



# **EXHIBIT 1 ADMINISTRATIVE DOCUMENTS**

**2025 Cost of Service**

Centre Wellington Hydro Ltd.  
EB-2024-0012

Filed on: May 1, 2024

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## 1.2 LEGAL APPLICATION AND ADMINISTRATIVE

### 1.2.1 LEGAL APPLICATION

**In the matter of; the Ontario Energy Board Act, 1998;  
S.O. 1998, c.15, Schedule B, as amended; and in the  
matter of; an Application by Centre Wellington Hydro  
Ltd. for an Order or Orders approving or fixing just  
and reasonable distribution rates effective January 1,  
2025.**

CWH is a fully licensed distributor of electricity under distribution license ED-2002-0493 issued by the Ontario Energy Board (the “OEB” or the “Board”) under the Ontario Energy Board Act, 1998 (the “Act”).

CWH hereby applies to the Board pursuant to section 78 of the Act for an Order or Orders approving or fixing just and reasonable distribution rates effective January 1, 2025.

This Application is made in accordance with the Board’s Chapter 2 of the Board’s Filing Requirements for Transmission and Distribution Applications dated December 15, 2022 and with consideration for the Filing Requirements for Electricity Distribution Rate Applications for 2025 Rates released on April 11<sup>th</sup> where the OEB provided an update on its expectations for the 2025 filers.

CWH’s application consists of the following Exhibits and Excel live models supporting the evidence presented in CWHs application.

- ✓ Exhibit 1: Administrative Documents
- ✓ Exhibit 2: Rate Base and DSP
- ✓ Exhibit 3: Load and Customer Forecast
- ✓ Exhibit 4: Operation, Maintenance, and Administrative Costs
- ✓ Exhibit 5: Cost of Capital
- ✓ Exhibit 6: Revenue Requirement
- ✓ Exhibit 7: Cost Allocation
- ✓ Exhibit 8: Rate Design
- ✓ Exhibit 9: Deferral and Variance Accounts
  
- ✓ 01.EB-2024-0012 CWH 2024 TESI Load Forecast Model
- ✓ 02.EB-2024-0012 CWH 2023 Demand Profile
- ✓ 03.EB-2024-0012 CWH 2025 RTSR Workform
- ✓ 04.EB-2024-0012 CWH 2025 Income Tax PILs Workform
- ✓ 05.EB-2024-0012 CWH 2025 Rev Req Workform
- ✓ 06.EB-2024-0012 CWH Benchmarking Forecast Model

- 1 ✓ 07.EB-2024-0012 CWH 2025 Cost Allocation
- 2 ✓ 08.EB-2024-0012 CWH 2025 DVA Continuity Schedule
- 3 ✓ 09.EB-2024-0015 CWH 2025 Tariff Schedule Bill Impact Model
- 4 ✓ 10.EB-2024-0012 CWH 2025 Chapter 2 Appendices
- 5 ✓ 11.EB-2024-0012 CWH 2025 1595 Worksheet
- 6 ✓ 12.EB-2024-0012 CWH 2025 ACM Model
- 7 ✓ 13.EB-2024-0012 CWH 2025 GA Workform
- 8 ✓ 14.EB-2024-0012 CWH 2025 COS Checklist
- 9

10 CWH accordingly applies to the Board for the following Order or Orders:

- 11
- 12 1) Approval to charge distribution rates, effective January 1st, 2025, to recover a base
- 13 revenue requirement of \$4,827,272 which includes a revenue deficiency of \$139,216,
- 14 using the Service Revenue Requirement as detailed in Exhibit 6. The schedule of
- 15 proposed rates is set out in Exhibit 8.
- 16 2) Approval of the 2025 capital expenditures for \$1,318,200 as supported by the
- 17 Distribution System Plan outlined in Exhibit 2.
- 18 3) Approval to adjust the Retail Transmission Rates – Network and Connection previously
- 19 approved and detailed in Exhibit 8.
- 20 4) Approval of the proposed Loss Factors as detailed in Exhibit 8.
- 21 5) Approval to continue to charge Wholesale Market Services, Capacity Based Recovery,
- 22 and Rural Rate Protection Charges.
- 23 6) Approval to continue the Specific Service Charges and Transformer Allowance as
- 24 previously approved by the OEB and detailed in Exhibit 8.
- 25 7) Approval to continue applying the MicroFIT monthly service charge of \$10.00 detailed in
- 26 Exhibit 8.
- 27 8) Approval of the Rate Riders for a one-year disposition of the Group 1 and Group 2 and
- 28 Other Deferral and Variance Accounts as detailed in Exhibit 9.
- 29 9) Acceptance of the Demand Profile methodology to determine the Non-Coincident Peak
- 30 and Coincident Peak Demand Allocators as applied in the Cost Allocation model
- 31 (worksheet I8) and described in Exhibit 7.
- 32 10) Disposal of the balance in the wireline pole attachment variance account as of
- 33 December 31<sup>st</sup>. 2023, as recorded in account 1508 with account disposition requested
- 34 on a final balance.
- 35 11) Approval for the Advanced Capital Module (ACM) treatment of the Fergus MS 2 Station,
- 36 as described in Exhibit 2 and the DSP
- 37 12) Merging of current GS 50-2,999kW and GS 3,000-4,999kW rate classes into one class
- 38 GS 50-4,999kW and detailed in Exhibits 7 and 8.
- 39 13) Effective December 31, 2024, discontinue “Rate Rider per 2018 Settlement Proposal
- 40 (2018) – effective January 1, 2022 until the effective date of next Cost of Service based
- 41 Rate Order” on all rate classes
- 42



## 1.2.2 CONTACT INFORMATION

Application contact information is as follows:

Applicant: Centre Wellington Hydro Ltd.

Applicants Address: PO Box 215

730 Gartshore Street

Fergus, ON

N1M 2W8

Applicants Contact: Heather Dowling

Vice President/Treasurer

Email: [hdowling@cwhydro.ca](mailto:hdowling@cwhydro.ca)

Phone: 519-843-2900

Fax: 519-843-7601

Alternative Contact: Manuela Ris-Schofield

Tandem Energy Services

Email: [manuela@tandemenergyservices.ca](mailto:manuela@tandemenergyservices.ca)

Phone: 416-562-9295

Applicants Counsel: Michael Buonaguro

Email: [mrb@mrb-law.com](mailto:mrb@mrb-law.com)

Phone: 416-767-1666

The Applicant's website address is [www.cwhydro.ca](http://www.cwhydro.ca)

The Applicant's social media is @CWhydro on X (formally Twitter)

### 1.2.3 CONDITIONS OF SERVICE

The Conditions of Service for CWH can be found on applicant's website at Cornerstone conditions of service (cwhydro.ca).

CWH's last change to its Conditions of Service was September 2021. The details of the changes are explained in Exhibit 8, section 8.8.5 Conditions of Service.

CWH confirms that there are no rates or charges linked to the Conditions of Service that are not in CWH's Tariff of Rates.

### 1.2.4 STATEMENT OF PUBLICATION

All of CWH's customers will be affected by this application.

Upon receiving the Letter of Direction and the Notice of Application and Hearing from the Board, the OEB will arrange to have the Notice of Application and Hearing for this proceeding published in the local community not-paid-for newspaper which has the highest circulation in its service area.

- Wellington Advertiser, an unpaid local publication with an average circulation of approximately 40,000.

This application and all documents related to this application will be made available on CWH's website at: [www.cwhydro.ca](http://www.cwhydro.ca). The application will also be available on the OEB's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca), under Board File Number EB-2024-0012.

### 1.2.5 STATEMENT AS TO THE FORM OF HEARING REQUESTED

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

CWH requests that pursuant to Section 34.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing but understands that if certain issues remain unsettled post settlement, the utility may be asked to participate in an oral hearing.

## 1.2.6 PROPOSED ISSUES LIST

In establishing the overall appropriateness of the proposed rates, CWH anticipates that the following issues will be addressed by the Board and interveners.

### **Planning/Capital**

Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriately and adequately explained, giving due consideration to:

- customer feedback and preferences
- productivity
- benchmarking of costs
- reliability and service quality
- impact on distribution rates
- trade-offs with OM&A spending
- government-mandated obligations, and
- the objectives of the Applicant and its customers.

### **OM&A**

Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:

- customer feedback and preferences
- productivity
- benchmarking of costs
- reliability and service quality
- impact on distribution rates
- trade-offs with capital spending
- government-mandated obligations, and
- objectives of the Applicant and its customers.

### **Revenue Requirement**

- Are all elements of the Revenue Requirement reasonable, and have they been appropriately determined in accordance with OEB policies and practices?
- Has the Revenue Requirement been accurately determined based on these elements?

### **Load Forecast, Cost Allocation, and Rate Design**

- Are the proposed load and customer forecast, loss factors, CDM adjustments and resulting billing determinants appropriate, and, to the extent applicable, are they an appropriate reflection of the number and energy and demand requirements of the applicant's customers?

- Are the proposed cost allocation methodology, allocations, and revenue-to-cost ratios appropriate?
- Are the applicant’s proposals, including the proposed fixed/variable splits, for rate design appropriate?
- Are the proposed Retail Transmission Service Rates and Low Voltage Service Rates appropriate?

#### **Accounting**

- Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the rate-making treatment of each of these impacts appropriate?
- Are the applicant’s proposals for deferral and variance accounts, including the balances in the existing accounts and their disposition, and the continuation of existing accounts appropriate?

#### **1.2.7 STATEMENT OF DEVIATION OF FILING REQUIREMENTS**

Except where specifically identified in the Application, CWH followed Chapter 2 of the OEB’s “Filing Requirements for Electricity Transmission and Distribution Applications”, dated December 15, 2022 (the “Filing Requirements”) and the updates in the OEB letter dated March 14, 2024. The excel version of the completed 2025 Cost of Service checklist is being filed in conjunction with this application. CWH has, as applicable, utilized the OEB’s models as updated for 2025 Cost of Service applications in accordance with the OEB’s letter dated April 11, 2024.

#### **1.2.8 CHANGES IN METHODOLOGIES**

The projections for the 2025 Test Year were prepared in accordance with CWH’s budget process as described in detail in Exhibits 2 and 4. All processes are in compliance with policies, directives and rules and guidelines from the Ontario Energy Board and other regulators.

#### **1.2.9 BOARD DIRECTIVE FROM PREVIOUS DECISIONS**

At the date of this submission, CWH is not aware of any CWH specific Board Directives from any previous Board Decisions and/or Orders that require addressing in this Application. CWH notes that it was directed to file an updated water billing services agreement in its 2018 Cost of Service proceeding. The agreement was signed on October 26<sup>th</sup>, 2020.

1 1.2.10 CERTIFICATION OF ACCURACY

2  
3 I, Heather Dowling, Vice President/Treasurer of Centre Wellington Hydro (“CWH”), hereby certify  
4 that, to the best of my knowledge the evidence filed in support of CWH’s 2025 Cost of Service  
5 Application (EB-2024-0012):

- 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  
10 with rule 9A of the OEB’s Rule 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 This certification is provided pursuant to the Ontario Energy Board’s Chapter 2 and Chapter 5  
15 Filing Requirements for Electricity Distribution Rate Applications, as issued on December 15,  
16 2022.

17  
18  
19  
20 Heather Dowling  
21 Vice President/Treasurer  
22 Centre Wellington Hydro Ltd.

