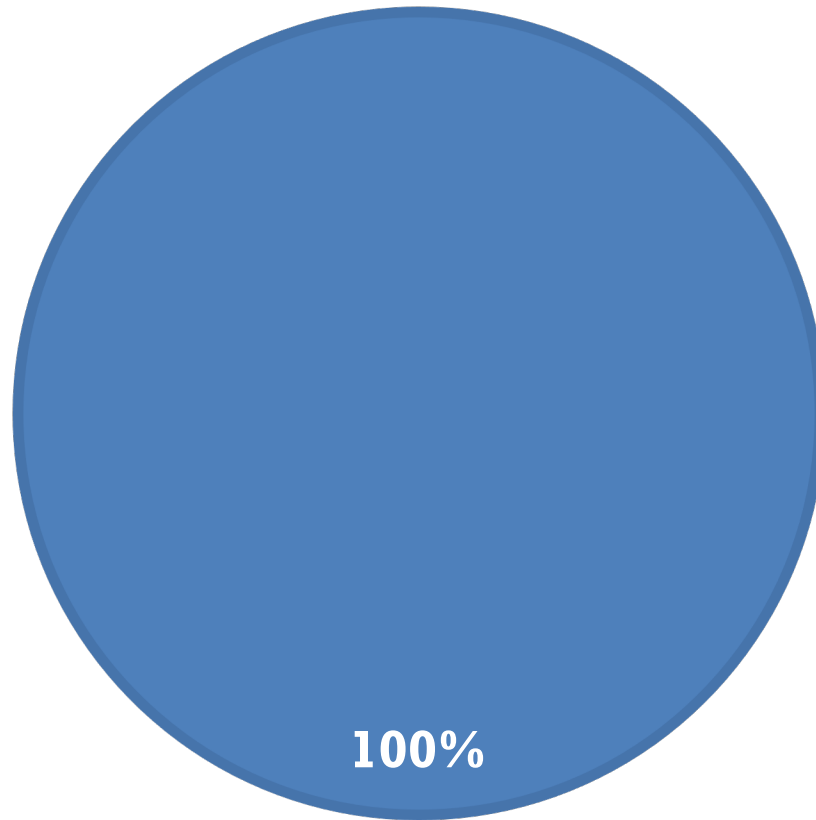
CUSTOMER PRIORITIES

2023 Survey Results

DEMOGRAPHICS

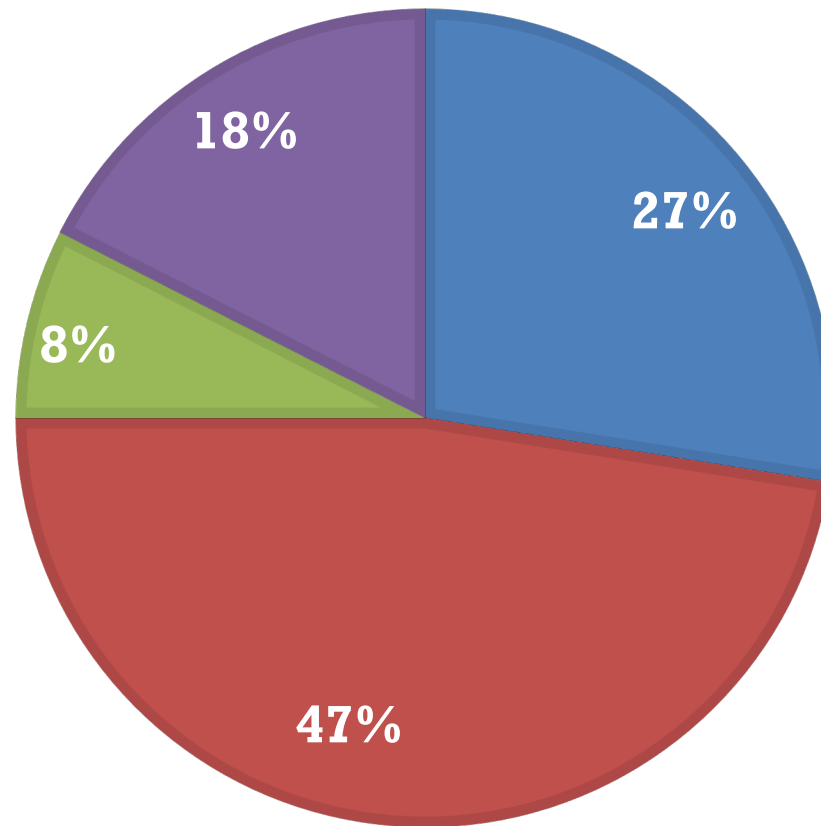
Respondent Profiles

CUSTOMER TYPE



■ Residential ■ Small Commercial ■ Large Commercial ■ Prefer not to disclose

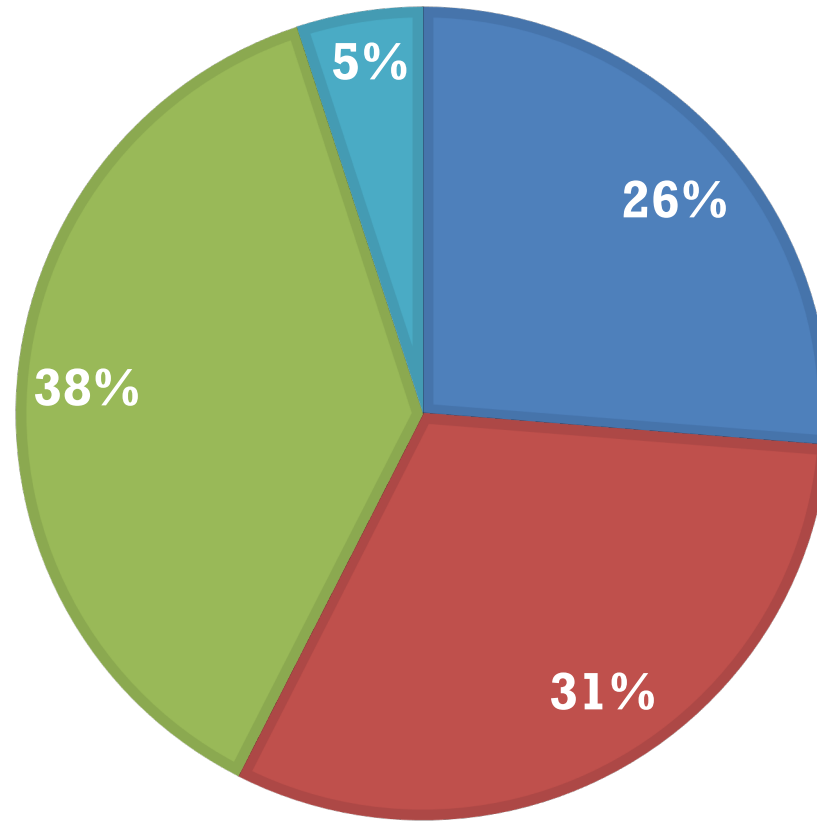
GROSS HOUSEHOLD INCOME



■ Under \$50,000 ■ Between \$50,000-\$150,000 ■ Above \$150,000 ■ Prefer not to disclose

LOCATION

- West refers to West of 45th St
- East refers to East of Blueberry Trail/Klondike Park Rd
- Central refers to between Blueberry Trail/Klondike Park Rd & 45th St
- Multiple refers to people with more than one property in TWB



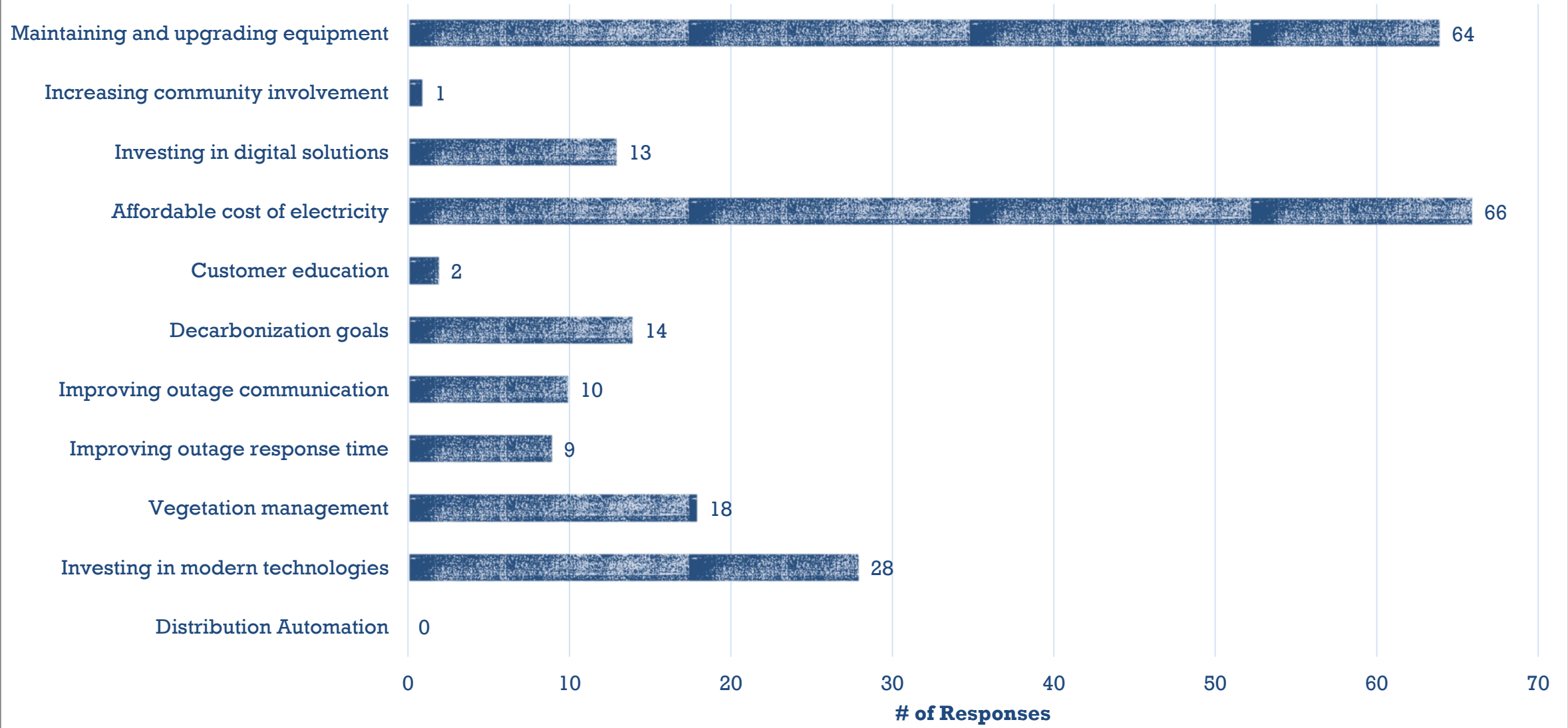
■ West ■ East ■ Central ■ Multiple ■ Did not disclose

PRIORITIES

Respondents were asked to select their Top 3 Priorities from a given list.

Questions regarding those priorities followed.