### 1.3 APPLICATION SUMMARY

This section is devoted to defining each element of CWH's 2025 cost-of-service, explaining how each element is computed and explaining the relationship between the various components. The major components covered in this executive summary are as follows:

- Distribution Rates
- Revenue Requirement
- Rate Base and Capital Planning
- Overview of Operation Maintenance and Administrative Costs
- Load Forecast Summary
- Statement of Cost of Capital Parameters
- Overview of Cost Allocation and Rate Design
- Overview of Deferral and Variance Account Disposition
- Overview of Bill Impacts

1 **1.3.1 DISTRIBUTION RATES**

2

3 The table below shows CWH's yearly OEB-approved fixed and variable rate from the last cost of  
4 Service in 2018 to the proposed 2025 rates. Rates in between the CoS applications were adjusted  
5 through IRM applications to reflect the Price Cap in effect at that time. CWH is seeking an increase  
6 in its distribution rates from its current 2024 rates in all its customer classes.

7 **Table 1 – Rates Since last Cost of Service (2018BA to 2025)**

8

Customer Class Name	2018BA	2019	2020	2021	2022	2023	2024	2025
	CoS	IRM	IRM	IRM	IRM	IRM	IRM	CoS
<b>Price Cap Applied</b>	NA	1.20%	1.70%	1.90%	3.00%	3.40%	4.65%	NA
<b>Residential – Fixed</b>	26.33	29.25	29.75	30.32	31.23	32.29	33.79	34.19
<b>Residential - Var</b>	0.0042	NA	NA	NA	NA	NA	NA	NA
<b>GS &lt; 50 kW – Fixed</b>	20.85	21.1	21.46	21.87	22.53	23.3	24.38	25.11
<b>GS &lt; 50 kW – Var</b>	0.0217	0.022	0.0224	0.0228	0.0235	0.0243	0.0254	0.0262
<b>GS 50 to 2,999 kW – Fixed</b>	170.19	172.23	175.16	178.49	183.84	190.09	198.93	
<b>GS 50 to 2,999 kW – Var</b>	4.1917	4.242	4.3141	4.3961	4.5280	4.6820	4.8997	
<b>GS 3,000 to 4,999 kW – Fixed</b>	685.86	694.09	705.89	719.3	740.88	766.07	801.69	
<b>GS 3,000 to 4,999 kW – Var</b>	3.1776	3.2157	3.2704	3.3325	3.4325	3.5492	3.7142	
<b>GS 50 to 4,999 kW – Fixed</b>								198.93
<b>GS 50 to 4,999 kW – Var</b>								5.1575
<b>Unmetered Scattered Load – Fixed</b>	7.83	7.92	8.05	8.2	8.45	8.74	9.15	14.71
<b>Unmetered Scattered Load – Var</b>	0.0123	0.0124	0.0126	0.0128	0.0132	0.0136	0.0142	0.0228
<b>Sentinel – Fixed</b>	5.78	5.85	5.95	6.06	6.24	6.45	6.75	6.97
<b>Sentinel – Var</b>	15.2908	15.4743	15.7374	16.0364	16.5175	17.0791	17.8733	18.4494
<b>Street Lighting – Fixed</b>	2.18	2.21	2.25	2.29	2.36	2.44	2.55	4.12
<b>Street Lighting – Var</b>	10.5671	10.6939	10.8757	11.0823	11.4148	11.8029	12.3517	19.8975

1 **1.3.2 REVENUE REQUIREMENT**

2 The table below shows CWH’s revenue requirement from the last Cost of Service in 2018 up to  
3 the proposed 2025 revenue requirement.

4  
5 The proposed Base Revenue Requirement for the 2025 test year of \$4,827,272 reflects an  
6 increase of \$1,163,456 or 31.76% higher than the 2018 Board Approved. The revenue  
7 requirement between 2025 and 2018 has increased at a steady rate representing a deliberate  
8 pace of capital and operational investment. The increases to get to 2025’s base revenue  
9 requirement from the 2018 Board Approved values are largely due to a) OM&A increase of  
10 33.62% or \$787,677 as explained in Exhibit 4, b) depreciation increase of \$142,429 as presented  
11 in Exhibit 2, and c) \$301,707 increase in the regulated return on capital. Year over year variances  
12 in OM&A are explained throughout Exhibit 4; Revenue Offsets are explained in detail at Exhibit  
13 3; and Capital Expenditures are explained in detail at Exhibit 2.

14  
15 **Table 2: 2025 Proposed Revenue Requirements**

16

Particular	Last Board Approved	2018	2019	2020	2021	2022	2023	2024	2025
OM&A Expenses	\$2,342,450	\$2,426,593	\$2,573,894	\$2,433,089	\$2,423,285	\$2,692,398	\$2,768,957	\$2,940,005	\$3,130,127
Depreciation Expense	\$579,600	\$574,190	\$584,249	\$624,236	\$627,917	\$654,140	\$653,124	\$691,503	\$722,029
Property Taxes	\$19,200	\$15,523	\$12,332	\$11,111	\$12,433	\$8,619	\$11,588	\$13,390	\$13,926
Total Distribution Expenses	\$2,941,250	\$3,016,307	\$3,170,475	\$3,068,436	\$3,063,634	\$3,355,157	\$3,433,669	\$3,644,898	\$3,866,081
Regulated Return On Capital	\$1,014,965	\$1,004,953	\$1,049,871	\$1,084,916	\$1,065,181	\$1,061,113	\$1,065,181	\$1,206,443	\$1,316,672
Grossed up PILs	\$0	\$0	-\$237,202	\$182,631	\$33,157	\$53,883	\$46,293	\$0	\$0
<b>Service Revenue Requirement</b>	<b>\$3,956,215</b>	<b>\$4,021,260</b>	<b>\$3,983,144</b>	<b>\$4,335,983</b>	<b>\$4,161,972</b>	<b>\$4,470,153</b>	<b>\$4,545,142</b>	<b>\$4,851,341</b>	<b>\$5,182,754</b>
Less: Revenue Offsets	-\$292,400	-\$411,833	-\$298,368	-\$279,614	-\$287,109	-\$295,230	-\$439,432	-\$382,211	-\$355,482
<b>Base Revenue Requirement</b>	<b>\$3,663,815</b>	<b>\$3,609,426</b>	<b>\$3,684,776</b>	<b>\$4,056,369</b>	<b>\$3,874,863</b>	<b>\$4,174,924</b>	<b>\$4,105,710</b>	<b>\$4,469,129</b>	<b>\$4,827,272</b>

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### 1.3.3 RATE BASE AND CAPITAL PLANNING

The proposed Rate Base for the 2025 test year of \$20,262,732 reflects an increase of \$3,215,954, (18.87%) from the 2018 Board Approved. The increase reflects CWH’s prudent investment in its distribution assets and is necessary to meet other regulatory requirements such as the “obligation to connect” new growth and the need to continuously meet electrical safety standards.

The utility is not proposing to recover any costs from any rate class for renewable energy connections/expansions, smart grid, and regional planning initiatives. The table below shows the change in Rate Base from the last Cost of Service in 2018 to the proposed 2025 Cost of Service.

**Table 3: Rate Base**

Particulars	Last Board Approved	2018	2019	2020	2021	2022	2023	2024	2025
Net Capital Assets in Service:									
Gross Fixed Asset	\$27,128,241	\$26,985,276	\$28,101,261	\$29,043,219	\$29,543,652	\$30,075,486	\$30,728,773	\$32,273,362	\$34,029,887
Accumulated Depreciation	-\$11,603,322	-\$11,586,160	-\$11,977,217	-\$12,510,489	-\$13,138,074	-\$13,776,836	-\$14,315,607	-\$14,684,338	-\$15,228,686
<b>Average Balance</b>	<b>\$15,524,919</b>	<b>\$15,399,116</b>	<b>\$16,124,044</b>	<b>\$16,532,730</b>	<b>\$16,405,578</b>	<b>\$16,298,650</b>	<b>\$16,413,166</b>	<b>\$17,589,024</b>	<b>\$18,801,201</b>
Working Capital Allowance	\$1,521,859	\$1,479,506	\$1,508,996	\$1,688,901	\$1,484,591	\$1,523,205	\$1,538,182	\$1,595,024	\$1,461,531
<b>Total Rate Base</b>	<b>\$17,046,778</b>	<b>\$16,878,622</b>	<b>\$17,633,040</b>	<b>\$18,221,630</b>	<b>\$17,890,169</b>	<b>\$17,821,855</b>	<b>\$17,951,348</b>	<b>\$19,184,048</b>	<b>\$20,262,732</b>

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**Table 4: Working Capital Allowance**

Expenses for Working Capital	Last Board Approved	2018	2019	2020	2021	2022	2023	2024	2025
Eligible Distribution Expenses:									
3500-Distribution Expenses - Operation	\$365,600	\$353,176	\$347,001	\$392,585	\$346,940	\$435,131	\$425,313	\$441,893	\$487,436
3550-Distribution Expenses - Maintenance	\$319,700	\$418,665	\$503,992	\$384,407	\$342,252	\$453,141	\$474,137	\$461,833	\$467,974
3650-Billing and Collecting	\$520,700	\$508,579	\$538,923	\$562,200	\$598,189	\$637,311	\$621,430	\$687,711	\$713,824
3700-Community Relations	\$39,500	\$35,161	\$32,743	\$34,186	\$43,349	\$44,783	\$44,020	\$45,425	\$46,162
3800-Administrative and General Expenses	\$1,094,050	\$1,111,012	\$1,151,234	\$1,059,712	\$1,092,554	\$1,122,032	\$1,204,056	\$1,303,143	\$1,414,731
6105-Taxes Other Than Income Taxes	\$19,200	\$15,523	\$12,332	\$11,111	\$12,433	\$8,619	\$11,588	\$13,390	\$13,926
<b>Total Eligible Distribution Expenses</b>	<b>\$2,363,500</b>	<b>\$2,442,116</b>	<b>\$2,586,226</b>	<b>\$2,444,200</b>	<b>\$2,435,718</b>	<b>\$2,701,017</b>	<b>\$2,780,545</b>	<b>\$2,953,395</b>	<b>\$3,144,053</b>
3350-Power Supply Expenses	\$17,927,954	\$17,284,636	\$17,533,719	\$20,074,475	\$17,358,833	\$17,608,385	\$17,728,544	\$18,313,586	\$16,343,031
<b>Total Expenses for Working Capital</b>	<b>\$20,291,454</b>	<b>\$19,726,752</b>	<b>\$20,119,945</b>	<b>\$22,518,675</b>	<b>\$19,794,550</b>	<b>\$20,309,402</b>	<b>\$20,509,089</b>	<b>\$21,266,981</b>	<b>\$19,487,083</b>
Working Capital factor	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
<b>Total Working Capital</b>	<b>\$1,521,859</b>	<b>\$1,479,506</b>	<b>\$1,508,996</b>	<b>\$1,688,901</b>	<b>\$1,484,591</b>	<b>\$1,523,205</b>	<b>\$1,538,182</b>	<b>\$1,595,024</b>	<b>\$1,461,531</b>

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CWH strictly follows the best practices of the electricity distribution industry. This has included adhering to the Ontario Energy Board’s (OEB) Distribution System Code that sets out, amongst

- 1 other things, good utility practice and performance standards for the industry in Ontario and  
2 minimum inspection requirements for distribution equipment.
- 3 Consistent with best practices, over the years CWH has replaced or upgraded equipment  
4 primarily when safety or reliability becomes a concern. The net result has been a steady increase  
5 in rate base.
- 6 Details of historical and projected capital expenses are summarized in the table below.

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**Table 5: Capital Expenditure Summary**

<b>CAPEX Category</b>	<b>2018BA</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
System Access	274,700	383,394	323,418	72,096	73,294	32,045	243,253	222,306	494,600
System Renewal	512,500	605,256	1,119,637	452,048	485,138	378,538	548,601	729,991	655,900
System Service	81,900	83,654	223,630	37,686	80,737	79,554	121,117	1,046,000	24,900
General Plant	250,300	122,786	255,612	69,355	39,154	193,944	226,098	1,003,200	142,800
<b>Total Capital Expenditure</b>	<b>1,119,400</b>	<b>1,195,090</b>	<b>1,922,298</b>	<b>631,186</b>	<b>678,323</b>	<b>684,080</b>	<b>1,139,070</b>	<b>3,001,497</b>	<b>1,318,200</b>

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1 **1.3.4 OVERVIEW OF OPERATION, ADMINISTRATION AND MAINTENANCE**  
2 **EXPENSES.**

3 The increase of \$787,677 in OM&A spending from its 2018 (BA) Cost of Service to the 2025 Test  
4 Year can be attributed to several factors and are explained in detail in Exhibit 4.

5 Operation and Maintenance costs increased by \$270,110 or 39.41%; these costs are aimed at  
6 keeping the CWH's distribution system in good repair to ensure reliability and safety to workers  
7 and the public.

8 Billing and collecting has increased by \$193,124 or 37.09%. Details are provided in Exhibit 4.

9 The increase in Administrative Expenses between 2018 BA and 2025 Test year is \$317,781.  
10 Details are provided in Exhibit 4.

11 An inflation rate of 3.5% was used where exact rates or increases could not be identified.

12 Table 6: Summary of Recoverable OM&A Expenses

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14 **Table 6: Summary of Operation Expenses**  
15

	Board Approved	2018	2019	2020	2021	2022	2023	2024	2025
Operations	\$365,600	\$353,176	\$347,001	\$392,585	\$346,940	\$435,131	\$425,313	\$441,893	\$487,436
Maintenance	\$319,700	\$418,665	\$503,992	\$384,407	\$342,252	\$453,141	\$474,137	\$461,833	\$467,974
<b>SubTotal</b>	<b>\$685,300</b>	<b>\$771,841</b>	<b>\$850,993</b>	<b>\$776,993</b>	<b>\$689,193</b>	<b>\$888,272</b>	<b>\$899,450</b>	<b>\$903,726</b>	<b>\$955,410</b>
%Change (year over year)		12.6%	10.3%	-8.7%	-11.3%	28.9%	1.3%	0.5%	5.7%
%Change (Test Year vs Last Rebasing Year - Actual)									39.4%
Billing and Collecting	\$520,700	\$508,579	\$538,923	\$562,200	\$598,189	\$637,311	\$621,430	\$687,711	\$713,824
Community Relations	\$39,500	\$35,161	\$32,743	\$34,186	\$43,349	\$44,783	\$44,020	\$45,425	\$46,162
Administrative and General+LEAP	\$1,096,950	\$1,111,012	\$1,151,234	\$1,059,712	\$1,092,554	\$1,122,032	\$1,204,056	\$1,303,143	\$1,414,731
<b>SubTotal</b>	<b>\$1,657,150</b>	<b>\$1,654,752</b>	<b>\$1,722,901</b>	<b>\$1,656,097</b>	<b>\$1,734,092</b>	<b>\$1,804,126</b>	<b>\$1,869,507</b>	<b>\$2,036,279</b>	<b>\$2,174,717</b>
%Change (year over year)		-0.1%	4.1%	-3.9%	4.7%	4.0%	3.6%	8.9%	6.8%
%Change (Test Year vs Last Rebasing Year - Actual)									31.2%
<b>Total</b>	<b>\$2,342,450</b>	<b>\$2,426,593</b>	<b>\$2,573,894</b>	<b>\$2,433,089</b>	<b>\$2,423,285</b>	<b>\$2,692,398</b>	<b>\$2,768,957</b>	<b>\$2,940,005</b>	<b>\$3,130,127</b>
%Change (year over year)			6.1%	-5.5%	-0.4%	11.1%	2.8%	6.2%	6.5%

### 1 1.3.5 LOAD FORECAST SUMMARY

2 The load forecast for 2025 is based on a methodology which predicts class specific consumption  
3 using a multiple regression analysis that relates historical monthly wholesale kWh usage to  
4 monthly historical heating degree days and cooling degree days.

5 CWH's monthly electricity consumption is affected by five factors: weather (such as heating and  
6 cooling), which has the greatest impact on most systems, the number of days in a month, a spring  
7 and fall flag to account for seasonal variations, a Covid flag to account for the lockdown months  
8 in the spring of 2020, and the customer count, which affects the utility's load. The subsequent  
9 section provides detailed information regarding each variable utilized in the regression analysis.

10 Weather normalized values are determined by using the regression equation with a “10-year  
11 average monthly degree days (2014-2023)”. The 10-year average is consistent with recent years’  
12 weather and has been used in other electricity distribution rate applications and has been  
13 accepted by the Board.

14 Allocation to specific weather sensitive rate classes (Residential, GS<50, GS>50) is based on the  
15 average share of each classes’ actual retail kWh (exclusive of distribution losses) of actual  
16 wholesale kWh for the 2013 to 2023 period.

17 The 2025 Load Forecast is presented on the tables below, and detailed explanations of the load  
18 forecast can be found in Exhibit 3.

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**Table 7: Load Forecast**

<b>Customers or Connections</b>			
<b>Customer Class Name</b>	<b>Actual</b>	<b>2025</b>	<b>% Change</b>
	<b>2018 Board Appr</b>		
<b>Residential</b>	6,107	6,794	11.26%
<b>General Service &lt; 50 kW</b>	758	809	6.72%
<b>General Service 50 to 2999 kW</b>	45	62	38.23%
<b>General Service 3000-4999 kW</b>	1		
<b>Unmetered Scattered Load</b>	13	13	0%
<b>Sentinel Lighting</b>	29	25	-14.20%
<b>Street Lighting</b>	1,716	1,890	10.16%
<b>TOTAL</b>	8,668	9,593	10.66%

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<b>Consumption (kWh)</b>			
<b>Customer Class Name</b>	<b>Actual</b>	<b>2025</b>	<b>% Change</b>
	<b>2018 Board Appr</b>		
<b>Residential</b>	44,844,896	46,859,680	4.49%
<b>General Service &lt; 50 kW</b>	20,920,091	23,066,635	10.26%
<b>General Service 50 to 2999 kW</b>	61,343,551	68,250,201	11.26%
<b>General Service 3000-4999 kW</b>	16,179,121		
<b>Unmetered Scattered Load</b>	559,426	566,996	1.35%
<b>Sentinel Lighting</b>	39,009	33,332	-14.55%
<b>Street Lighting</b>	569,977	544,453	-4.48%
<b>TOTAL</b>	144,456,071	139,321,298	-3.55%

4

<b>Demand (kW)</b>			
<b>Customer Class Name</b>	<b>Actual</b>	<b>2025</b>	<b>% Change</b>
	<b>Last Board Appr.</b>		
<b>Residential</b>	0	0	0
<b>General Service &lt; 50 kW</b>	0	0	0
<b>General Service 50 to 2999 kW</b>	158,301	189,552	19.74%
<b>General Service 3000-4999 kW</b>	43,103		
<b>Unmetered Scattered Load</b>	0	0	0
<b>Sentinel Lighting</b>	105	92	-12.07%
<b>Street Lighting</b>	1,520	1,501	-1.26%
<b>TOTAL</b>	203,030	191,145	-5.85%

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**1.3.6 STATEMENT OF COST OF CAPITAL PARAMETERS**

In this application, CWH seeks to recover a weighted average cost of capital of 6.50% through rates in the 2025 Test Year. CWH has followed the Report of the Board on Cost of Capital for Ontario’s Regulated Utilities, December 11, 2009, as well as the Review of the Existing Methodology of the Cost of Capital for Ontario’s Regulated Utilities, in determining the applicable cost of capital.

In calculating the applicable cost of capital, CWH has used the OEB’s deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and Cost of Capital parameters in the OEB’s letter of October 31, 2023, for the allowed return on equity (“ROE”). CWH notes that consistent with Board policy, it has calculated a weighted average long term debt rate of 4.58%, subject to updating to account for the deemed long term debt rate for the 2025 Test Year. CWH is not seeking any changes in its Capital Structure from its 2018 Board Approved Structure.

**Table 8: Overview of Capital Structure**

Particulars	Capitalization Ratio				Cost Rate	Return
	(%)			(\$)		
<b>Debt</b>						
Long-term Debt	56.00%			\$11,347,130	4.58%	\$519,699
Short-term Debt	4.00%			\$810,509	6.23%	\$50,495
<b>Total Debt</b>	<b>60.0%</b>			<b>\$12,157,639</b>	<b>4.69%</b>	<b>\$570,193</b>
<b>Equity</b>						
Common Equity	40.00%			\$8,105,093	9.21%	\$746,479
Preferred Shares				\$ -		\$ -
<b>Total Equity</b>	<b>40.0%</b>			<b>\$8,105,093</b>	<b>9.21%</b>	<b>\$746,479</b>
<b>Total</b>	<b>100.0%</b>			<b>\$20,262,732</b>	<b>6.50%</b>	<b>\$1,316,672</b>

\*2025 Rate Base

CWH commits to updating its Cost of Capital forecast in accordance with applicable OEB updates to the Board’s cost of capital parameters.

**1.3.7 OVERVIEW OF COST ALLOCATION AND RATE DESIGN**

The main objective of a Cost Allocation study is to provide information on any apparent cross-subsidization among a distributor’s rate.

CWH has prepared and is filing a cost allocation information filing consistent with the utility’s understanding of the Directions, the Guidelines, the Model and the Instructions issued by the Board in November of 2006, including all subsequent updates.

CWH has prepared a Cost Allocation Study for 2025 based on an allocation of the 2025 Test year costs (i.e., the 2025 forecast revenue requirement) to the various customer classes using allocators that are based on the forecast class loads (kW and kWh).

CWH has used the updated Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2025 data into this model.

Two of the classes’ revenue to cost ratios were outside the Board’s target range after the cost allocation run. For those two classes, the utility proposes the reallocation of revenues to bring those classes within the Board’s target range. The table below shows the utility’s proposed Revenue to Cost reallocation based on an analysis of the proposed results from the Cost Allocation Study vs. the Board imposed floor and ceiling ranges.