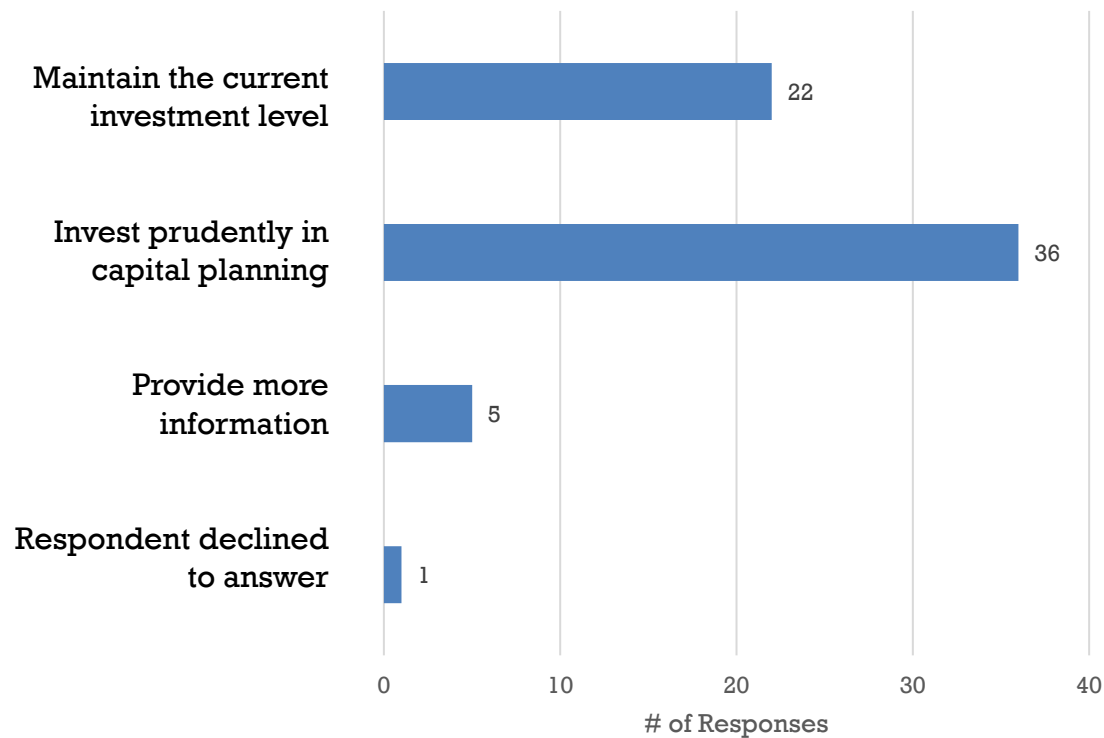
Priority Overview



64 OF 80 (80%) RESPONDENTS CHOSE **MAINTAINING & UPGRADING EQUIPMENT*** AS A PRIORITY

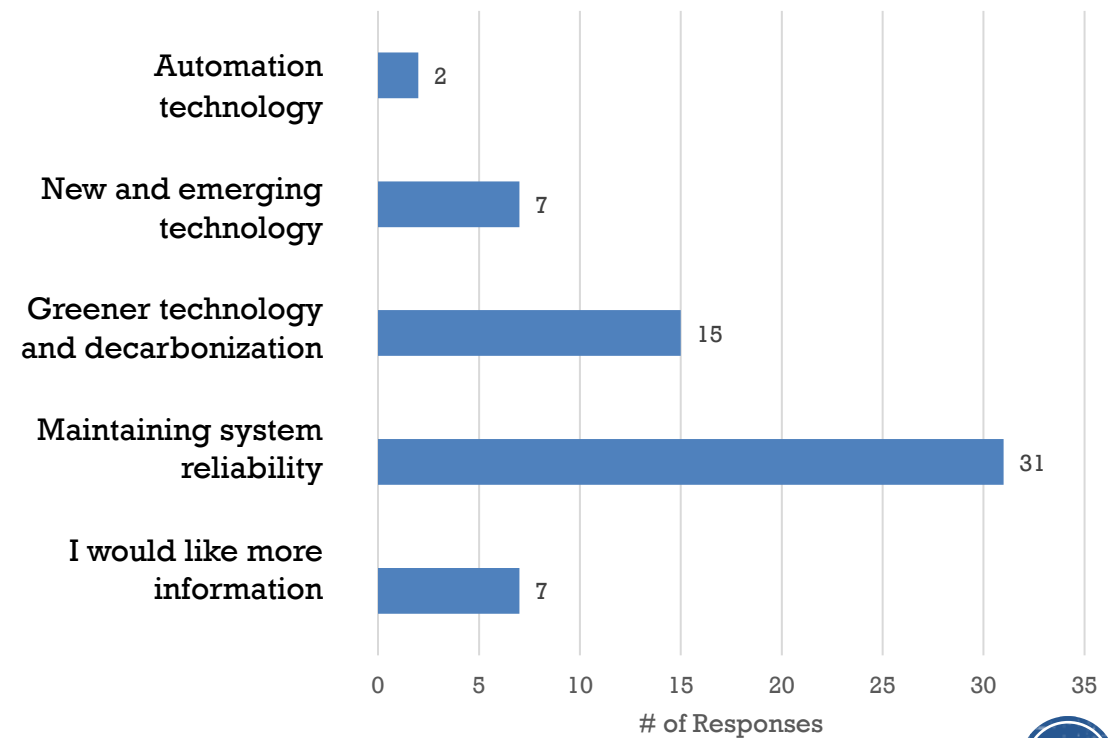
Long-Term Planning

I would like WDI to...



Future Investments

I would like WDI to invest in...

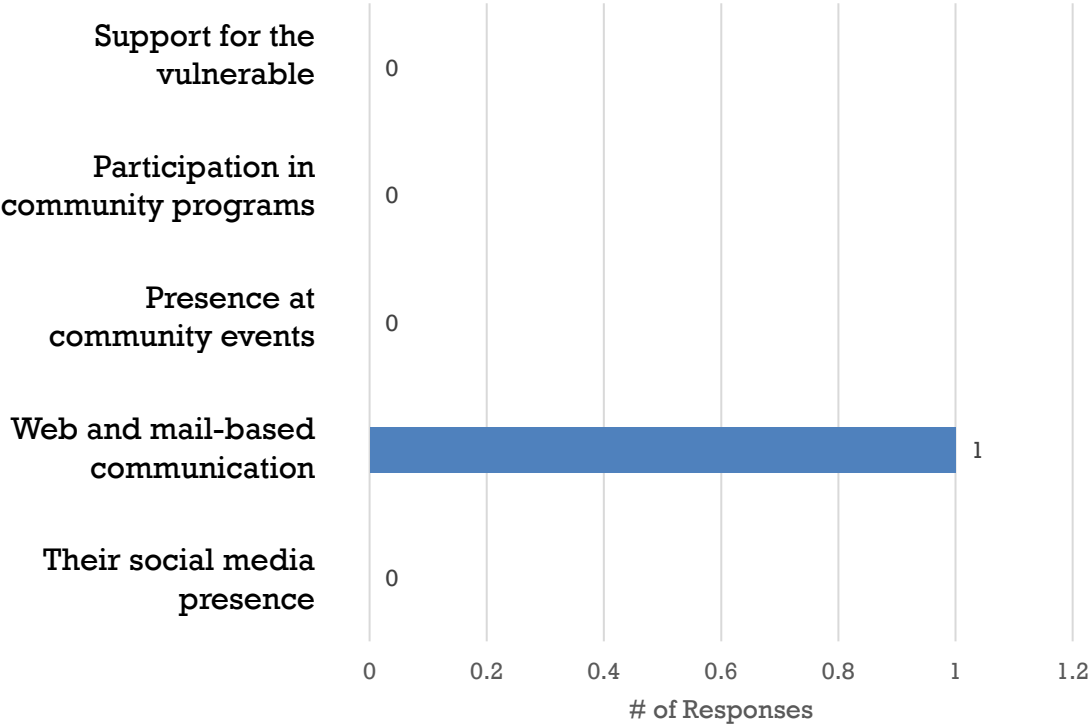


*Refers to Maintaining and Upgrading equipment to ensure a safe and reliable electricity supply

1 OF 80 (1.25%) RESPONDENTS CHOSE COMMUNITY INVOLVEMENT AS A PRIORITY

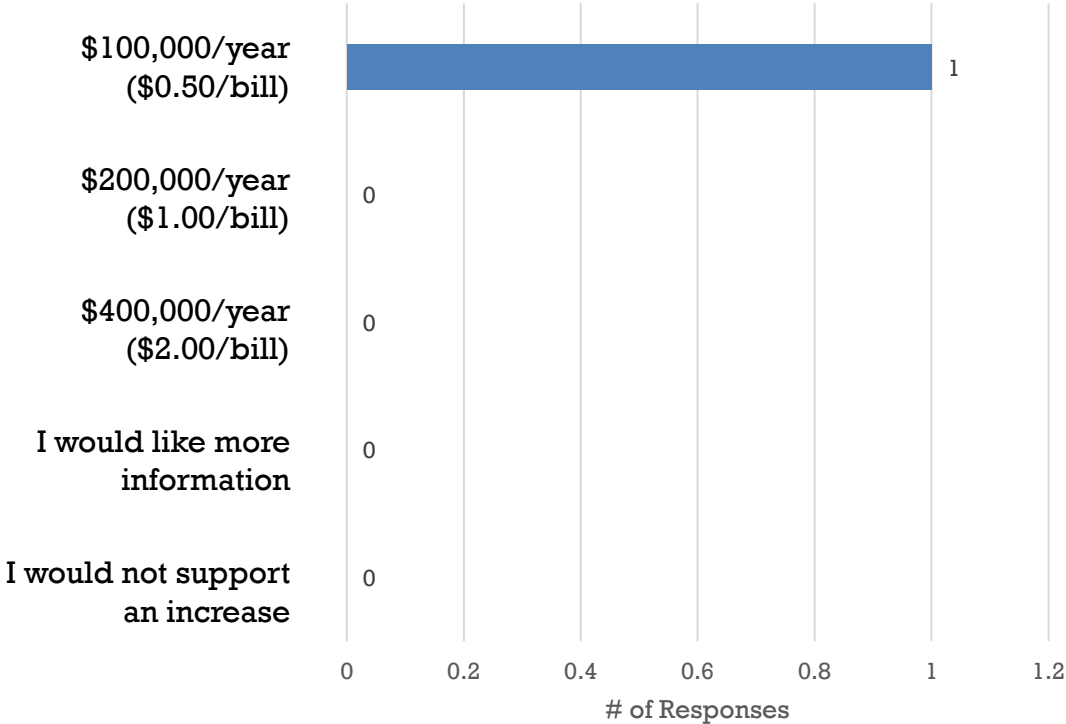
Reaching Out

I would like WDI to increase...



Monetary Impact

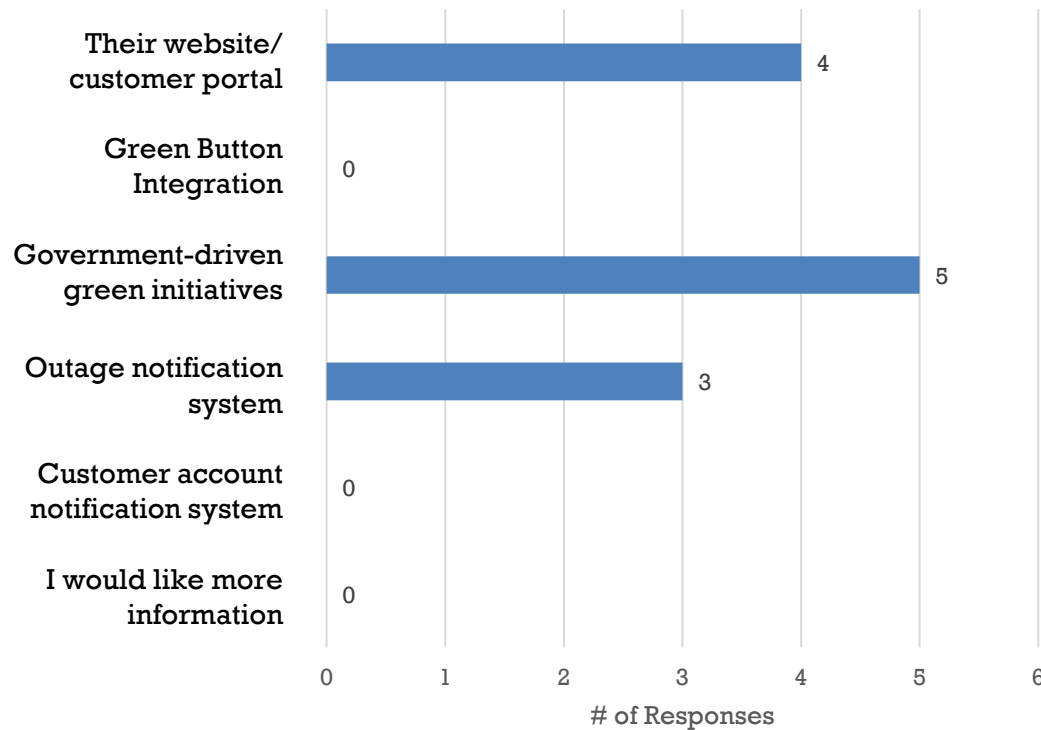
I would support an increase of...



13 OF 80 (16.25%) RESPONDENTS CHOSE INVESTING IN DIGITAL SOLUTIONS* AS A PRIORITY

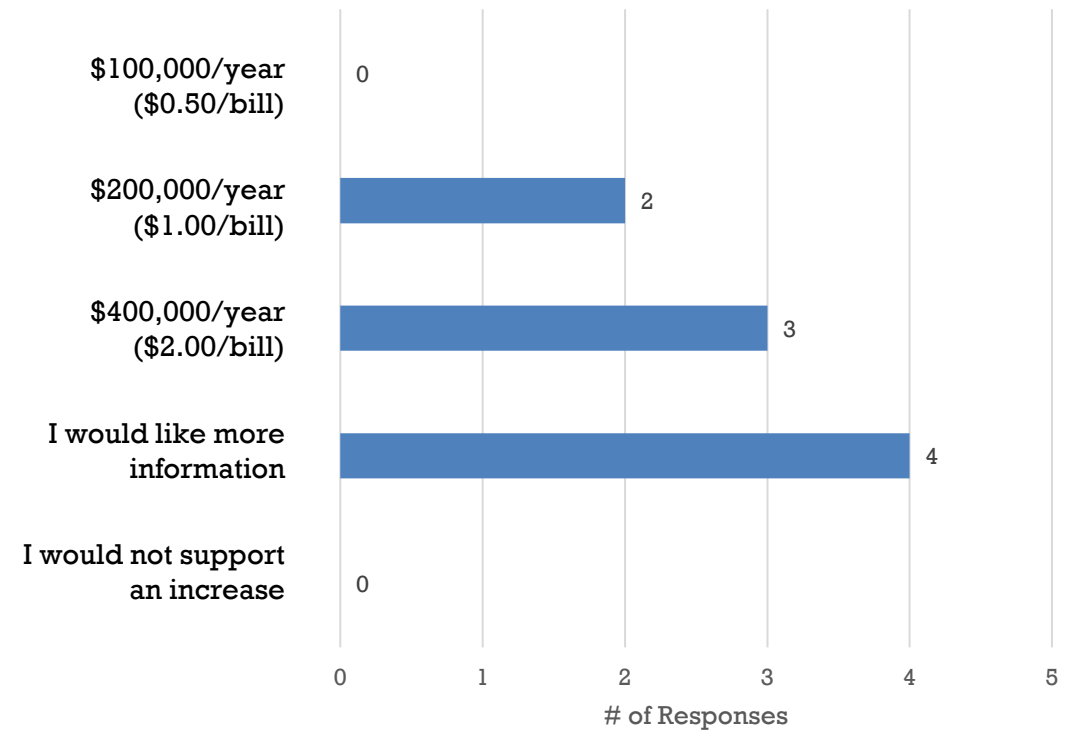
Technology

I would like WDI to invest in...



Monetary Impact

I would support an increase of...

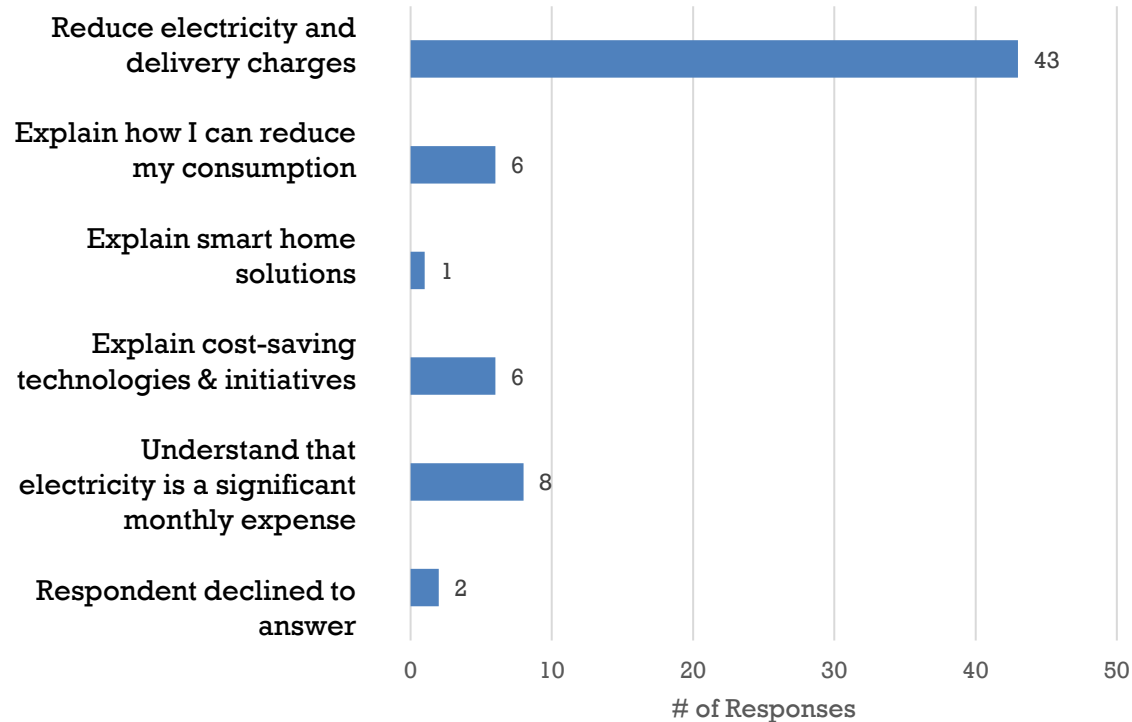


*Refers to investing in digital solutions to enhance customer experience (i.e., outage notifications, website, online services, etc.)

66 OF 80 (82.5%) RESPONDENTS CHOSE AFFORDABLE COST OF ELECTRICITY AS A PRIORITY

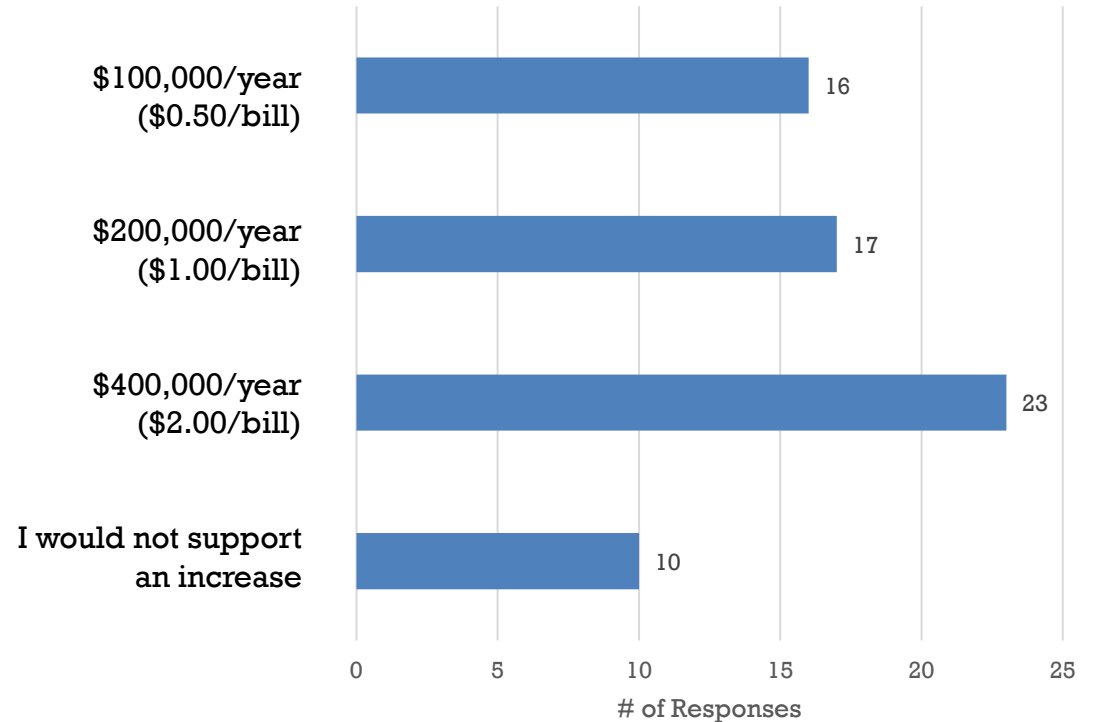
Best Way Forward

I would like WDI to...



Monetary Impact

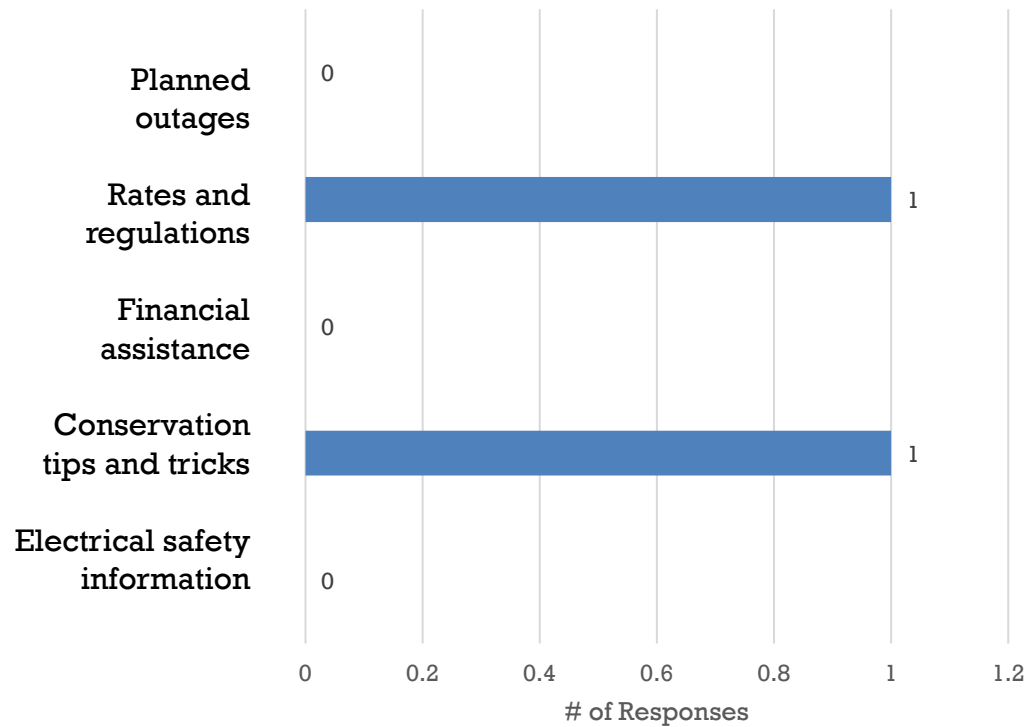
I would support an increase of...



2 OF 80 (2.5%) RESPONDENTS CHOSE CUSTOMER EDUCATION* AS A PRIORITY

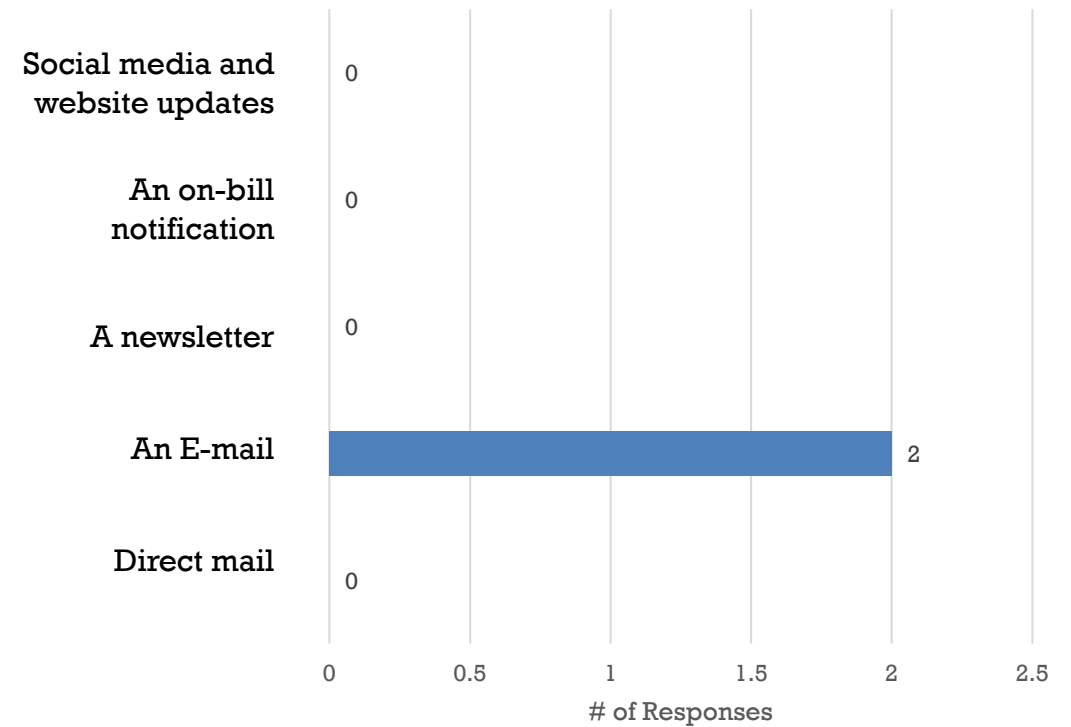
Topic

I would like information on...



Communication Method

I would prefer...



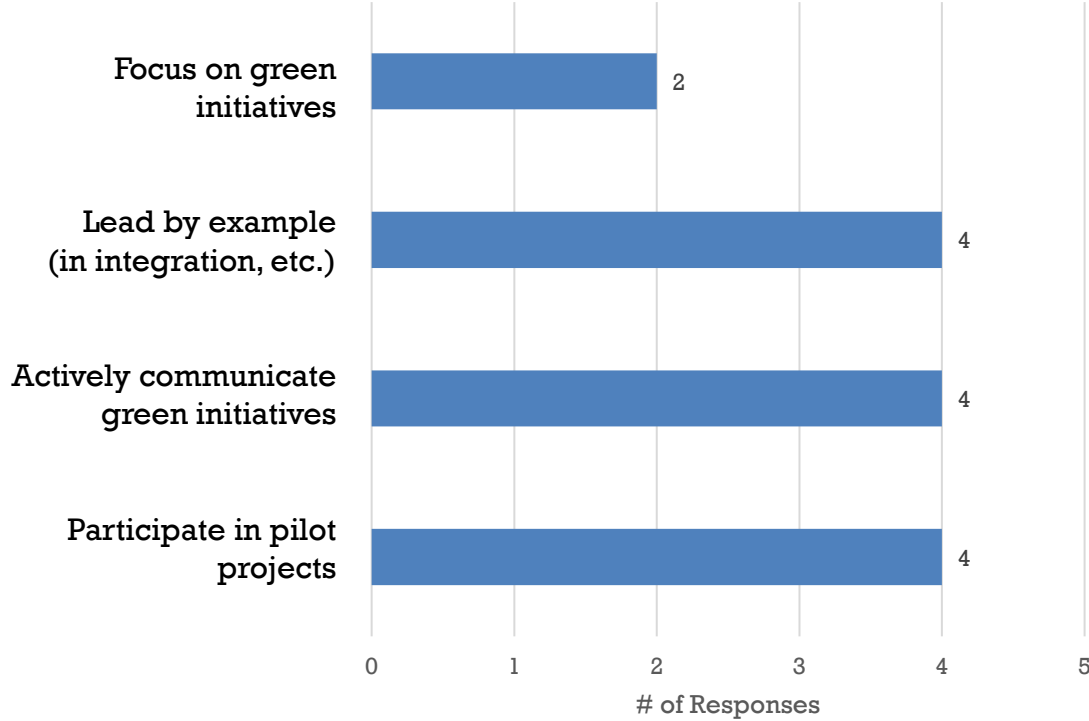
*Refers to improving customer education (i.e., on topics such as electrical safety, financial assistance programs, energy conservation, etc.)