**Table 9: Cost Allocation**

Customer Class Name	Calculated R/C Ratio	Proposed R/C Ratio	Variance	Target Range	
				Floor	Ceiling
Residential	1.0494	1.0326	0.0169	0.85	1.15
General Service < 50 kW	0.9417	0.9417	0.0000	0.80	1.20
General Service 50 to 2999 kW	0.9985	0.9980	0.0005	0.80	1.20
General Service 3000-4999 kW				0.80	1.20
Unmetered Scattered Load	0.5334	0.7997	-0.2664	0.80	1.20
Sentinel Lighting	0.9431	0.9431	0.0000	0.80	1.20
Street Lighting	0.5343	0.7999	-0.2656	0.80	1.20

1 The table below shows CWHs existing rates in comparison to the 2025 proposed rates.

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**Table 10: Existing vs. Proposed Rates**

Customer Class Name	Existing Rates		Proposed Rates		per
	Fixed Rate	Var Rate	Fixed Rate	Var Rate	
Residential	\$33.7900	\$0.0000	\$34.19	-	kWh
General Service < 50 kW	\$24.3800	\$0.0254	\$25.11	0.0262	kWh
General Service 50 to 2999 kW	\$198.9300	\$4.8997	\$198.93	5.1575	kW
General Service 50 to 4999 kW	\$801.6900	\$3.7142			
Unmetered Scattered Load	\$9.1500	\$0.0142	\$14.71	0.0228	kWh
Sentinel Lighting	\$6.7500	\$17.8733	\$6.97	18.4494	kW
Street Lighting	\$2.5500	\$12.3517	\$4.12	19.8975	kW

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1 **1.3.8 OVERVIEW OF DEFERRAL AND VARIANCE ACCOUNT DISPOSITION**

2 CWH proposes to dispose of a debit of \$424,065 related to Group 1 and a credit of \$203,251 for  
3 Group 2 Variance/Deferral Accounts. The balances in Group 1 and Group 2 balances are as of  
4 December 31, 2023, and are consistent with the utility's audited financial statements, except for  
5 sub account 1508 for Pole Attachments. The principal amount for 2024 Pole Attachments has  
6 been calculated and included in the disposition amount, as well as forecasted carrying charges.  
7 Details regarding all the variances accounts can be found in Exhibit 9.

8 Group 1 and Group 2 DVA balances are proposed to be disposed of over 1 year.

9 CWH has followed the OEB's guidance as provided in the OEB's Electricity Distributor's  
10 Disposition of Variance Accounts Reporting Requirements Report, including disposing by RPP  
11 and non RPP appropriate categories.  
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**Table 11: Account and Balances Sought for Disposition/Recovery**

Account		Interest	Total Claim incl interest	Allocator
LV Variance Account	1550	1,692	25,902.66	kWh
Smart Metering Entity Charge Variance Account	1551	-1,145	-12,168.12	# of Cust
RSVA – Sub-account CBR Class B	1580	286	5,586.29	kWh
RSVA - Retail Transmission Network Charge	1584	6,338	98,102.59	kWh
RSVA - Retail Transmission Connection Charge	1586	10,481	151,308.82	kWh
RSVA - Power (excluding Global Adjustment)	1588	2,284	28,371.90	kWh
RSVA - Global Adjustment	1589	18,037	164,461.73	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2018 and pre-2018)	1595	-7,376	26,492.41	%
Group 1 total (including Account 1589)		<b>111,647</b>	<b>424,064.80</b>	
Group 1 total (excluding Account 1589)		<b>93,610</b>	<b>259,603.07</b>	
RSVA – Global Adjustment		<b>18,037</b>	<b>164,461.73</b>	
Pole Attachment Revenue Variance	1508	-32,511	-319,861.25	Distr Rev.
Customer Choice Initiative Costs	1508	1,095	9,434.41	kWh
Green Button Initiative Costs	1508	1,579	19,155.05	kWh
Other Regulatory Assets, Sub-account ULO Implementation Cost	1508	423	5,125.43	kWh
Other Regulatory Assets, sub-account OEB Assessment (GL 266)	1508	2,482	15,402.76	kWh
Retail Cost Variance Account - Retail	1518	8,393	65,086.25	# of Cust
Retail Cost Variance Account - STR	1548	51	375.50	# of Cust
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	2,467	2,030.66	kWh
Group 2 Accounts (including 1555)		<b>-16,022</b>	<b>-203,251.18</b>	

3

1 **1.3.9 OVERVIEW OF BILL IMPACTS**

2 A summary of the bill impacts by class is presented below. Detailed explanations of the bill  
3 impacts are presented in Exhibit 8.

4 The bill impact for each class is shown in the Table below. Although the overall bill impacts have  
5 increased for certain classes, CWH's proposed 2025 revenue requirement is needed to remain in  
6 compliance with its regulators and meet its mandate and commitment to providing safe, reliable,  
7 cost-effective services and products achieving sustainable growth while respecting the  
8 community and the environment.

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**Table 12: Bill Impacts**

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RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Consumption or Demand	Sub-Total						Total	
			A		B		C		Total Bill	
			\$	%	\$	%	\$	%	\$	%
RESIDENTIAL - RPP	kWh	750	-\$0.76	-2.3%	\$0.02	0.0%	\$0.29	0.5%	\$0.29	0.2%
GS LESS THAN 50 KW - RPP	kWh	2,000	-\$0.47	-0.6%	\$2.20	2.2%	\$2.71	2.0%	\$2.58	0.7%
GS 50 TO 2,999 KW - Non-RPP (Other)	kW	840	\$66.53	1.6%	-\$587.12	-9.0%	-\$508.91	-4.3%	-\$467.91	-0.9%
GS 3,000 TO 4,999 KW - Non-RPP (Other)	kw	3,600	\$3,882.12	27.6%	-\$1,291.80	-4.9%	-\$4,302.48	-8.2%	-\$4,376.12	-1.9%
UNMETERED SCATTERED LOAD - RPP	kWh	275	\$7.62	58.6%	\$7.88	47.6%	\$7.95	37.5%	\$7.45	14.8%
SENTINEL LIGHTING - RPP	kWh	75	\$16.81	1.3%	-\$57.06	-3.8%	-\$50.31	-2.7%	-\$47.14	-2.6%
STREET LIGHTING - Non-RPP (Other)	kW	45	\$508.10	95.0%	\$471.49	71.3%	\$474.68	53.9%	\$542.53	17.3%
RESIDENTIAL - Non-RPP (Retailer)	kWh	750	-\$0.76	-2.3%	\$0.19	0.4%	\$0.47	0.8%	\$0.45	0.4%
GS LESS THAN 50 KW - Non-RPP (Retailer)	kWh	2,000	-\$0.47	-0.6%	\$2.67	2.7%	\$3.18	2.4%	\$3.01	1.0%
GS 50 TO 2,999 KW - Non-RPP (Ret) FORMER	kW	840	\$66.53	1.6%	-\$587.12	-9.0%	-\$508.91	-4.3%	-\$467.91	-0.9%
SENTINEL LIGHTING - Non-RPP (Retailer)	kWh	75	\$16.81	1.3%	-\$57.04	-3.8%	-\$50.29	-2.7%	-\$47.12	-2.6%
GS 50 TO 2,999 KW - Non-RPP – FORMER	kw	2,600	\$205.92	1.6%	-\$1,800.52	-9.1%	-\$1,558.46	-4.3%	-\$1,411.38	-0.9%
GS 3,000 TO 4,999 KW - Non-RPP – FORMER	kw	3,300	\$3,508.38	27.1%	-\$1,234.38	-5.1%	-\$3,994.17	-8.3%	-\$4,115.06	-2.1%
GS 50 TO 2,999 KW - Non-RPP – FORMER	kw	3,300	\$261.36	1.6%	-\$2,327.61	-9.3%	-\$2,020.38	-4.4%	-\$1,884.68	-1.0%

12

13 The impact is further adjusted by overall credit rate riders to dispose of the balances owed to  
14 ratepayers that have accumulated in certain variance accounts. Decreases in rates for retail  
15 transmission service and wholesale market service also contribute to reducing the utility's  
16 distribution rates further.

17

## 1.4 ABOUT THE UTILITY

### 1.4.1 OPERATING ENVIRONMENT

CWH is incorporated under the Ontario Business Corporations Act and is 100% owned by the Township of Centre Wellington. CWH is managed by a Board of Directors, which consists of one Chairperson and four directors. One director is either the mayor or the mayors designate for the Township of Centre Wellington. CWH has 15 full-time employees; a President/Secretary, Vice President/Treasurer, Manager of Operations, Manager of CSR/Billing, two billing clerks, two accounting staff, one human resource/payroll staff and one CSR in the office and a Foreman, three Powerline Maintainers, one engineering technician to address the outside plant matters. CWH, also employs part-time employees with an FTE count of .55 employees annually.

The President/Secretary is responsible for all aspects of the company including corporate secretary duties and long-term strategic planning; safety, environment and training; labour relations; review and approval of budgets and tracking the company's financial targets and capital investments. He is the liaison with regulatory bodies, purchasing/stores, IESO and Hydro One. The President also oversees the operation of the distribution system, customer service, billing and metering. The position is also responsible for human resources and succession planning; customer and shareholder relations; connection planning for new customers and generation; maintaining effective communication throughout the company; and ensuring that operations and office staff have access to highest quality information and training to allow them to perform their work safely and efficiently.

The Vice President o/Treasurer is responsible for regulatory reporting; preparation of annual and Cost of Service rebasing rate applications, RRR reporting and budgets; tracking of the company's progress towards achieving financial targets and capital investments; liaisons with OEB, financial institutions, accountants and the Canada Revenue Agency; Managing Finance/Regulatory staff and ultimately responsible for payroll, government remittance; financial statements and interaction with company auditors; accounts payable; inventory; miscellaneous receivables; regulatory variance accounting; monthly settlements reporting; financial CIS system and IESO reporting. This Vice President also provides guidance to the Manager of CSR/Billing and Manager of Operations on financial matters.

The Manager of Operations is responsible for ensuring that employees, contractors and the public remain safe when interfacing with the distribution system; ensuring the reliable operation – including maintenance and repair – of the distribution system and general plant; and ensuring customer requests for electricity service are provided promptly and according to code; responsible for budgeting all OM&A and Capital expenditures and programs through CWH's asset management plan processes.

1 Manager of CSR/Billing is responsible for customer billing, collections, and external  
2 communications with customers. This Manager is responsible for all systems used for billing and  
3 collections, customer web presentment, service work orders to other departments, and 3<sup>rd</sup> party  
4 vendor relationships and contracts such as wholesale/retail settlement, ODS, AMI, and  
5 MDMR/IESO.

6  
7 The Operations staff are responsible for building and maintaining the electrical power system from  
8 the point of generation all the way to the customer's meters. Lines may be on overhead structures  
9 or in underground vaults or trenches. These positions require certified trades people and  
10 accredited technicians and engineering staff.

11  
12 CWH expects the current steady trend of customer connections and business conditions over the  
13 5-year planning horizon of this report. New customers will be a mix of residential and commercial  
14 connections with moderate economic growth and capital work proposed by CWH meeting that  
15 need accordingly.

16

1 **1.4.2 CORPORATE ORGANIZATION**

2 **The Corporation of the Township of Centre Wellington:**

3 The Corporation of the Township of Centre Wellington has 100% ownership of all shares in the  
4 Holding Company, Centre Wellington Energy Inc.

5 **Centre Wellington Energy Inc.:**

6 Centre Wellington Energy Inc. was incorporated under the laws of the Province of Ontario. The  
7 principal activity is as a Holding Company. Centre Wellington Energy Inc. has 100% ownership  
8 of all shares in the distribution company.

9 **Centre Wellington Hydro Ltd.:**

10 CWH was incorporated on May 11, 2000, under the laws of the Province of Ontario. 100% of  
11 CWH's shares are owned by the Holding Company that, in turn, is wholly owned by the  
12 Corporation of the Township of Centre Wellington. The principal activity of CWH is to provide  
13 distribution of electricity to the customers of the Town of Fergus and the Village of Elora in the  
14 Township of Centre Wellington. The Board of Directors consist of one Chairman and four  
15 directors. One of the directors is the mayor of the Township of Centre Wellington or their  
16 designate.