14 OF 80 (17.5%) RESPONDENTS CHOSE DECARBONIZATION GOALS* AS A PRIORITY

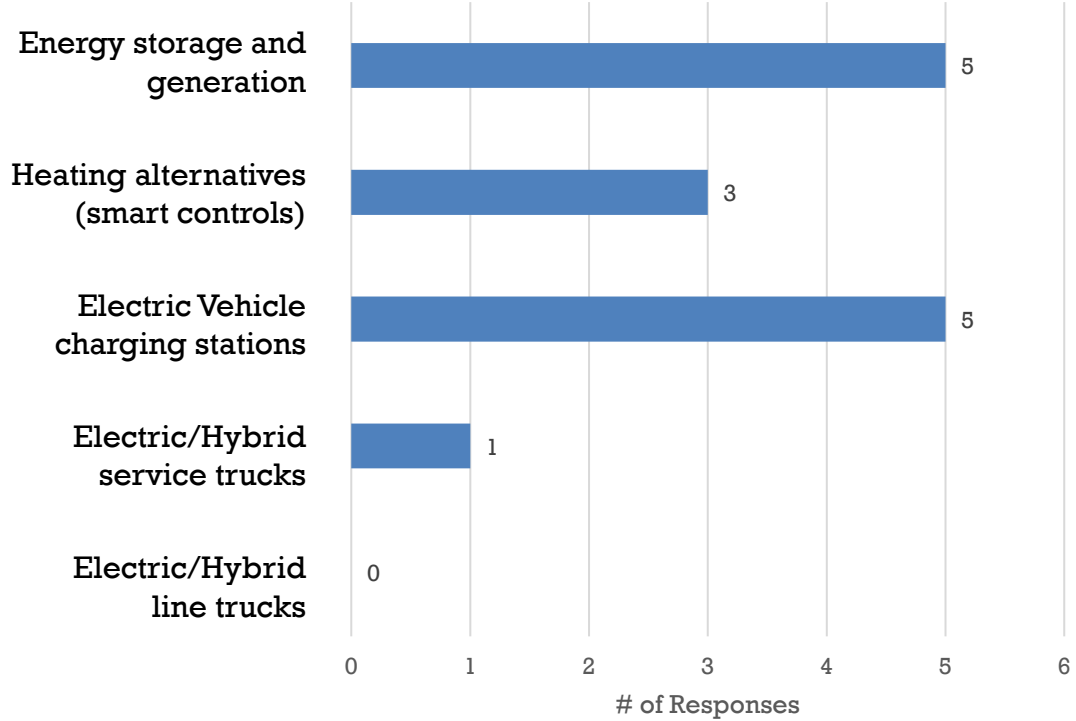
Green Initiatives

I would like WDI to...



Technology

I would like WDI to invest in...



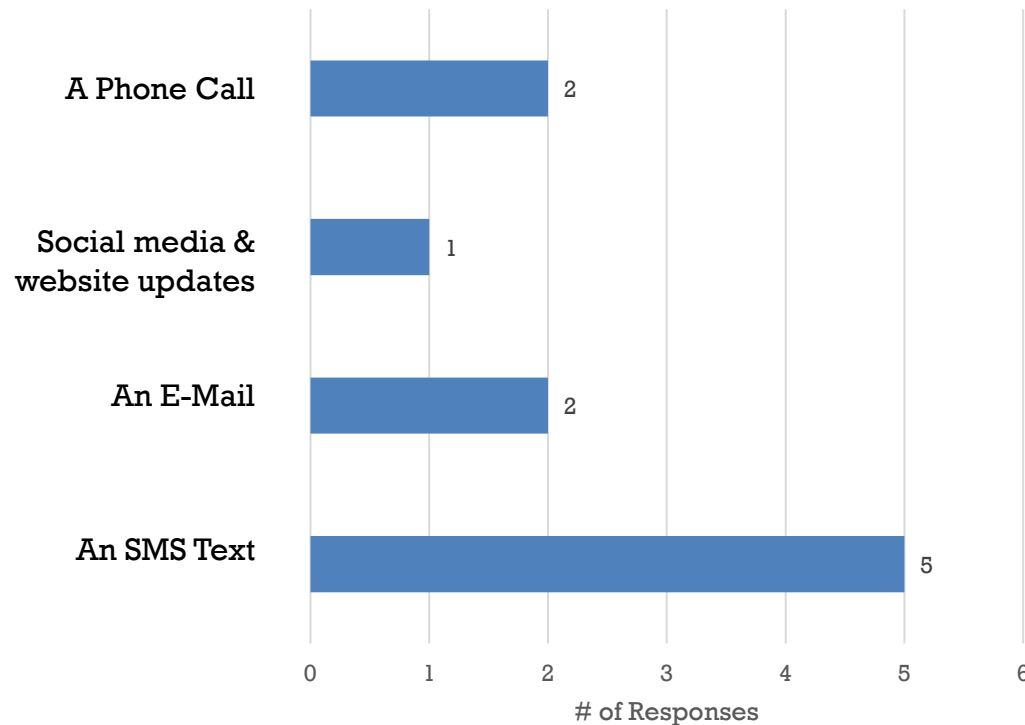
*Refers to supporting our customers and the government in meeting electrification and decarbonization goals



10 OF 80 (12.5%) RESPONDENTS CHOSE OUTAGE COMMUNICATION* AS A PRIORITY

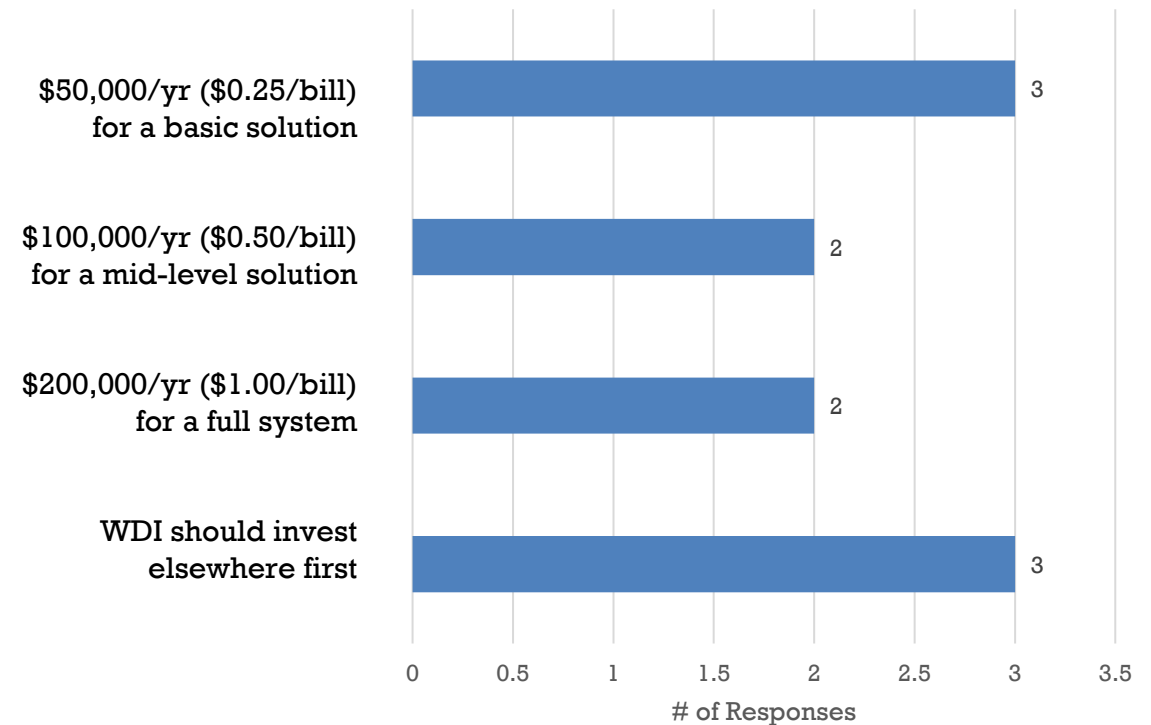
Communication Method

I would prefer...



Monetary Impact

I would support an increase of...



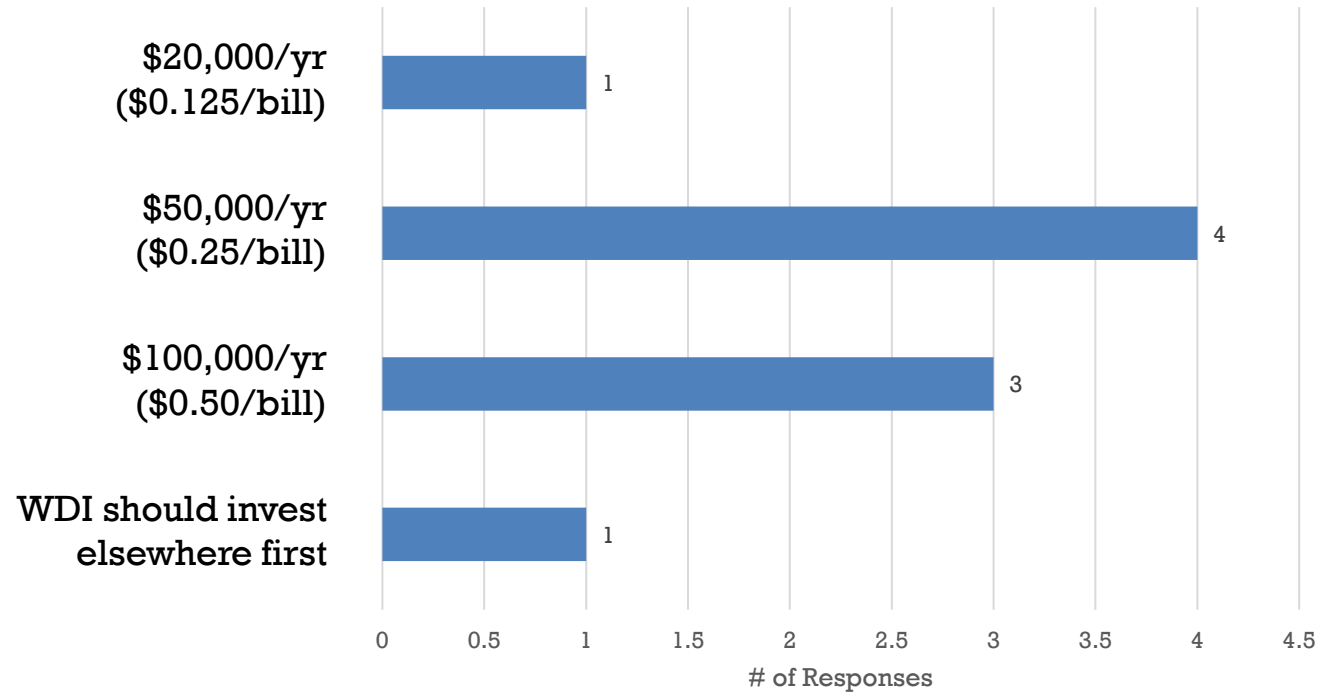
*Refers to improving communication from Wasaga Distribution when electricity outages occur, etc.)



**9 OF 80
(11.25%)
RESPONDENTS
CHOSE
OUTAGE
RESPONSE
TIME AS A
PRIORITY**

Monetary Impact

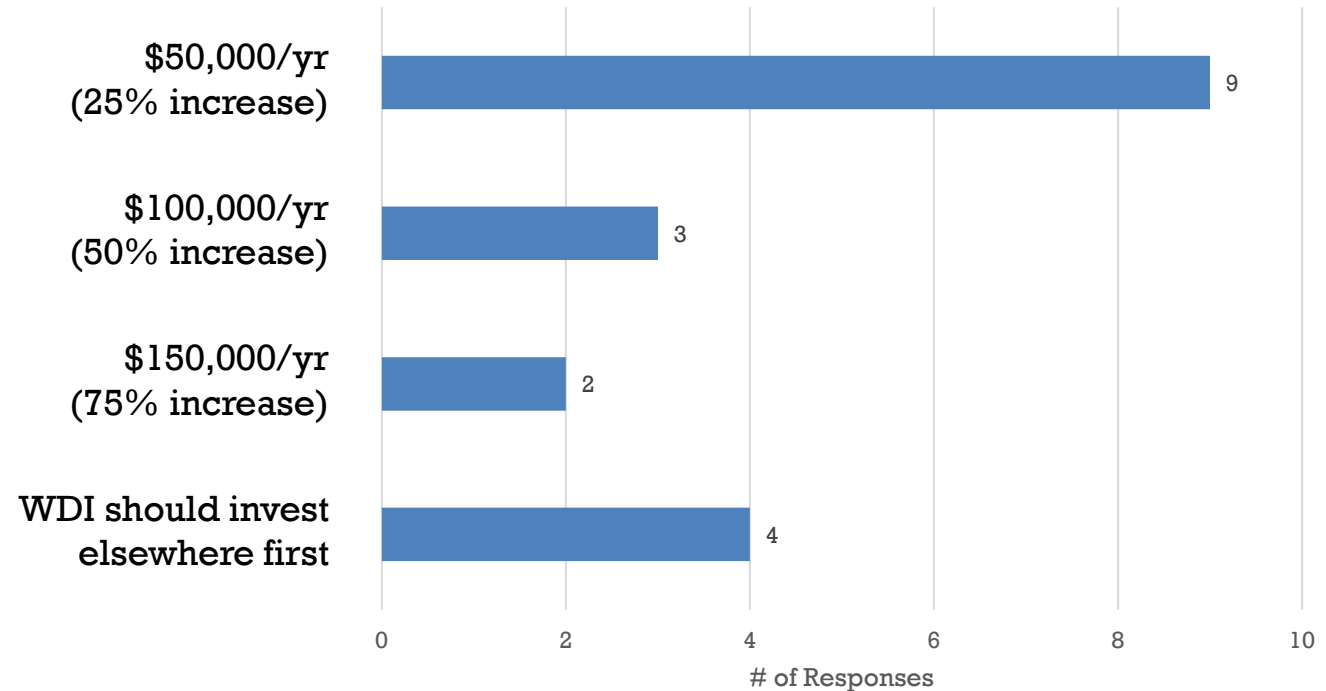
I would support an increase of...