17 All management and staff work for the regulated LDC.

18

19 **Reporting Relationship Between CWH and the Township of Centre Wellington**

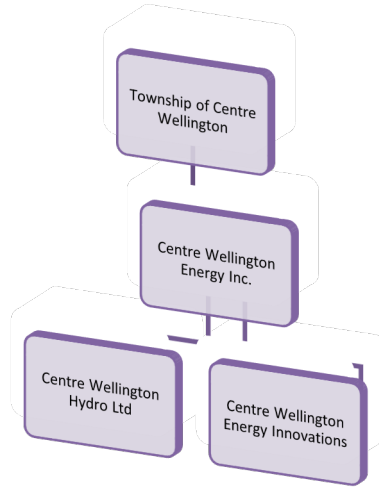
20 The mayor or designate that sits on the CWH Board of Directors reports back to  
21 Township of Centre Wellington. Once a year CWH holds an official shareholder, Annual  
22 General Meeting where the Township council is informed on what has taken place over  
23 the last year and CWH's future plans.

24

25

1

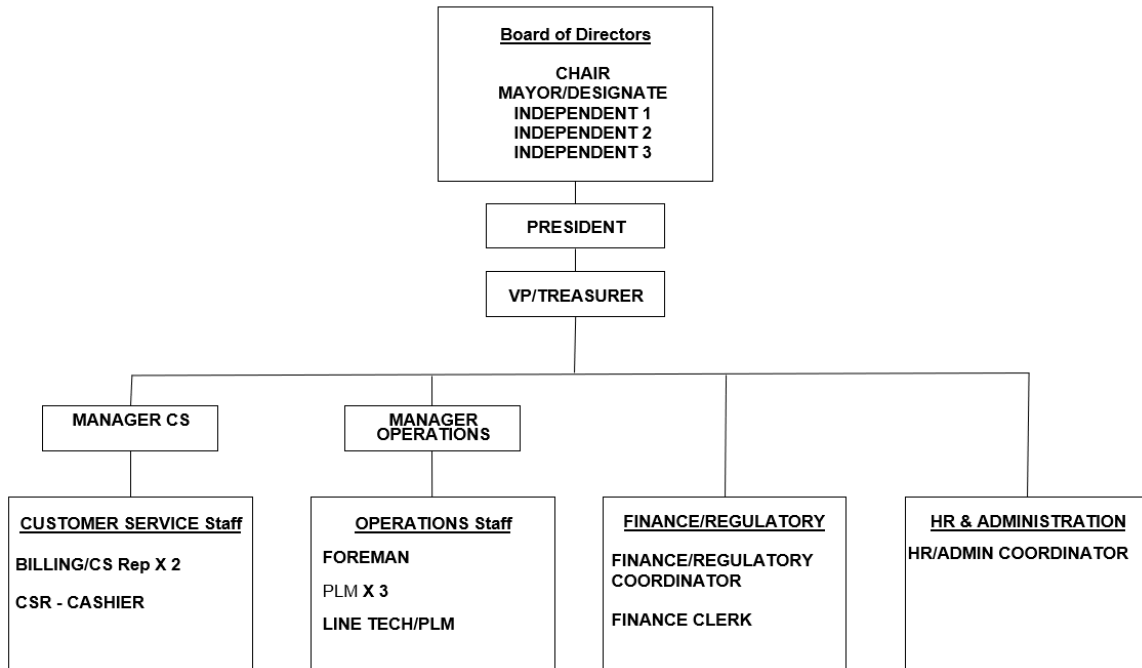
**Table 13: Corporate Chart**



2  
3  
4  
5

**Table 14: Organizational Chart**

**CENTRE WELLINGTON HYDRO Ltd. ORGANIZATION CHART 2024**



6  
7

1 1.4.3 BUSINESS PLAN

2

3 In compliance with the Rates Handbook issued on October 13, 2023, the utility is pleased to  
4 present its 2025 Business Plan as Appendix A of this exhibit.



## 1.5 DISTRIBUTION SYSTEM OVERVIEW

### 1.5.1 APPLICANT OVERVIEW

#### **Description of Distributor:**

CWH was incorporated on May 11, 2000, under the laws of the Province of Ontario. 100% of CWH's shares are owned by the Holding Company that, in turn, is wholly owned by the Corporation of the Township of Centre Wellington. The principal activity of CWH is to provide distribution of electricity to the customers of the Town of Fergus and the Village of Elora in the Township of Centre Wellington. The Board of Directors consists of one Chair of the Board and four directors.

#### **Physical Characteristics:**

CWH services the Town of Fergus and the Village of Elora, both of which are completely contained within the municipal boundaries of the Township of Centre Wellington within the upper tier County of Wellington. CWH's service area is embedded within Hydro One Networks Inc. Adjacent Distribution service area which is a large non-contiguous service area serving rural and urban customers in Wellington County.

CWH characteristics:

- Total Service Area: 11.61 sq. km
- Rural Service Area: none
- Distribution Type: Electricity distribution
- Municipal population: 31,093 – 2021 Census Data

CWH provides electrical distribution services to approximately 7,400 residential and commercial customers in its service area. The Applicant's service territory covers approximately 11.61 square kilometers. The Applicant has a total of 160 circuit kilometers of primary wire and underground cable installed of which 78 km or 48% is overhead. The overhead system includes 310 transformers, 1,958 poles, and 434 overhead switches. The Applicants underground distribution system accounts for approximately 52% of its overall distribution system. This portion of the distribution system is comprised primarily of 82 km of underground conductors, and associated distribution transformers.

The Applicant's distribution system is supplied by Hydro One Networks Inc. ("HONI"), primarily from the Fergus TS at a voltage level of 44 kV. The distribution system contains six municipal substations transforming voltage from 44 kV to 2.4/4.16kV. The six substations operate at a primary voltage of 44 kV with secondary transformation to 2.4/4.16 kV, where they supply

1 Distribution feeders owned by The Applicant for wide-area distribution to residential and  
2 commercial customers.

3

4 The Applicant is surrounded by Hydro One Networks with their nearest area office being located  
5 in Guelph.

6

7 **Other Neighbouring Utilities:**

8

9 • To the West Enova Power, formerly Waterloo North Hydro and Kitchener Wilmot Hydro  
10 that merged on September 12, 2022, and provide electricity to over 157,000 customers in  
11 the cities of Kitchener Waterloo and municipalities of Woolwich, Wilmot, and Wellesley.

12 • To the South Alectra/Guelph which was brought from a merger between the two on  
13 January 1, 2019. Alectra services over 1M customers of which the city of Guelph accounts  
14 for approximately 5% of the total customers.

15 • To the North Wellington North Power which services the towns of Arthur and Mount Forest.

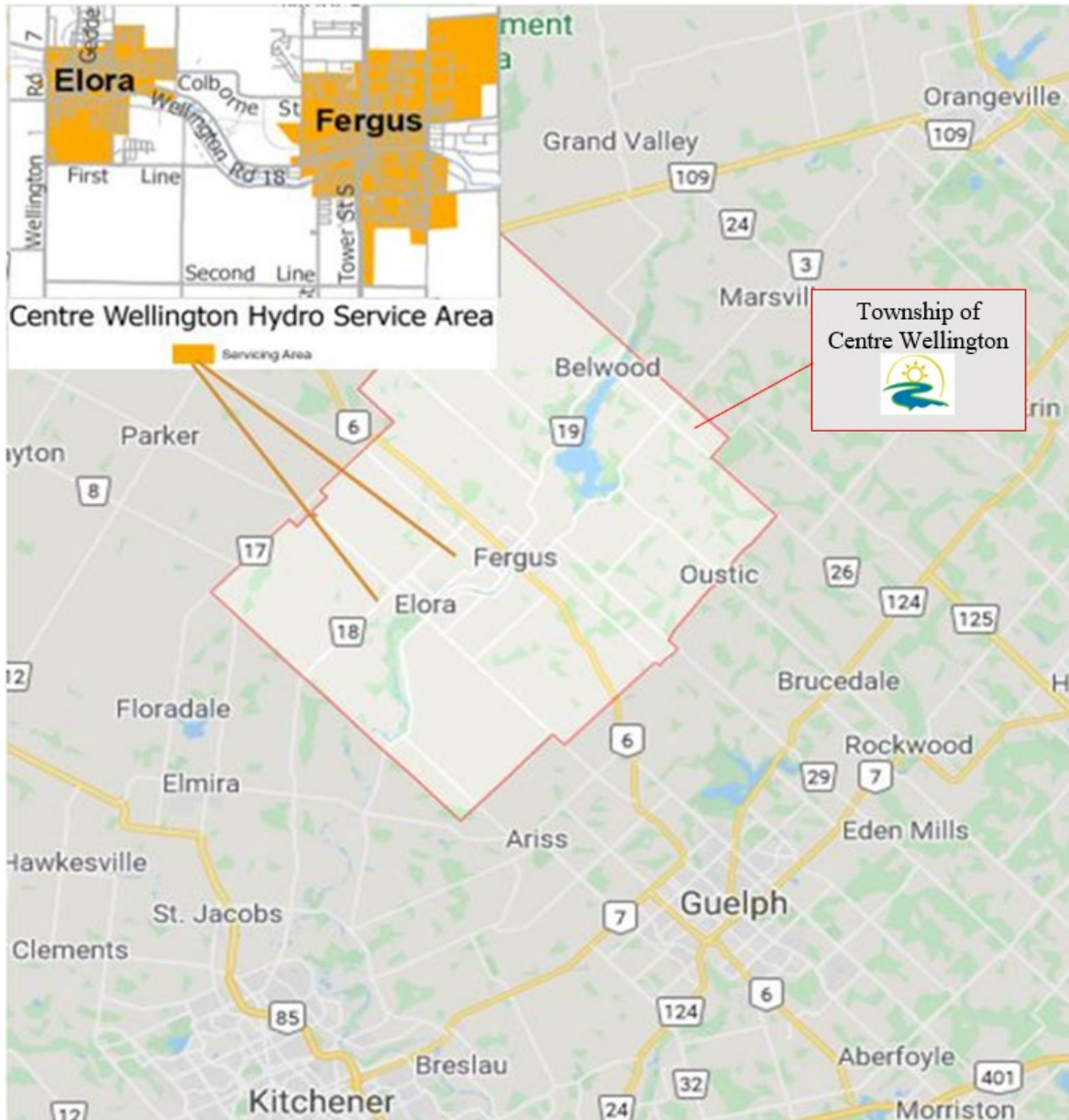
16

1 The map below shows the 2 communities that CWH operates in the Township of Centre  
2 Wellington.

3

4

**Table 15: Geographical Map of CWH's Service Territory**



5

6

1 **Economic Overview**

2  
3 The Township of Centre Wellington is a community in south-central Ontario. The community is  
4 located approximately one hour west of Toronto. CWH is within a 30-minute drive to larger city  
5 centers such as Guelph, Waterloo and Kitchener. Centre Wellington is within a 40-minute drive  
6 to access the major 401 Highway. Traditionally a hub for agriculture and manufacturing, Centre  
7 Wellington’s thriving business community offers a diverse industrial base whose growth sectors  
8 include manufacturing, agriculture, health services and creative industry. With a young, well-  
9 educated and skilled workforce coupled with access to local and international markets, there is  
10 plenty of opportunity to start, grow and achieve success in a wide variety of businesses.

11  
12 The Township population is expected to top 52,000 (or double in size) by 2041. The majority of  
13 these new citizens will be situated outside of CWH’s territory but the influx of people and activity  
14 will increase business both small and large that will affect CWH. A modest increase in residential  
15 and small commercial and industrial connections are expected over the next 10 years until all  
16 existing undeveloped land in CWH’s service territory is developed.