**18 OF 80
(22.5%)
RESPONDENTS
CHOSE
VEGETATION
MANAGEMENT*
AS A
PRIORITY**

Monetary Investment

I believe WDI should increase investment by...

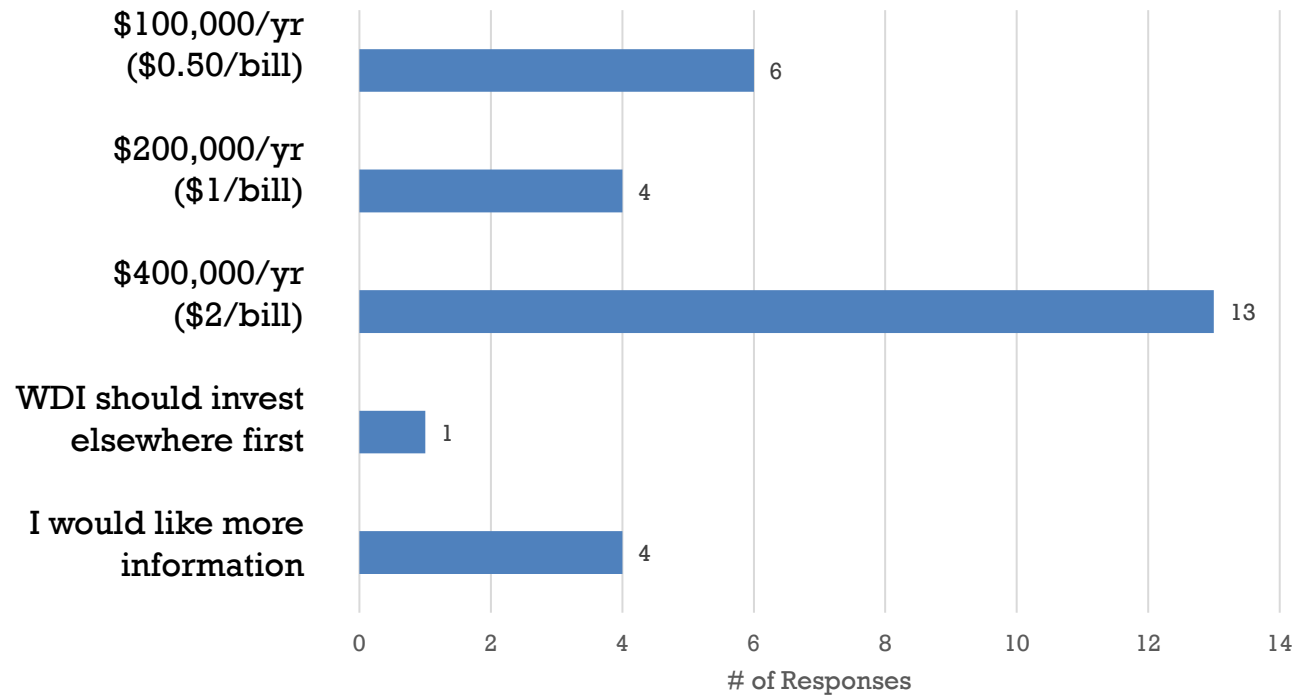


*Refers to increasing vegetation management efforts (clearing trees and brush around powerlines for increased safety and reliability)

**28 OF 80
(35%)
RESPONDENTS
CHOSE
MODERN
TECHNOLOGY*
AS A
PRIORITY**

Monetary Impact

I would support an increase of...

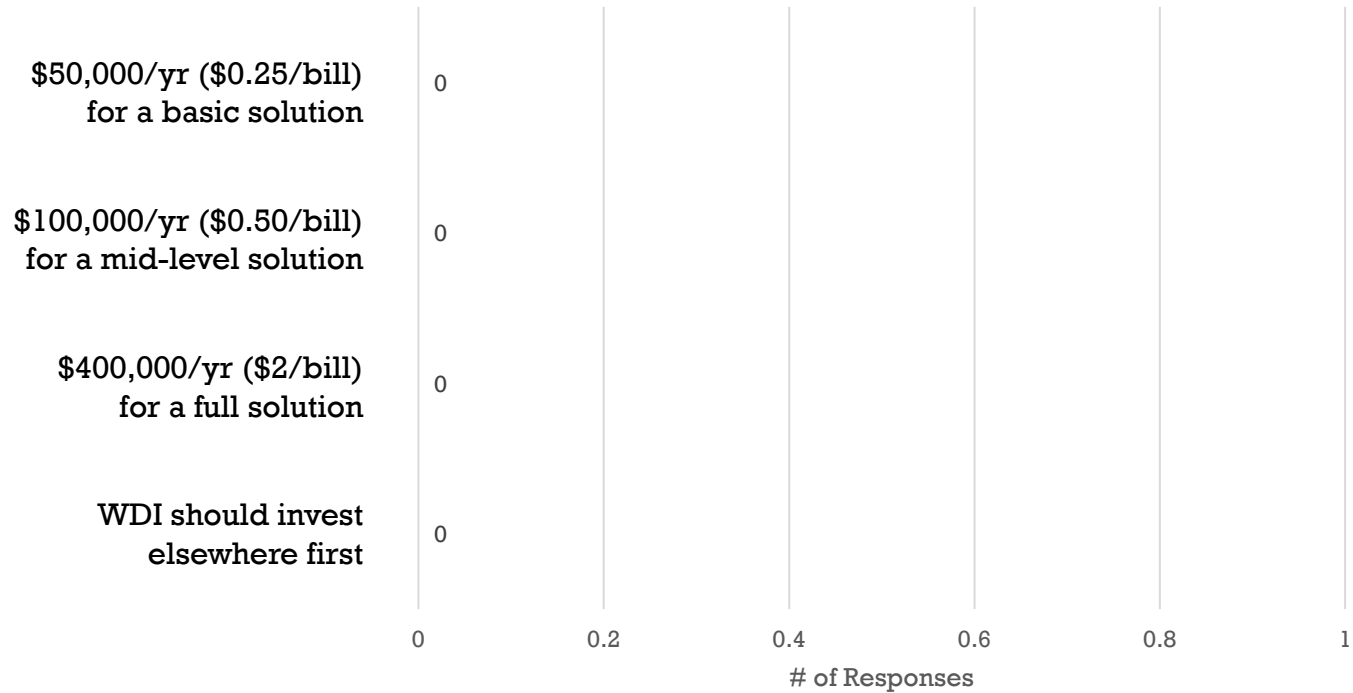


*Refers to investing in systems to accommodate modern technologies (renewable energy generation, electric vehicle charging stations, etc.)

0 OF 80
(0%)
RESPONDENTS
CHOSE
DISTRIBUTION
AUTOMATION
AS A
PRIORITY

Monetary Impact

I would support an increase of...





Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (F) 2022 Scorecard with Management Discussion & Analysis

Scorecard - Wasaga Distribution Inc.

8/9/2023

Performance Outcomes		Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Industry	Distributor	
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time		100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Scheduled Appointments Met On Time		100.00%	100.00%	100.00%	100.00%	100.00%	➡	90.00%		
		Telephone Calls Answered On Time		99.99%	99.98%	99.97%	99.91%	99.83%	⬇	65.00%		
	Customer Satisfaction	First Contact Resolution		0.128	.045%	99.9	99.9	99.9				
		Billing Accuracy		99.92%	99.97%	99.95%	99.98%	99.69%	⬇	98.00%		
		Customer Satisfaction Survey Results		81.6	81.8	81%	81	81				
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness		85.60%	84.20%	84.20%	84.10%	84.10%				
		Level of Compliance with Ontario Regulation 22/04 ¹		C	C	C	C	C	➡		C	
		Serious Electrical Incident Index	Number of General Public Incidents		0	0	0	0	0	➡		0
			Rate per 10, 100, 1000 km of line		0.000	0.000	0.000	0.000	0.000	➡		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²		0.78	1.39	2.86	1.23	0.48	⬇		1.32	
		Average Number of Times that Power to a Customer is Interrupted ²		0.62	0.61	2.39	0.63	0.46	⬇		1.09	
	Asset Management	Distribution System Plan Implementation Progress		Completed	Completed	Completed	Completed	Completed				
	Cost Control	Efficiency Assessment		1	1	1	1	1				
		Total Cost per Customer ³		\$435	\$468	\$459	\$427	\$514				
		Total Cost per Km of Line ³		\$21,430	\$22,913	\$22,464	\$21,189	\$25,485				
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time ⁴				100.00%						
		New Micro-embedded Generation Facilities Connected On Time		100.00%	100.00%				↔	90.00%		
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)		2.89	1.53	1.70	1.11	1.05				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio		0.30	0.29	0.40	0.39	0.55				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)		9.19%	9.19%	9.19%	9.19%	9.19%			
			Achieved		9.38%	7.14%	6.72%	10.70%	10.85%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
 2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
 3. A benchmarking analysis determines the total cost figures from the distributor 's reported information.
 4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 ⬆ up ⬇ down ↔ flat

Current year
 ● target met ● target not met

2022 Scorecard Management Discussion and Analysis (“2022 Scorecard MD&A”)

The link below provides a document titled “Scorecard - Performance Measure Descriptions” that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard’s measures in the 2022 Scorecard MD&A:

[http://www.ontarioenergyboard.ca/OEB/ Documents/scorecard/Scorecard Performance Measure Descriptions.pdf](http://www.ontarioenergyboard.ca/OEB/Documents/scorecard/Scorecard%20Performance%20Measure%20Descriptions.pdf)

Scorecard MD&A - General Overview

- 2022 was an exciting and transformative year for Wasaga Distribution Inc. (WDI), marked by significant achievements and steadfast commitment to enhancing our services and infrastructure.

Addressing the challenge of aging infrastructure remained a key priority in 2022. We recognize the importance of ensuring the reliability and resilience of our distribution system in the face of external uncontrollable events, such as adverse weather conditions. Throughout the year, we made substantial progress in our efforts to replace aging infrastructure, enhancing the overall stability of our utility network.

WDI recognizes that our employees are the driving force behind our success. In 2022, we made strategic investments in our workforce, hiring new engineering and finance staff to further enhance our already talented team. The skilled professionals brought fresh perspectives and expertise, contributing to the continued growth and improvement of our operations.

Throughout 2022, WDI set a new milestone with record-breaking capital investments. These investments were directed toward enhancing our infrastructure and modernizing our systems and technologies. One of the highlights of the year was the successful completion of a new sub-station. This undertaking expanded our operational capacity, ensuring that we can meet the increasing demand for electricity while maintaining the high standard of reliability that our customers expect from us.

Our customers remain at the core of everything we do, and we continue to prioritize their needs and expectations. As part of our ongoing dedication to enhancing our customers’ experience, we took significant strides in improving our communication channels through the implementation of a new website that provides user-friendly interfaces, comprehensive information and easy to use tools. Looking ahead, we remain committed to investing in initiatives that enhance customer experience, promote environmental sustainability, and deliver reliable and cost-effective electricity.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2022, WDI connected 395 low voltage (connections under 750 volts) new residential and small business customers within the five-day timeline as prescribed by the Ontario Energy Board. This represents an increase of 33.40% in the number of connections over 2021. WDI considers “New Services Connected on Time” as an important form of customer engagement as it is the utility’s first opportunity to meet 2022 Scorecard MD&A and/or exceed new customers’ expectations, which in turn affects the level of customer satisfaction within a utility’s territory. Consistent with 2021, in 2022 WDI connected 100% of these customers on time, which exceeds the Ontario Energy Board’s mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Scheduled Appointments Met On Time**

WDI scheduled 42 appointments in 2022 to connect services, disconnect services, or otherwise complete work requested by the customers. WDI considers “Scheduled Appointments Met” as an important form of customer engagement as customer preference is required for all types of appointments. While the number of scheduled appointments decreased 6.67% over the previous year, WDI met 100% of these appointments on time in 2022, which significantly exceeds the Ontario Energy Board’s mandated target of 90% for this measure. WDI expects this trend to continue into the foreseeable future.