17  
18 The median household income before tax for the Township of CW is \$101,000 a year, and the  
19 national median after tax income is \$73,000 a year. Note that those values were taken from the  
20 2021 National Household Survey. According to the same survey the median value of a dwelling  
21 in Centre Wellington was \$715,000, which is higher than the national average of \$472,000.  
22 With respect to climate, CWH has a continental climate with cool winters, humid summers, and  
23 short autumns and springs.

24  
25 The first snowfalls of the year usually occur in mid-to-late November, but snow does not actually  
26 cover the ground until late December. Before that, snow usually melts as soon as it hits the  
27 ground.

28  
29 In the spring, the snow usually starts melting in March, although occasional “warm breaks” with  
30 temperatures as high as 10 °C (50 °F) usually occur once or twice in March.

31 In recent years, winters have gotten warmer, creating winter freezing rain, which Centre  
32 Wellington Hydro has been affected by, causing electrical service outages over the last.

33 In the summer, humidity is often common, especially in July. Although temperatures are usually  
34 just under 30 °C (86 °F), with the humidity it can feel as hot as 35 °.

35  
36 The Applicant expects that over the planning horizon of this report there will be:

- 37
- 38 • moderate residential and GS<50 kW customer class growth;
  - 39 • around a 6% reduction in the GS>50 kW customer class demand;
  - a decrease in consumption for the Streetlight and Sentinel customer classes.

1 **Host /Embedded Distributor**

2

3 CWH does not host any utilities within its service area.

4

5 CWH does not have any embedded utilities within its service area.

6

7 CWH is embedded within Hydro One’s service territory. CWH is a registered Market Participant

8 dealing directly with the IESO. CWH is also billed by Hydro One from three-meter points for

9 Network and Connection charges. Two of these points are located within the Village of Elora.

10 The Primary Metering Unit (“PMU”) going into Elora is owned by CWH and is an additive PMU.

11 The Primary Metering Unit going out of Elora is a subtractive and is owned by Hydro One

12 Networks. CWH is billed on the difference between the two meters with an uplift of 1.0340. The

13 third meter is located at the Fergus TS and solely meters the Town of Fergus and is uplifted by

14 1.006. CWH owns the 44 kV line within the licensed service area of the Town of Fergus.

15

16 **1.5.2 TRANSMISSION OR HIGH VOLTAGE ASSETS**

17

18 CWH does not have any transmission or high voltage assets (>50kV) deemed by the Board as

19 distribution assets and as such are not seeking approvals from the Board in that regards.

20

## 1.6 MATERIALITY THRESHOLD

The Minimum Filing Requirements state that a distributor with a distribution revenue requirement less than \$10 million must use \$50,000 as a materiality threshold. With a proposed base revenue requirement of \$4,827,272, CWH has used \$50,000 as a materiality threshold throughout this application.

## 1.7 CUSTOMER ENGAGEMENT

### 1.7.1 OVERVIEW OF CUSTOMER ENGAGEMENT

The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach (the “RRFE Report”) contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.

CWH is proud of our historical track record of putting a high value on our customers, ensuring they receive reliable and safe electricity connections through prudent capital and maintenance spending, with high quality customer service. In recent years, with the advancement of technology coupled with enhanced means of communication, customers expect more information and want to be more active participants in the services provided them. CWH is meeting this challenge of enhanced customer engagement through different means and forums to customers in an effort to identify with them and understand what is important to them and what their meaningful priorities are. Examples of activities CWH uses to engage with its customers are:

- Customer satisfaction surveys
- Attending Community Home shows
- Attending Community events such as Earth Day
- Bill inserts
- Local news papers
- Local radio
- Website
- Mayor town hall & Infrastructure information sessions
- School conservation and safety presentations
- Customer counter and reception
- DSP updates and customer engagement surveys

CWH is striving to align our operational plans and goals with our customers’ needs and expectations through all of the customer engagement endeavors. We are also becoming more customer-centric by investing in new programs, and technologies that allow us to communicate more effectively and efficiently with our customers. Some of our current initiatives to maintain or improve our level of customer engagement are as outlined on the next few pages.

CWH has not contacted customers in the current GS 50-2,999 kW or the GS 3,000-4,999 kW classes regarding merging of these two classes together. Bill impacts of these two classes can be seen further in Exhibit 8, Section 8.7.1.



## 1.7.2 CUSTOMER SATISFACTION SURVEY

CWH conducted a customer satisfaction survey with its residential and GS<50 classes. CWH engaged Advanis to conduct an independent customer satisfaction survey for 2023. The survey asked customers questions on a wide range of topics, including: (a) power quality and reliability; (b) price; (c) billing and payment; (d) communications; and (e) the customer service experience. Advanis conducted the 2023 survey from January to March 2023 and the results were compiled into a final report outlining the overall customer satisfaction within the community, and these results were then used to support internal discussions surrounding what is currently being done well, and what needs improvement.

Regarding the 2023 survey results, Advanis surveyed 401 respondents, consisting of 92% residential and 8% commercial. Highlights of CWH succeeding and Customers being satisfied as found in the survey are as follows:

79%	Indexed customer satisfaction
87%	Overall satisfaction of CWH services
95%	Satisfaction of reliability of service
90%	Quickly restores power
90%	Quality of power satisfaction level
82%	Accurate Billing satisfaction level
91%	Convenient bill payment options
87%	Customer service satisfaction
72%	Communication satisfaction level
71%	Ontario electricity system satisfaction
84%	Leader in promoting energy conservation
31%	Familiarity with the portion of bill that goes to CWH
49%	percentage of total electric bill CWH receives for services is reasonable
54%	The cost of my electric bill has a major impact

The complete report is provided as an Appendix B to this exhibit.

### **Improving Customer Experience from Survey Feedback**

CWH reviews the customer satisfaction survey to listen to our customers and understand what their priorities are and use those to improve customers experiences. CWH's 2023 customer survey indicated that our customer priorities in order are; Reliability at 53% importance, Price at 28% importance, Customer Service at 10% importance, and Conservation at 9% importance. We



1 took that information into consideration during maintenance, operations, and capital planning  
2 within our asset management planning and DSP drafting for our short-term and medium-term  
3 budgeting. CWH needs to stay focussed on our customers priorities which is a balance between  
4 reliability and cost, and to do this CWH must plan maintenance programs that mitigate reliability  
5 issues, while ensuring assets are reaching their full useful life and replaced at the most efficient  
6 time. The customer feedback for “familiarity with the portion of bill that goes to CWH” and  
7 “percentage of total electric bill CWH receives” at 31% and 49% respectively, indicates CWH will  
8 need to focus on customer education to help them understand their bills and what their money is  
9 actually paying for. This is critical as the survey also established that 54% of our customers feel  
10 the cost of their electric bill has a major impact on their finances. CWH plans to improve customers  
11 understanding of their payment through website improvements, attending community events -  
12 meeting our customers where they are, implementing a new customer account portal, making bill  
13 print improvements with colour graphics and more seamless presentment, and social media  
14 platforms. CWH will use preferred methods of communications as demonstrated through the  
15 responses from the survey on their preferences which were; Email 61%, Telephone 40%, Bill  
16 inserts 29%, and social media.

### 17 18 1.7.3 FRONT DESK SUPPORT

19  
20 CWH currently maintains front desk support allowing the customer and the utility to interact on a  
21 direct basis. Social interaction is still one of the best ways to be in close contact with the customer.  
22 People appreciate being heard and the opportunity to give feedback, which is conveniently done  
23 when paying your electrical bill at the front counter of your local utility.  
24 With a front desk, information is exchanged regularly with every customer interaction. Data  
25 gathered through these interactions can then be used to improve business outcomes. In this  
26 sense, front desk staff become pivotal to the business and bridges the gap between the customer  
27 and other utility staff. CWH plans on continuing its front desk operations as a form of customer  
28 engagement and to ensure expected customer service levels are maintained.

### 29 30 1.7.4 PUBLICATIONS

31  
32 The majority of CWH’s customers receive a physical bill in the mail, and CWH takes advantage  
33 of this opportunity to communicate additional information via messages in the form of separate  
34 inserts, and messages on the bill itself. Many of these messages are coordinated with  
35 announcements from the OEB, IESO, and other agencies, and include information about retailers,  
36 rate changes, conservation and demand management programs, electrical safety, and references  
37 to our website.  
38

## 1.7.5 MEETINGS AND ADVERTISEMENTS

### Meetings

CWH attended and hosted a table at a Mayors Town Hall public meeting in April 2024 and provided residents with information on upcoming capital projects that are in CW's current DSP with a focus on the 2024 projects that will be happening in the community. Customer Service staff were also on hand to answer customer enquires on rates, electric usage, and general questions. CWH intends to continue attending public open houses and town hall meetings in the future.

### Centre Wellington Spring Home Show

CWH attends the Centre Wellington Spring Home show for 3 days in May of each year and enjoys some attention at its booth. At this event staff assist customers with signing up for ebilling, and logins for our customer account application, Customer Connect. Conservation program information is on hand as well as Green Button, customer rate options, OER, LEAP, and other related customer resources that may benefit them.

## 1.7.6 COMMUNITY INVOLVEMENT

It is important to CWH and its Shareholders that its employees support and give back to their community, and as such the utility participates in several community projects and events such as:

- Christmas Lights: CWH staff installs and removes Christmas lights throughout the town of Fergus and village of Elora annually, as well as participating in the Christmas parades.
- Flower baskets: CWH staff installs hanging baskets of flowers on decorative poles throughout Centre Wellington for the Horticultural society in the spring of each year.
- Bridge lighting: CWH worked with the BIA and Township to install LED coloured lighting on the walking bridge across the Grand River in downtown Fergus.
- July 1<sup>st</sup> celebrations: CWH staff installs flags on decorative poles.
- Centre Wellington Children Mighty Truck show: CWH staff attends (with equipment) this fundraiser intended to raise money for local playgrounds.
- Grand River: Cleanup day: CWH staff assist with removing refuse from the river during annual summer cleanup day.

- 1  
2       • Tree planting days within Centre Wellington Hydro’s service area.  
3

#### 4 1.7.7 SOCIAL SERVICES

5  
6 Financial Assistance Program: CWH provides support through partnerships with the province’s  
7 Low-income Energy Assistance Program (LEAP) program. This emergency financial assistance  
8 program is designed to help low-income customers who have difficulty making their electricity bill  
9 payments.

10  
11 The LEAP program is discussed further in Exhibit 4, Tab 7 title “LEAP, Charitable and Political  
12 Donations”.