- **Telephone Calls Answered On Time**

In 2022, WDI received 14,181 telephone calls from its customers. This represents a decrease of 17.14% in the number of calls over 2021. WDI considers “Telephone Calls” to be an important communication tool for identifying and responding to customers’ needs and preferences. Consistent with prior years, Customer Service Representatives answered 99.83% of these calls in 30 seconds or less, which significantly exceeds the Ontario Energy Board mandated target of 65% for this measure. WDI expects to see this trend continue into the foreseeable future.

Customer Satisfaction

- **First Contact Resolution**

First Contact Resolution is a scorecard measure that was first introduced for tracking by utilities in 2014. The Ontario Energy Board has not yet issued a common definition for this measure. As a result, this measure may differ from other utilities in the province. Historically, WDI defines First Contact Resolution as the number of customer inquiries that are not resolved by the first contact at the utility, resulting in the inquiry being escalated to an alternate contact at the utility, typically a senior staff member. For 2022, the First Contact Resolution was reported as the number of customer inquiries that are resolved the first time they contact the utility, not resulting in the enquiring being escalated to a supervisor or manager. This updated definition is consistent with industry reporting. WDI considers the ability to address customer inquiries quickly and accurately to be an essential component of customer satisfaction. For 2022 WDI received 14,181 inquiries from customers and 99.9% were successfully resolved during first contact.

- **Billing Accuracy**

Billing accuracy is defined as the number of accurate bills issued expressed as a percentage of total bills issued. WDI considers timely and accurate billing to be an essential component of customer satisfaction. For 2022, WDI achieved a billing accuracy of 99.69% which is within the Ontario Energy Board mandated target of 98%.

- **Customer Satisfaction Survey Results**

As with First Contact Resolution and Billing Accuracy, this Customer Satisfaction Survey Results were first tracked in 2014. The Ontario Energy Board has not yet issued a common definition for this measure. As a result, this measure may differ from other utilities in the province. The Customer Satisfaction Survey is completed every two years, the last one occurring in 2021, which WDI attained a score of 81%. WDI will complete its next survey in 2023.

Safety

- **Public Safety**

The Public Safety measure is generated by the Electrical Safety Authority and is comprised of three components: Public Awareness of Electrical Safety, Compliance with Ontario Regulation 22/04, and the Serious Electrical Incident Index. A breakdown of the three components is as follows:

- **Component A – Public Awareness of Electrical Safety**

The component gauges the public's awareness of key electrical safety concepts related to electrical distribution equipment found in a utility's territory. The survey also provides a benchmark of the levels of awareness including identifying gaps where additional education and awareness efforts may be required. In 2022, WDI along with the other CHEC Utilities retained Redhead Media to perform a standardized survey utilized by all utilities. WDI received a survey result of 84.10% which was slightly above the CHEC survey average. WDI will continue to concentrate on education in future years in several areas, including customers requesting locates, overhead powerline safe distances and downed powerline safe distances.

- **Component B – Compliance with Ontario Regulation 22/04**

Component B consists of a utility's compliance with Ontario Regulation 22/04 – Electrical Distribution Safety. Ontario Regulation 22/04 establishes the safety requirements for the design, construction, and maintenance of electrical distribution systems, particularly in relation to the approvals and inspections required prior to putting electrical equipment into service. Over the past five years, WDI was found to be compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). This was achieved by WDI's strong commitment to safety and adherence to company policy and procedures.

- **Component C – Serious Electrical Incident Index**

Component C consists of the number of serious electrical incidents, including fatalities, which occur in a utility's territory. In 2022, WDI had no fatalities or serious incidents within its' territory. This was achieved by WDI's strong commitment to safety and adherence to company policy and procedures.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

The average number of hours that the power to a customer is interrupted is a measure of system reliability or the ability of a system to perform its required function. WDI views the reliability of electrical service as a high priority for its customers and constantly monitors its system for signs of reliability degradation. WDI also regularly maintains its distribution system to ensure its level of reliability is kept as high as possible. The Ontario Energy Board typically requires a utility to keep its hours of interruption within the range of its historical performance, however, outside factors such as severe weather, defective equipment, or even regularly

scheduled maintenance can greatly impact this measure. For 2022, WDI achieved 0.48 hours of interrupted power. This is an improvement in performance over 2021 (1.23).

- **Average Number of Times that Power to a Customer is Interrupted**

The average number of times that power to a customer is interrupted is also a measure of system reliability and is also a high priority for WDI. As outlined above, the Ontario Energy Board typically requires a utility to keep this measure within a certain range of its historical performance and outside factors can also greatly impact this measure. WDI experienced interrupted power 0.46 times during 2022. This is an improvement in performance over 2021 of 0.63. The weather events commented on above in “Average Number of Hours that Power to a Customer is Interrupted” were also major contributors to this outcome.

Asset Management

- **Distribution System Plan Implementation Progress**

The Distribution System Plan outlines WDI’s forecasted capital expenditures, over a five-year period, which are required to maintain and expand the utilities electrical system to serve its current and future customers. The Distribution System Plan Implementation Progress measure is intended to assess WDI’s effectiveness at planning and implementing these capital expenditures. Consistent with other new measures, utilities were given an opportunity to define this measure in the manner that best fits their organization. As a result, this measure may differ from other utilities in the province. WDI defines this measure as the tracking of actual capital projects to planned capital projects, expressed as a percentage. In 2015, WDI successfully completed the Distribution System Plan as part of its’ 2016 Rate Application. The plan was developed for the period covering 2016-2020 with an average annual spend of \$1.23m. WDI's focus was to provide the resources needed to support infrastructure growth and capital renewal projects to continue to ensure a safe and reliable system. WDI is currently in the process of developing a new DSP, however, no quantitative forecasts or estimates are available. WDI continues to experience increased development in Wasaga Beach with a new gaming facility, several large subdivisions, and a new Substation. In 2022, additional resources were added and will continue to be added in the coming years to replace and repair aged and falling infrastructure.

Cost Control

- **Efficiency Assessment**

On an annual basis, each utility in Ontario is assigned an efficiency ranking based on its performance. To determine a ranking, electrical distributors are divided into five groups based on the magnitude of the difference between their actual costs and predicted costs. For 2022, WDI placed in Cohort I, in terms of efficiency. Cohort I is considered excellent and is defined as having actual costs less than 25% of predicted costs. Overall, our ranking was the same as last year and our goal is to remain in Cohort I.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of WDI’s capital and operating costs and dividing this cost figure by the total number of customers that WDI serves. On average, WDI’s total cost per customer has increased by \$19.75 per annum for the period 2018 – 2022. The total cost performance result for 2022 is \$514/customer which is an increase of 20% over its 2021 result. This increase was largely the result of increased investments in infrastructure, including the completion of a new sub-station. Going forward, costs are expected to increase due to inflationary cost pressures along with further investment in infrastructure to support growth and maintain the reliability of the utility. WDI will keep pace with economic fluctuations to ensure manageable and sustainable growth.

- **Total Cost per km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. Based on this, WDI's rate is \$25,485 per km of line which is a 20% increase over its 2021 rate. WDI's growth rate for its territory is relatively high. In addition, WDI faces supply chain issues and rising inflation. As a result, the cost per km of line is expected to increase as capital and operating costs also increase. As we progress into the future, WDI will continue to seek innovative solutions to help ensure cost/km of line remains competitive and within acceptable limits to our customers.

Connection of Renewable Generation

- **Renewable Generation Connection Impact Assessments Completed on Time**

Electricity distributors are required to conduct Connection Impact Assessments (CIA's) on all renewable generation connections within 60 days of receiving the completed application. WDI has developed and implemented an internal procedure to ensure compliance with this regulation. In 2022, WDI did not have any Connection Impact Assessments requested, therefore; no CIAs were done in 2022.

- **New Micro-embedded Generation Facilities Connected On Time**

Micro-embedded generation facilities consist of solar, wind or other clean energy projects of less than 10 kW that are typically installed by homeowners, farms, or small businesses. In 2022, WDI did not connect to a net-metered generation facility within its territory.

Financial Ratios

- **Liquidity: Current Ratio (Current Assets/Current Liabilities)**

As an indicator of financial health, a current ratio indicates a company's ability to pay its short-term debts and financial obligations. Typically, the current ratio between 1 and 1.5 is considered good. If the current ratio is below 1, then a company may have problems meeting its current financial obligations. If the current ratio is too high (higher than 1.5) then the company may be inefficient at using its current assets or its short-term financing facilities. WDI's current ratio decreased from 1.11 in 2021 to 1.05 in 2022. This ratio indicates that WDI is a financially healthy organization in the use of its current assets. WDI will strive to maintain a current ratio between 1 and 1.5 going forward.

- **Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio**

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. The Ontario Energy Board uses a capital structure of 60% debt and 40% equity (a debt-to-equity ratio of 60/40 or 1.5) when setting rates for an electricity utility. A high debt-to-equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments, while a low debt-to-equity ratio may indicate that an electricity distributor is not taking advantage of the increased profits that may be had through increased financial debt. In 2022, WDI's debt-to-equity ratio was 0.55 (a change from 0.39 in 2021), which is lower than the ratio used for rate setting purposes by the Ontario Energy Board. WDI expects that its debt-to-equity ratio will change over the next several years as Wasaga Distribution delivers on our capital investment program.

- **Profitability: Regulatory Return on Equity – Deemed (included in rates)**

Return on equity (ROE) measures the rate of return on shareholder equity. ROE demonstrates an organization's profitability or how well a company uses its

investments to generate earnings growth. WDI's current distribution rates were approved by the OEB and include an expected (deemed) regulatory return of 9.19%. The OEB allows a distributor to earn within +/- 3% of the expected return on equity. If a utility 2022 Scorecard MD&A performs outside this range, it may trigger a regulatory review of the distributor's financial structure by the OEB.

- **Profitability: Regulatory Return on Equity – Achieved**

WDI achieved a ROE of 10.85% in 2022, which is within the +/- 3% range allowed by the OEB (see above paragraph).

Note to Readers of 2022 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to several risks, uncertainties and other factors that may cause actual events, conditions, or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions, and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard and could be markedly different in the future.



- 1 **Appendix 1 (G) OEB Benchmarking Spreadsheet Forecasting Model**
- 2
- 3 WDI has filed the 2024 Benchmarking Spreadsheet Forecast Model as an separate excel model.



Wasaga Distribution Inc.
EB-2023-0055
Exhibit 1 – Administrative Documents
Appendices
Filed: October 20, 2023

1 Appendix 1 (H) 2022 Year End Audited Financial Statements

Financial Statements of

**WASAGA DISTRIBUTION
INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2022



KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8811

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Wasaga Distribution Inc.

Opinion

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

- the statement of financial position as at December 31, 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



Page 3

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 26, 2023

WASAGA DISTRIBUTION INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash (note 9)	\$ 943,642	\$ -
Accounts receivable (note 3)	2,187,362	2,434,843
Unbilled service revenue	2,110,848	2,058,005
Income taxes receivable	104,194	-
Prepaid expenses	108,127	84,595
Total current assets	5,454,173	4,577,443
Non-current assets:		
Property, plant and equipment (note 5)	31,034,259	21,776,460
Investments	100	100
Intangibles - computer software (note 6)	20,138	19,068
Total non-current assets	31,054,497	21,795,628
Total assets	36,508,670	26,373,071
Regulatory debit balances (note 8)	1,672,814	1,299,914
Total assets and regulatory balances	\$ 38,181,484	\$ 27,672,985

See accompanying notes to financial statements.

WASAGA DISTRIBUTION INC.

Statement of Financial Position (continued)

December 31, 2022, with comparative information for 2021

	2022	2021
Liabilities		
Current liabilities:		
Bank indebtedness (note 9)	\$ -	\$ 131,364
Accounts payable and accrued liabilities (note 10)	3,740,979	3,252,492
Income taxes payable	-	150,505
Customer deposits and credit balances	243,482	271,321
Current portion of long-term debt (notes 11 and 18)	82,907	34,180
Due to developers	385,550	99,682
Provision for rate refunds	206,689	221,945
Total current liabilities	4,659,607	4,161,489
Non-current liabilities:		
Long-term debt (notes 11 and 18)	7,411,173	5,028,770
Due to developers	723,040	167,188
Customer deposits	243,049	144,595
Contributions in aid of construction	10,875,637	4,777,045
Deferred tax liability (note 7)	173,988	10,711
Total non current liabilities	19,426,887	10,128,309
Total liabilities	24,086,494	14,289,798
Equity:		
Share capital (note 12)	100	100
Accumulated other comprehensive loss	5,175,468	5,175,468
Retained earnings	8,672,795	8,003,331
	13,848,363	13,178,899
Regulatory credit balances (note 8)	246,627	204,288
Total liabilities, equity and regulatory balances	\$ 38,181,484	\$ 27,672,985

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

WASAGA DISTRIBUTION INC.

Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue (note 13):		
Sale of power	\$ 18,263,786	\$ 17,755,757
Distribution services	4,945,773	4,787,193
Contributions in aid of construction	223,775	125,506
Rental income	335,123	336,853
Other	150,162	202,366
	<u>5,654,833</u>	<u>5,451,918</u>
	23,918,619	23,207,675
Operating expenses:		
Cost of power	18,398,642	18,165,829
Depreciation and amortization	990,292	827,279
Operating expenses (note 14)	2,434,957	2,059,801
Distribution expenses - maintenance (note 14)	837,727	766,679
Distribution expenses - operation (note 14)	42,891	35,697
Property taxes	32,206	31,780
Provision for rate refunds	(15,256)	221,945
Other	5,713	7,923
	<u>4,328,530</u>	<u>3,951,104</u>
	22,727,172	22,116,933
Income from operations	1,191,447	1,090,742
Finance income (note 15)	63,854	11,412
Interest on long-term debt (note 15)	(283,001)	(133,572)
Loss on disposal of property, plant and equipment	(816)	(11,066)
Income before income taxes and undernoted items	971,484	957,516
Income tax expense (note 7)	292,582	297,084
Income before the undernoted item	678,902	660,432
Net movement in regulatory balances, net of tax (note 8)	330,562	163,560
Total comprehensive income for the year	<u>\$ 1,009,464</u>	<u>\$ 823,992</u>

See accompanying notes to financial statements.

WASAGA DISTRIBUTION INC.

Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021

	Share capital	Retained earnings	Paid in capital	Total
Balance at January 1, 2021	\$ 100	\$ 7,434,339	\$ 5,175,468	\$ 12,609,907
Net income and net movement in regulatory balances	-	823,992	-	823,992
Dividends	-	(255,000)	-	(255,000)
Balance at December 31, 2021	\$ 100	\$ 8,003,331	\$ 5,175,468	\$ 13,178,899
Balance at January 1, 2022	\$ 100	\$ 8,003,331	\$ 5,175,468	\$ 13,178,899
Net income and net movement in regulatory balances	-	1,009,464	-	1,009,464
Dividends	-	(340,000)	-	(340,000)
Balance at December 31, 2022	\$ 100	\$ 8,672,795	\$ 5,175,468	\$ 13,848,363

See accompanying notes to financial statements.

WASAGA DISTRIBUTION INC.

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income and net movement in regulatory balances	\$ 1,009,464	\$ 823,992
Items not involving cash:		
Depreciation and amortization	990,292	827,279
Contributions in aid of construction	(223,775)	(125,506)
Loss on sale of property, plant and equipment	816	11,066
Income tax expense	163,277	57,597
	<u>1,940,074</u>	<u>1,594,428</u>
Changes in non-cash operating working capital:		
Accounts receivable	247,481	(172,866)
Unbilled service revenue	(52,843)	413,814
Income taxes	(254,699)	119,926
Prepaid expenses	(23,532)	(14,220)
Accounts payable and accrued liabilities	488,487	789,196
Customer deposits and credit balances	70,615	(33,198)
Due to developers	841,720	(19,126)
Provision for rate refunds	(15,256)	221,945
	<u>1,301,973</u>	<u>1,305,471</u>
Regulatory balances	<u>(330,561)</u>	<u>(163,561)</u>
	2,911,486	2,736,338
Financing activities:		
Repayment of long-term debt	(68,870)	(33,227)
Proceeds on long-term debt	2,500,000	-
Contributions in aid of construction	6,322,367	1,260,805
Dividends	(340,000)	(255,000)
	<u>8,413,497</u>	<u>972,578</u>
Investing activities:		
Purchase of property, plant and equipment	(10,240,077)	(4,260,624)
Proceeds on disposal of property, plant and equipment	-	800
Purchase of intangible assets	(9,900)	-
	<u>(10,249,977)</u>	<u>(4,259,824)</u>
Change in bank indebtedness	1,075,006	(550,908)
Bank indebtedness, beginning of year	(131,364)	419,544
Cash (bank indebtedness), end of year	<u>\$ 943,642</u>	<u>\$ (131,364)</u>

See accompanying notes to financial statements.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements

Year ended December 31, 2022

Reporting entity:

Wasaga Distribution Inc. (the "Company") owns and operates an electricity distribution system, which delivers electricity to approximately 14,850 customers located in Wasaga Beach, Ontario. The address of the Company's corporate office and principal place of business is 950 River Road West, P.O. Box 20, Wasaga Beach, Ontario, Canada.

All of the issued shares of Wasaga Resource Services Inc., Wasaga Genco Inc. and Wasaga Distribution Inc. are owned by Geosands Inc. The Town of Wasaga Beach, the ultimate parent, owns all of the issued shares of Geosands Inc.

The Company was incorporated under the Canada Business Corporations Act of Ontario on May 11, 2000 and has continued as a Company under the Business Corporations Act of Ontario. The Company distributes electricity to residents and businesses in Wasaga Beach, Ontario under a license issued by the Ontario Energy Board ("OEB"). The Company is regulated by the OEB and adjustments to the Company's distribution and power rates require OEB approval.

1. Basis of presentation:

(a) Statement of compliance:

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

The financial statements were approved by the Board of Directors on April 26, 2023.

(b) Basis of measurement:

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

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

- (i) Where held, financial instruments at fair value through profit or loss
- (ii) Contributed assets are initially measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Basis of presentation (continued):

(d) Use of estimates and judgments:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 2(b) - determination of the performance obligation for contributions from customers and the related amortization period
- (ii) Note 2(b) - measurement of unbilled revenue
- (iii) Notes 5, 6 - estimation of useful lives of its property, plant and equipment and intangible assets
- (iv) Note 8 - recognition and measurement of regulatory balances
- (v) Note - measurement of defined benefit obligations: key actuarial assumptions
- (vi) Note 16 - recognition and measurement of provisions and contingencies

(e) Rate regulation:

The Company 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 Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Company ("OEFC") once each year.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Basis of presentation (continued):

(e) Rate regulation (continued):

Regulatory risk

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

Recovery risk

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

Rate setting

Distribution revenue

For the distribution revenue included in sale of energy, the Company 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 expenditures, debt and shareholder's equity required to support the Company's business. The Company 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 interveners 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 Inflation for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Basis of presentation (continued):

(e) Rate regulation (continued):

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

Wasaga Distribution Inc. (Wasaga Distribution) last filed a complete cost of service application with the Ontario Energy Board (OEB) on September 25, 2015 for rates effective May 1, 2016.

Wasaga Distribution last filed its incentive rate-setting mechanisms application on October 13, 2021 for rates effective May 1, 2022. The GDP IPI-FDD for the period was 3.30%, the Company's productivity factor was 0.0% and the stretch factor was 0.0%, resulting in a net adjustment of 3.30% to the previous year's rates.

The preceding incentive rate-setting mechanisms application was effective from May 1, 2021 to May 1, 2022. The GDP IPI-FDD for the period was 2.20%, the Company's productivity factor was 0.0% and the stretch factor was 0.0%, resulting in a net adjustment of 2.20% to the previous year's rates.

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 Company 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.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies:

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

(a) Financial instruments:

At initial recognition, the Company 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 Company 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.

The Company has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

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

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power 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 Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Company is acting as an agent for this billing stream.

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 scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company'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 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Company 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.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Rent

Rent includes revenues from pole use rentals, the administration building lease and a land lease. Rent revenues are recognized when the rental occurs and collection is reasonably assured.

Other

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

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

(c) Materials and supplies:

Materials and supplies, the majority of which are consumed by the Company 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 materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

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

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

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

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

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major 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 Company 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 profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

Asset	Rate
Buildings	50 years
Distribution stations	25-50 years
Distribution lines - overhead	45 years
Distribution lines - underground	30-50 years
Distribution transformers	40 years
Distribution services	35 years
Equipment	20-50 years

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

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

Land is not amortized.

Construction in progress is not amortized until the project is complete and ready for use.

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Company after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Asset	Rate
Computer software	10 years

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(f) 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 the asset.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than materials and supplies 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" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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.

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

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

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(h) Provisions:

A provision is recognized if, as a result of a past event, the Company 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.

(i) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or Other Comprehensive Income. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or Other Comprehensive Income ("OCI").

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred. When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(j) Post-employment benefits:

(i) Pension plan

The Company provides a pension plan for all its full-time employees through 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 Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(k) Leases:

Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income.

Lessee

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

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(k) Leases (continued):

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.

Short-term leases and low value assets

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

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(l) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes:

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

The Company 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 Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Company ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss 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 in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Significant accounting policies (continued):

(n) Changes in accounting policies:

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company effective January 1, 2022:

- a) Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- b) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- c) Annual Improvements to IFRS Standards 2018–2020
- d) Reference to the Conceptual Framework (Amendments to IFRS 3)

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

(o) Emerging accounting changes:

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

- a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- b) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- c) Definition of Accounting Estimate (Amendments to IAS 8)
- d) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction Amendments to IAS 12 Income Taxes.

3. Accounts receivable:

	2022	2021
Trade customer receivables	\$ 1,719,817	\$ 1,615,622
Other receivables	467,545	819,221
	<u>\$ 2,187,362</u>	<u>\$ 2,434,843</u>

4. Materials and supplies:

The amount written down due to obsolescence in 2022 was \$nil (2021 - \$nil).

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Property, plant and equipment:

	Land and buildings	Distribution equipment	Equipment	Construction- in-progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2022	\$ 1,969,003	\$ 23,785,295	\$ 120,772	\$ 1,112,074	\$ 26,987,144
Additions	570,000	10,029,125	-	753,026	11,352,151
Disposals/ retirements	-	(2,867)	-	(1,112,074)	(1,114,941)
Balance at December 31, 2022	\$ 2,539,003	\$ 33,811,553	\$ 120,772	\$ 753,026	\$ 37,224,354
Balance at January 1, 2021	\$ 1,969,003	\$ 20,568,131	\$ 120,772	\$ 84,832	\$ 22,742,738
Additions	-	3,233,382	-	1,027,242	4,260,624
Disposals/ retirements	-	(16,218)	-	-	(16,218)
Balance at December 31, 2021	\$ 1,969,003	\$ 23,785,295	\$ 120,772	\$ 1,112,074	\$ 26,987,144
<i>Accumulated depreciation</i>					
Balance at January 1, 2022	\$ 258,095	\$ 4,920,469	\$ 32,120	\$ -	\$ 5,210,684
Depreciation	35,297	942,152	4,013	-	981,462
Disposals	-	(2,051)	-	-	(2,051)
Balance at December 31, 2022	\$ 293,392	\$ 5,860,570	\$ 36,133	\$ -	\$ 6,190,095
Balance at January 1, 2021	\$ 222,798	\$ 4,152,256	\$ 28,108	\$ -	\$ 4,403,162
Depreciation	35,297	772,638	4,012	-	811,947
Disposals	-	(4,425)	-	-	(4,425)
Balance at December 31, 2021	\$ 258,095	\$ 4,920,469	\$ 32,120	\$ -	\$ 5,210,684
<i>Carrying amounts</i>					
At December 31, 2022	\$ 2,245,611	\$ 27,950,983	\$ 84,639	\$ 753,026	\$ 31,034,259
At December 31, 2021	1,710,908	18,864,826	88,652	1,112,074	21,776,460

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Intangibles - computer software:

	Computer software		Total
<i>Cost of deemed cost</i>			
Balance at January 1, 2022	\$	158,694	\$ 158,694
Additions		9,900	9,900
Balance at December 31, 2022	\$	168,594	\$ 168,594
Balance at January 1, 2021	\$	158,694	\$ 158,694
Balance at December 31, 2021	\$	158,694	\$ 158,694
<i>Accumulated amortization</i>			
Balance at January 1, 2022	\$	139,626	\$ 139,626
Amortization		8,830	8,830
Balance at December 31, 2022	\$	148,456	\$ 148,456
Balance at January 1, 2021	\$	124,294	\$ 124,294
Amortization		15,332	15,332
Balance at December 31, 2021	\$	139,626	\$ 139,626
<i>Carrying amounts</i>			
At December 31, 2022	\$	20,138	\$ 20,138
At December 31, 2021		19,068	19,068

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Income tax expense:

Current tax expense:

	2022	2021
Current tax expense	\$ 129,305	\$ 239,487
Deferred tax expense	163,277	57,597
Income tax expense	\$ 292,582	\$ 297,084

Reconciliation of effective tax rate:

	2022	2021
Income before taxes	\$ 971,484	\$ 957,516
Statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	\$ 257,443	\$ 253,742
Increase (decrease) in income taxes resulting from:		
Adjustment for prior years	(6,137)	-
Net movement in regulatory balances	41,492	43,342
Other	(216)	-
Income tax expense	\$ 292,582	\$ 297,084

Significant components of the Corporation's deferred tax balances:

	2022	2021
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (234,083)	\$ (64,826)
Intangible assets	1,280	(4,700)
Provision for rate refunds	58,815	58,815
	\$ (173,988)	\$ (10,711)

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Regulatory account balances:

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory deferral account debit balances	January 1, 2022	Additions/ activity	Recovery/ reversal	December 31, 2022
Purchased power cost variance	\$ 1,198,665	\$ 130,326	\$ -	\$ 1,328,991
Variances to be recovered	101,249	640,405	(571,819)	169,835
Deferred income tax	-	173,988	-	173,988
	\$ 1,299,914	\$ 944,719	\$ (571,819)	\$ 1,672,814

Regulatory deferral account debit balances	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021
Purchased power cost variance	\$ 957,697	\$ 372,875	\$ (131,907)	\$ 1,198,665
Variances to be recovered	16,589	84,660	-	101,249
Deferred income tax	-	-	-	-
	\$ 974,286	\$ 457,535	\$ (131,907)	\$ 1,299,914

Regulatory deferral account credit balances	January 1, 2022	Additions/ activity	Recovery/ reversal	December 31, 2022
Other regulatory accounts	204,288	82,806	(40,467)	246,627

Regulatory deferral account credit balances	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021
Retail settlement variances	\$ -	\$ -	\$ -	\$ -
Other regulatory accounts	66,378	(33,988)	171,898	204,288
	\$ 66,378	\$ (33,988)	\$ 171,898	\$ 204,288

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Regulatory account balances (continued):

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. Once approval is received, the approved account balance is moved to the regulatory settlement account. An application has been approved by the OEB to recover \$651,280 for Group 1 Accounts 2022 rate application, inclusive of \$7,444 in interest. The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2022, the rate was 4.45%.