#### 14 1.7.8 OTHER ENGAGEMENT ACTIVITIES

15  
16 Other Customer Activities Include:

- 17       • Front counter, in person customer support  
18       • Newsletters, bill inserts, information bulletins, press releases  
19       • Materials (Publications) – New accounts, developers, people with disabilities, etc.  
20       • Meetings – Town Hall, customer specific, Chamber of Commerce, etc.  
21       • Meetings – Association (i.e. EDA, ESA, CHEC, etc.), social entities, OEB,  
22       • Education – Customers, school programs, etc.  
23       • Outage Notification – Planned and unplanned  
24       • Use of social media via media, notify customers of outages, open houses, etc.  
25       • Collecting, tracking and reviewing key customer service/care metrics  
26       • Supporting charitable or not-for-profit organizations in the community  
27       • Forming alliances with other industry companies to improve service, reduce costs.  
28       • Service Orders (i.e.: Arranging for shut off/turn on, service calls, etc.)  
29       • Data Analysis (i.e.: billing information, usage data, conservation data, etc.)  
30       • Maintaining information about an account, preferences or permissions  
31       • Responding to & tracking customer complaints  
32       • Responding to & tracking customer suggestions  
33       • Website, presenting information to customers and CWH offerings.  
34

35 CWH is of the opinion that Utilities have a higher chance of successfully engaging their customers  
36 when they first consider what will please those customers. It is critical for utilities to understand  
37 what really has meaning to their customers and how their customers form an opinion of the utility.  
38 Effective customer engagement addresses each of these through presenting meaningful  
39 information in an accessible manner.  
40

1  
2

**Table 16 – OEB Appendix 2-AC – Customer Engagement Activities Summary**

<b>Provide a list of customer engagement activities</b>	<b>Provide a list of customer needs and preferences identified through each engagement activity</b>	<b>Actions taken to respond to identified needs and preferences. If no action was taken, explain why.</b>
ESA Public Safety Awareness Survey	In collaboration with other CHEC members CWH conducts biannual Electrical Safety Awareness Surveys to raise awareness of customers understanding of safety hazards with electricity in and around their homes and neighbourhoods.	While being a requirement from the OEB the survey serves as a function of customer engagement for CWH and benefits the LDC and customer alike by guiding CWH in its plans towards educating the public and customers and gauging its effectiveness.
Customer Satisfaction Survey	In collaboration with other CHEC members CWH conducts biannual customer satisfaction survey. Although a requirement for licenced electrical distributors to complete this survey provides an opportunity for CWH to engage with customers and add onto the mandated questions in the survey.	Upon completion of each biannual survey CWH's management team and the Board of Directors evaluate the results along with the individual comments made to better understand customers' needs, priorities, and preferences. This process has helped to shape new initiatives at CWH such as implementing new online fillable forms, utilizing automated callouts for collections purposes and steered maintenance and capital investment plans towards their priorities which are reliability being the highest along with reasonable rates.
Fergus Lions Home Show	Support local community group, provide information in person to customers and the public in regards to accounts, CWH plans, customer opportunities (green button, account gateway), safety information and answer general questions.	customer access to CWH staff directly. Customer needs are discussed face to face and CWH staff can answer questions about rebates, financial assistance programs, rates, safety, and what we are doing in the community.
DSP education package and Survey	CWH's Capital Investment and Maintenance plans were presented on CWH's website to educate and gather input. This allowed customers to review CWH's plans prior to approval of the 2025 to 2029 DSP. Customers input was gauged through the use of an online survey where they could answer as to their agreement to CWH's investment plans and comment on CWH's reliability, customer satisfaction and if CWH and customer priorities are aligned.	CWH takes action within our planning process that aligns with customers input such as the DSP education and follow up survey. Customers mainly prefer online services and email communications and CWH endeavours to meet our customers "where they are". Customers had an opportunity to say anything at all in the open comment section of the survey.
Trade Tracks	Support local youth and schools. CWH participated with a demonstration of vehicles and equipment used in the utility environment and answered questions from attendees about careers in the sector with a focus on trades related opportunities.	Customers and public had an opportunity to enquire with CWH trained experts about what we do in the community and how we support secondary and post secondary students through coop positions and opportunities in the sector.
Tree planting days	The environment is a priority for CWH customers and CWH has organized tree planting days within the industrial base of the town of Fergus as a means to offset GHG emissions in our community. CWH engaged with customers by offering to plant a tree for every customer that signed up for an ebill rather than receive paper copies of invoices.	Through customer feedback it is clear they support the encouragement of using electronic bills as a way to reduce our communities environmental impact.

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Customer Connect	CWH provides a self-service tool, accessible through the website where customers can access bill copies, track their consumption, and review bill and payment history.	Customers can access information regarding their account 24/7.
Bill Inserts	Deliver information to customers through paper bills and ebills regarding energy literacy, electricity price plans, surveys, financial programs, and various other topics.	Customers stay informed without having to contact the office, visit social channels, or the website.
In-Office & telephone Customer Engagement	The ability to explain the bills, complete move requests, make payment arrangements, provide account balances, billing inquiries, services such as e-Billing, electricity rates, conservation programs, and bill components.	Consumer concerns and issues are dealt with immediately by knowledgeable Customer Service Representatives (CSR) and in-person. For any concerns that cannot be resolved, the Customer Service Representative (CSR) will involve the Senior Billing Clerk, Lead-Hand, or Operations and Metering manager. Customers who prefer face to face interaction rather than phone or online receive this option.
Social Media (X / Twitter)	During a power outage, customers want updated information about restoration times. This provides real-time updates of outages, promotion of electrical safety, energy conservation and events that the LDC will be attending.	The LDC has received positive customers feedback regarding notification of power outages and restoration times via social media.
Bill Messaging	present applicable messaging to customers on paper and in ebills. Example messaging on Bill. "For a detailed explanation of electricity terms, please visit <a href="http://www.oeb.ca">www.oeb.ca</a> . Any residential customer qualifying as an eligible low-income customer may request and receive a refund of their deposit, after application to any outstanding arrears on their account. Contact us at 519-843-2900 to request your refund.	Customer Bill Messaging is an efficient affordable means of engaging with customers. It keeps them informed without having to contact CWH directly through telephone, email, in person or on-line.
In Office Engagement	Customers have access directly to CWH staff and the ability to enquire about bills, complete move requests, make payment arrangements, provide account balances, services such as e-Billing, electricity rates, conservation programs, and bill components.	Customer concerns and issues are addressed immediately by experienced and professional Customer Service Representatives face to face, which is preferred by many customers. Customers have the ability to escalate concerns that can not be resolved to appropriate departmental supervisors first hand.
Online website	CWH provides on-line account options including bill payment and usage presentment, report a problem and outage map 24/7, along with all applicable self-use and accessible forms for customer needs. Information is kept up to date and through the website where customers can access anytime.	Customers expect on-line services and the ability to do as much as possible in the comfort of their homes and on their own time without missing opportunities or the ability to communicate effectively.





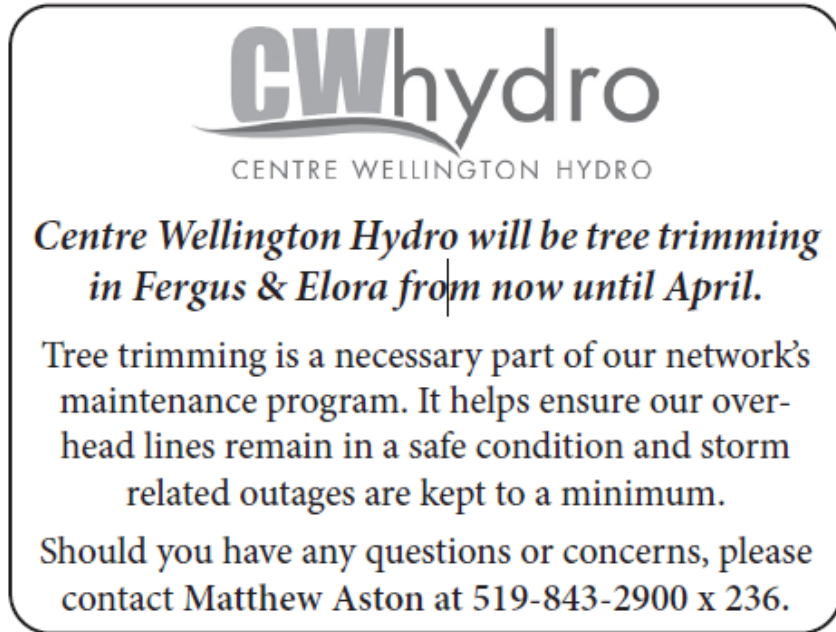
1  
2 Trucks decorated for Fergus Santa Claus Parade.  
3



4  
5 Electrical Safety and Conservation presentation to school children at one of Upper Grand  
6 District Schools.  
7

1 **Advertisements**

2  
3 CWH uses the local community news paper, The Wellington Advertiser, to issue updates on  
4 CWH's projects within the community and how customers may be affected. The following is a  
5 notice published in the Wellington Advertiser notifying customers about Tree Trimming activities  
6 being carried out by CWH staff.



8  
9 **Construction Project Communication**

10  
11 CWH delivers notices directly to customer premises to inform them of major projects or programs  
12 that CWH is planning to do in their neighbourhood. These notices are meant to inform them about  
13 what is going to happen and when so that they will understand how they will be affected in the  
14 short and long term. Customers are encouraged to contact CWH if they have any comments,  
15 concerns or questions related to the specific projects. The following figure is an example of a  
16 notice letter that was sent out in March 2023, to advise customers of a project that occurred in  
17 their specific area.

18  
19



Centre Wellington Hydro Julie Bott (jbott@cwhydro)  
730 Gartshore St. P.O. Box 217, Fergus, Ontario, N1M 2W8  
Phone: (519) 843-2900 Fax: (519) 843-7601 [www.cwhydro.ca](http://www.cwhydro.ca)

---

Mar/2023

Dear Customer:

To better serve your current and future electrical needs and improve reliability and safety, Centre Wellington Hydro will be replacing the overhead conductor and poles in your area.

The work will be on-going through the months of May to June 2023. Work may require temporary power outages to your residence and/or business. CWH will endeavor to provide a minimum of 24 hours' notice for such outages.

The planned work will require some boulevard excavation and replacement of poles and all disturbed landscaping will be reinstated.

Should you have any questions or concerns, please contact our office during regular business hours, by email [enquiries@cwhydro.ca](mailto:enquiries@cwhydro.ca) or phone (519) 843-2900 ext. 236.

Thank you for your cooperation.

Sincerely,

Matthew Aston  
Operations Manager

1  
2



1 1.7.9 LETTER OF COMMENT

2 CWH does not have any letter of comments to add at the time of the filing however, CWH is  
3 committed to addressing any comments or matters that are raised in letters of comment filed with  
4 the Board during the course of this proceeding and file those responses as additional evidence.  
5

## 1.8 PERFORMANCE MEASUREMENT

### 1.8.1 SCORECARD RESULTS AND ANALYSIS

CWH has continued to reflect a customer focused, financially sound, safe and reliable Local Distribution Company. Customer satisfaction and feedback inform and influence CWH's operations, which are reflected in the continued low number of dissatisfied customers. CWH continues to be a financially strong company that re-invests in technology that will bring improvements to customer interactions, system reliability and safety. CWH's 2022 Scorecard, which was published in the fall of 2023, is shown below. The Scorecard reflects the operational and financial performance of CWH. CWH has performed well relative to the OEB targets.

CWH's Scorecard and accompanying Management Discussion and Analysis can also be found at [CWH 2022 Scorecard \(cwhydro.ca\)](https://www.cwhydro.ca)

Scorecard - Centre Wellington Hydro Ltd.