	2022	2021
Statements of comprehensive income:		
Decrease in the sale of power	\$ 134,886	\$ 410,072
(Increase) in distribution revenue	-	(47,110)
(Increase) in operating expenses	-	(152,255)
(Increase) deferred tax liability in regulatory	173,988	-
(Increase) in operating expenses	21,718	(47,147)
Increase in comprehensive income	330,592	163,560
Balance sheet:		
Increase in retained income	1,095,625	932,066
Net regulatory assets (liabilities)	\$ 1,426,217	\$ 1,095,626
Regulatory deferral debit balances		
Regulatory deferral credit balances	\$ 1,672,814	\$ 1,299,914
	(246,627)	(204,288)
Net regulatory assets (liabilities)	\$ 1,426,187	\$ 1,095,626

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Bank indebtedness:

The Company has an operating loan with Toronto-Dominion Bank ("TD"). The operating loan has a maximum borrowing of \$1,500,000. As at December 31, 2022, the Company has drawn \$nil (2021 - \$131,364).

The operating loan is secured by a general security agreement representing a first charge on all the Company's present and after acquired personal property. Interest is based on prime rate per annum. The operating loan contain certain customary representation, warranties and guarantees, and covenants. As at December 31, 2022, the Company was in compliance with covenants.

10. Accounts payable and accrued liabilities:

	2022	2021
Independent Electricity System Operator	\$ 1,368,309	\$ 1,458,821
Hydro One	486,879	464,950
Wasaga Resource Services Inc. (note 20)	1,506,739	1,279,509
Other accounts payable and accruals	338,720	49,212
HST	40,332	-
	<u>\$ 3,740,979</u>	<u>\$ 3,252,492</u>

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Long-term debt:

	2022	2021
Note payable to Town of Wasaga Beach	\$ 3,593,269	\$ 3,593,269
Ontario Infrastructure and Lands Corporation promissory note, 2.83% interest, monthly payments of of \$6,278 principal and interest, due May 2050	1,435,501	1,469,681
Ontario Infrastructure and Lands Corporation promissory note, 3.69% interest, monthly payments of of \$11,493 principal and interest, due May 2052	2,465,310	-
	7,494,080	5,062,950
Less current portion of long-term debt	82,907	34,180
	\$ 7,411,173	\$ 5,028,770

There are no fixed terms of principal repayment, however the Town of Wasaga Beach has signed a memorandum declaring the note will not be called for payment until the 2023 fiscal year or later. Interest is determined on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing. The Company is allowed to pay the interest before December 31st if the principal balance is not expected to change. The interest payable in the year was at the rate of 3.78% (2021 - 3.78%), which was approved by the Ontario Energy Board ("OEB") in connection with the May 1, 2016 decision and order issued by the OEB approving the electricity distribution rates that the Company is permitted to recover.

Principal repayments for the next five years and thereafter are as follows:

2023	\$ 82,907
2024	85,706
2025	88,603
2026	91,598
2027	94,697
Thereafter	7,050,569
	\$ 7,494,080

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Share capital:

	2022	2021
Authorized:		
Unlimited number of common shares		
Unlimited number of special shares, issuable in series		
Issued:		
100 common shares	\$ 100	\$ 100

Nature and purpose of equity:

The amounts recorded in equity on the Company's balance sheet include Share capital, Retained income and Miscellaneous paid in capital.

Share capital is used to record the issuance of stock.

Retained income is used to record the accumulated income since the Company's inception.

Miscellaneous paid in capital is used to record the net electricity distribution assets and liabilities of the original Wasaga Hydro Commission, which was restructured when the Ontario Government enacted the Energy Competition Act, 1998. The assets and liabilities were transferred to the newly created company on November 1, 2000.

Net assets and liabilities	\$ 11,514,333
Note payable to the Town of Wasaga Beach	(3,593,269)
Common shares	(2,745,596)
Miscellaneous paid in capital	\$ 5,175,468

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Revenue from contracts with customers:

The Company generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs.

	2022	2021
Revenue from contracts with customers:		
Sale of power	\$ 18,263,786	\$ 17,755,757
Distribution services	4,945,773	4,787,193
Rental income	335,123	336,853
	<u>23,544,682</u>	<u>22,879,803</u>
Other revenue	373,937	327,872
	<u>\$ 23,918,619</u>	<u>\$ 23,207,675</u>

In the following table, revenue from contracts with customers is disaggregated by type of customer.

2022	Sale of power	distribution services	Total
Energy sale and distribution revenue by customer class:			
Residential services	\$ 13,685,360	\$ 4,092,812	\$ 17,778,172
General service	4,479,546	785,990	5,265,536
Other	98,880	66,971	165,851
	<u>\$ 18,263,786</u>	<u>\$ 4,945,773</u>	<u>\$ 23,209,559</u>

2021	Sale of power	distribution services	Total
Energy sale and distribution revenue by customer class:			
Residential services	\$ 13,359,900	\$ 3,944,406	\$ 17,304,306
General service	4,290,339	732,228	5,022,567
Other	105,518	110,559	216,077
	<u>\$ 17,755,757</u>	<u>\$ 4,787,193</u>	<u>\$ 22,542,950</u>

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

14. Expenses by nature:

Expenses included below are described by the nature in which they occurred, some of which are procured through the Master Service Agreement described in Note 17.

	2022	2021
Operating expenses:		
Bad debts	\$ 60,011	\$ 28,500
Billing and collection	423,079	413,755
Labour and benefits	1,295,574	1,234,593
Meter reading fees	142,899	133,630
Office and general	513,394	249,323
	<u>\$ 2,434,957</u>	<u>\$ 2,059,801</u>
Distribution expenses - maintenance:		
Labour and benefits	\$ 753,205	\$ 684,220
Other maintenance	84,522	82,459
	<u>\$ 837,727</u>	<u>\$ 766,679</u>
Distribution expenses - operation:		
Labour and benefits	\$ 25,048	\$ 17,923
Miscellaneous	17,843	17,774
	<u>\$ 42,891</u>	<u>\$ 35,697</u>

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

15. Finance costs:

	2022	2021
Finance income:		
Interest on regulatory accounts (net)	\$ 43,311	\$ 8,302
Interest income on bank deposits	20,543	3,110
	\$ 63,854	\$ 11,412
	2022	2021
Finance cost		
Interest on Note payable to Town of Wasaga Beach (note 11)	\$ 135,826	\$ 135,826
Interest on customer deposits and credit balances	-	336
Interest on long-term liabilities	112,362	42,104
Interest on regulatory accounts (net)	34,813	(44,694)
	\$ 283,001	\$ 133,572

16. Commitments and contingencies:

General Liability Insurance:

The Company 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, 2022, no assessments have been made.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

17. Related party transactions:

- (a) The ultimate parent:

The common shares of Wasaga Distribution Inc. are owned by Geosands Inc., which in turn are owned by the Town of Wasaga Beach (the ultimate parent entity).

- (b) Transactions with related parties

Related party transactions consist of the following:

	2022	2021
Amounts included in the balance sheet:		
Amounts payable to Wasaga Resource Services Inc. (note 10)	\$ 1,506,739	\$ 1,279,509
Amounts receivable from Wasaga Resource Services Inc.	42,553	78,603
Amounts receivable from the Town of Wasaga Beach	94,825	316,776
Included in property, plant and equipment additions are purchases from Wasaga Resource Services Inc.	3,825,099	2,573,746
Amounts included in the statement of comprehensive income:		
The Company is leasing the administration centre to Wasaga Resource Services Inc. The following amount was recognized in rent revenue.	164,200	164,200
The Company is leasing land to the Town of Wasaga Beach for their fire hall. The following amount was recognized in rent revenue.	32,136	31,500
Property taxes on the statement of comprehensive income paid to the Town of Wasaga Beach.	32,206	31,780
Included in finance cost is the following amount paid to the Town of Wasaga Beach for interest on the note payable (note 11).	135,826	135,826
Included in operating and distribution expenses are the following amounts paid to Wasaga Resource Services Inc. for costs incurred under the Master Service Agreement.	2,776,677	2,567,141
Included in operating expenses is the following amount paid (from) to Wasaga Resource Services Inc. for costs incurred outside the Master Service Agreement	-	(9,128)

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

17. Related party transactions (continued):

The Company has a Master Services Agreement (MSA) with Wasaga Resource Services Inc. to provide administrative services to the Company. As terms of the agreement, there is a two-stage allocation of all of Wasaga Resource Services Inc.'s (WRSI) costs. Under this approach WRSI's costs are initially identified as relating to either services provided to Distribution or activities carried out for WRSI's own benefit. Where such costs cannot be identified, they are identified as indirect costs. To accomplish the allocation of indirect costs, the companies have developed a methodology that first allocates supporting Indirect Costs of different types to an activity function. The methodology uses a comprehensive model that takes each subaccount identified in the chart of accounts and either treats it as a direct cost of a particular activity function relating to a service or an activity or assigns it to a "pool" of indirect costs, which are then allocated among activity functions that are not readily identifiable as relating to services or activities. Such allocation of indirect costs is made according to a measure of activity level, such as direct labour cost. Each activity function is then either identified as 100% related to one or more services (and therefore allocated to Wasaga Distribution Inc.), or as 100% related to activities (and therefore not allocated in any part to Wasaga Distribution Inc.), or as a shared activity function, in which case an allocator is defined or estimated. In all cases, cost causation is the appropriate basis for the assignment or allocation of the costs.

In 2022 \$2,776,677 (2021 - \$2,567,141) was paid to Wasaga Resource Services Inc. for administrative services under the MSA. These expenses are included in distribution expenses - operation, distribution expenses - maintenance and operating expenses, capital, and construction costs.

Included in the MSA is compensation of \$640,575 (2021 - \$615,957) paid to key management personnel of Wasaga Resource Services Inc. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Included in key management personnel are the executive managers and the Board of Directors.

The Company reimbursed regulatory services from Wasaga Resource Services Inc. totaling \$nil (2021 - \$(9,182)). These services are outside of the scope of the MSA and therefore charged in addition to work provided under the agreement. They are included in operating expenses on the statement of comprehensive income.

In 2009, a lease agreement was entered into with Wasaga Resource Services Inc. for its use of the administration building. The lease was renegotiated January 1, 2017 for a period of four years, expiring December 31, 2020 and again on January 1, 2021 for a period of five years, expiring December 31, 2025. The lease was renewed annual payments received totaled \$164,200.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

17. Related party transactions (continued):

(c) Transactions with ultimate parents:

The Company delivers electricity to the Town of Wasaga Beach throughout the year for the electricity needs of the Town of Wasaga Beach and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB.

18. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties, bank indebtedness and 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.

The fair value of the Town of Wasaga Beach North promissory note approximates the carrying value due to the short term nature of loan.

The fair value of the Ontario Infrastructure long-term debt at December 31, 2022 is \$3,900,833. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2022 ranged from was 4.77%.

Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company'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.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

18. Financial instruments and risk management (continued):

(a) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable and unbilled revenue, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the Town. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance and the amount of the related impairment loss is recognized in the statement of comprehensive income. Subsequent recoveries of receivables previously provisioned are credited to the statement of comprehensive income. The balance of the allowance at December 31, 2022 is \$119,363 (2021 - \$105,968). The Company's credit risk associated with accounts receivable and unbilled revenue is primarily related to payments from distribution customers. At December 31, 2022, approximately \$157,790 (2021 - \$116,379) is considered 60 days past due but not impaired. The Company has approximately 14,850 (2021 - 14,524) customers the majority of which 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, 2022, the Company holds security deposits in the amount of \$259,590. Credit risk on cash is mitigated as cash is held by large Canadian banks.

(b) Market risk:

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

A 1% increase in the interest rate at December 31, 2022 would have increased interest expense on the long-term debt by \$70,614, assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

WASAGA DISTRIBUTION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

18. Financial instruments and risk management (continued):

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to a \$1,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due.

The Company also has a facility for \$785,604 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the Independent Electricity System Operator ("IESO"), of which \$nil has been drawn and posted with the IESO (2021 - \$nil).

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

(d) Capital disclosures:

The main objectives of the Company, 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 Company's definition of capital includes equity and long-term debt. As at December 31, 2022, equity amounts to \$13,848,363 (2021 - \$13,178,899) and long-term debt amounts to \$7,441,173 (2021- \$5,028,770).