7/14/2023

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	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	99.53%	100.00%	100.00%	100.00%	100.00%	🟢	90.00%		
		Scheduled Appointments Met On Time	99.51%	100.00%	99.89%	100.00%	100.00%	🟢	90.00%		
		Telephone Calls Answered On Time	97.88%	98.16%	69.90%	90.92%	94.23%	🟡	65.00%		
	Customer Satisfaction	First Contact Resolution	99.72	99.88%	99.43%	99.03%	99.26%	🟢			
		Billing Accuracy	99.82%	99.97%	99.88%	99.96%	99.90%	🟢	98.00%		
		Customer Satisfaction Survey Results	79.9	79.90	81%	81	79%				
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	85.80%	85.70%	85.70%	83.70%	83.70%				
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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 <sup>2</sup>	0.31	0.45	0.27	0.26	0.21	🟢		0.65	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.70	0.48	0.20	0.22	0.20	🟢		0.24	
	Asset Management	Distribution System Plan Implementation Progress	100	85	73%	70	76%				
	Cost Control	Efficiency Assessment	3	3	3	3	2				
		Total Cost per Customer <sup>3</sup>	\$710	\$731	\$675	\$660	\$715				
		Total Cost per Km of Line <sup>3</sup>	\$31,963	\$32,896	\$30,739	\$30,457	\$33,310				
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 <sup>4</sup>	100.00%								
		New Micro-embedded Generation Facilities Connected On Time	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)	1.52	1.28	1.42	1.49	1.53				
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.07	0.96	0.93	0.86	0.80				
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.00%			
			Achieved	7.14%	5.19%	7.86%	9.84%	9.33%			

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

**1.8.2 BENCHMARKING (PEG) FORECAST MODEL**

In 2022 CWH moved from group 3 to group 2, with regards to the PEG efficiency assessment. CWH continues to seek ways of reducing costs, finding efficiencies through collaboration and cost-sharing ideas. The table below shows the forecasted benchmarking calculations from the OEB model, which is being filed along with this application. CWH’s results indicate it will remain in cohort 2.

As part of CWH’s budget process, described in Exhibit 4, CWH populates the OEB Benchmarking model to ensure budgets are not negatively impacting their PEG results.

**Table 17 - Summary of Benchmarking Results**

	<b>2022 (History)</b>	<b>2023 (History)</b>	<b>2024 (Bridge)</b>	<b>2025 (Test Year)</b>
<b>Cost Benchmarking Summary</b>				
Actual Total Cost	5,394,393	5,551,728	5,995,625	6,419,761
Predicted Total Cost	6,154,456	6,484,955	6,878,110	7,442,737
Difference	(760,063)	(933,228)	(882,486)	(1,022,976)
Percentage Difference (Cost Performance)	-13.18%	-15.54%	-13.73%	-14.79%
<b>Three-Year Average Performance</b>	<b>-11.14%</b>	<b>-13.88%</b>	<b>-14.15%</b>	<b>-14.68%</b>
<b>Stretch Factor Cohort</b>				
Annual Result	2	2	2	2
Three Year Average	2	2	2	2

### 1.8.3 ACTIVITY AND PROGRAM BENCHMARKING (APB)

The Ontario Energy Board (OEB)'s approach to APB is one of continuous improvement with a view to increasing its value as a tool to drive utility performance and support efficiencies in the regulatory process. The APB relies on unit costs as the primary benchmarking method to support decision-making in the sector, so the focus of the enhancements is on unit cost benchmarking. The results, aim to achieve two main goals:

- 1) Ensure that the unit cost metrics reflect the underlying business drivers of the costs themselves
- 2) Have the results of the unit cost models enable accurate comparability of unit costs between distributors

The table below summarizes the results of the APB report for 2018 and 2022.

**Table 18 – Summary CWH APB Results (2018-2022) with Industry Average**

Activity/Program	CWH 5-year Average (\$)	Industry Average (\$)	Variance (\$)	% Difference
Unit Cost as \$ per Customer				
<b>Billing O&amp;M</b>	39.17	26.43	+12.74	33%
<b>Metering O&amp;M</b>	27.70	13.96	+13.74	50%
<b>Meter CAPEX</b>	7.65	136.36	-128.71	-1682%
O&M Unit Cost (\$/Pole)				
<b>Vegetation Management</b>	28.38	68.27	-39.89	-141%
<b>Pole Maintenance</b>	21.67	11.90	9.77	45%
<b>Poles, Towers &amp; Fixtures CAPEX</b>	4,668.76	24,157.90	-19,489.14	-417%
Unit Cost (\$/Circuit km of Primary Line)				
<b>Lines O&amp;M</b>	1,221.50	1,073.10	+148.40	12%
Unit Cost (\$/MVA per Station)				
<b>Stations Maintenance O&amp;M</b>	1,717.52	1,397.00	+320.52	19%
<b>Station CAPEX</b>	28,338.17	3,234.90	+25,103.27	89%
Unit Cost (\$/Line Transformer Addition)				
<b>Line Transformer CAPEX</b>	5,266.15	16,976.00	-11,709.85	-222%

Each activity/program is analyzed below.

**Table 19 - Billing O&M (tab T-6 in PEG APB model)**

	Cost (\$1,000)					Scale (1,000 Customers)					Unit Cost (\$/Customer)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
CWH	234.58	263.94	281.31	312.30	336.89	7.00	7.20	7.30	7.40	7.50	33.51	36.66	38.54	42.20	44.94	39.17
Year-over-Year Chg (\$)		29.36	17.37	30.99	24.59		0.20	0.10	0.10	0.10		3.15	1.88	3.67	2.73	
Year-over-Year Chg (%)		12.52%	6.58%	11.01%	7.87%		2.86%	1.39%	1.37%	1.31%		9.39%	5.12%	9.51%	6.48%	

CWH's 5-year average unit cost per customer is \$39.17 which is higher than the provincial average of \$26.43 over the same timeframe. The higher-than-average OM&A expenditures are in part due to CWH taking a very focused approach to accurate billing with minimal estimation and delinquent accounts and in part due to spreading out the costs related for the necessary systems and staffing to complete billing across fewer customers for a small LDC.

**Table 20 – Metering O&M (T-15 in PEG APB model)**

	Cost (\$1,000)					Scale (1,000 Customers)					Unit Cost (\$/Customer)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
CWH	202.33	213.20	209.82	188.94	191.66	7.02	7.16	7.28	7.40	7.50	28.81	29.79	28.81	25.53	25.56	27.70
Year-over-Year Chg (\$)		10.87	- 3.38	- 20.88	2.72		0.13	0.13	0.12	0.10		0.98	- 0.98	- 3.28	0.03	
Year-over-Year Chg (%)		5.37%	-1.59%	-9.95%	1.44%		1.91%	1.77%	1.61%	1.31%		3.40%	-3.30%	-11.38%	0.13%	

CWH's 5-year average unit cost per customer is \$27.70 which is higher than the provincial average of \$13.96 over the same timeframe. CWH operations takes the time to investigate smart meter mesh network communications errors and to ensure actual interval data is being collected rather than estimating, this could account for the higher-than-average meter maintenance costs. CWH's higher than average meter maintenance costs contribute positively to CWH's much lower than average Meter capital expenditures by extending the lives of the assets.

**Table 21 - Meters CAPEX (tab T-33 in PEG APB model)**

	Cost (\$1,000)					Scale (1,000 Customers)					Unit Cost (\$/Customer)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
CWH	33.92823	101.31096	37.68566	25.825	79.55	7.02	7.16	7.28	7.40	7.50	4.832	14.157	5.174	3.490	10.611	7.65
Year-over-Year Chg (\$)		67.38	- 63.63	- 11.86	53.73		0.13	0.13	0.12	0.10		9.33	- 8.98	- 1.68	7.12	
Year-over-Year Chg (%)		198.60%	-62.80%	-31.47%	208.05%		1.91%	1.77%	1.61%	1.31%		193.01%	-63.45%	-32.56%	204.06%	

CWH's 5-year average unit cost per customer is \$7.65 which is lower than the provincial average of \$136.36 over the same timeframe. CWH's higher-than-average meter maintenance costs contribute to the lower-than-average meter capital expenditures for this benchmark.

**Table 22 - Vegetation Management O&M (tab T-18 in PEG APB model)**

	Cost (\$1,000)					Scale (1,000 Poles)					Unit Cost (\$/Pole)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	47.22	42.74	52.01	61.54	64.45	1.82	1.86	1.91	1.92	1.92	26.00	23.00	27.26	32.13	33.51	28.38
Year-over-Year Chg (\$)		- 4.48	9.28	9.52	2.91		0.04	0.05	0.01	0.01		- 3.00	4.26	4.87	1.38	
Year-over-Year Chg (%)		-9.49%	21.70%	18.31%	4.73%		2.31%	2.69%	0.37%	0.42%		-11.54%	18.51%	17.88%	4.29%	

CWH's 5-year average unit cost per pole is \$28.38 which is lower than the provincial average of \$68.27 over the same timeframe. No immediate remedial action is required and CWH anticipates its ongoing vegetation expenditures to remain lower than the provincial average.

**Table 23 – Poles, Towers and Fixtures O&M (tab T-9 in PEG APB model)**

	Cost (\$1,000)					Scale (1,000 Poles)					Unit Cost (\$/Pole)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	50.26	60.40	26.94	21.06	44.29	1.82	1.86	1.91	1.92	1.92	27.68	32.51	14.12	11.00	23.03	21.67
Year-over-Year Chg (\$)		10.14	- 33.46	- 5.88	23.22		0.04	0.05	0.01	0.01		4.83	- 18.39	- 3.12	12.03	
Year-over-Year Chg (%)		20.17%	-55.39%	-21.82%	110.26%		2.31%	2.69%	0.37%	0.42%		17.45%	-56.56%	-22.11%	109.39%	

CWH's 5-year average unit cost per pole is \$21.67 which is higher than the provincial average of \$11.90 over the same timeframe. CWH had an aggressive pole testing and inspection program over the 5-year period which contributed to the higher than average spend. This higher than average expenditure is in contrast to CWH's lower than average pole capital expenditures indicating CWH has allocated resources to maintain these assets in an effort to offset capital costs.

**Table 24 – Poles, Towers and Fixtures Capex (tab T-24 in PEG APB model)**

	Cost (\$1,000)					Scale (Poles Additions)					Unit Cost (\$/Pole Addition)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	194.15	159.94	196.87	268.74	430.65	52	43	55	55	58	3,734	3,720	3,579	4,886	7,425	4,669
Year-over-Year Chg (\$)		- 34.21	36.93	71.87	161.91		- 9.00	12.00	-	3.00		- 14.15	- 140.13	1,306.72	2,538.82	
Year-over-Year Chg (%)		-17.62%	23.09%	36.51%	60.25%		-17.31%	27.91%	0.00%	5.45%		-0.38%	-3.77%	36.51%	51.96%	

CWH's 5-year average unit cost per pole addition is \$4,668.76 which is lower than the provincial average of \$24,157.90 over the same timeframe. CWH anticipates its spending in this category to remain lower than the provincial average in the coming years.

**Table 25 - Lines O&M (tab T-12 in PEG APB model)**

	Cost (\$1,000)					Scale (Circuit km of Primary Line)					Unit Cost (\$/Circuit km of Primary Line)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	232.15	284.05	243.23	214.49	0.03	159	159	160	160	160	1,460	1,786	1,520	1,341	0	1,221.50
Year-over-Year Chg (\$)		51.90	- 40.81	- 28.75	-214.45		-	1.00	-	-		326.40	-266.26	- 179.66	-1,340.33	
Year-over-Year Chg (%)		22.36%	-14.37%	-11.82%	-99.98%		0.00%	0.63%	0.00%	0.00%		22.36%	-14.90%	-11.82%	-99.98%	

CWH's 5-year average unit cost per km of line is \$1,221.50 which is slightly higher than the provincial average of \$1,073.10 over the same timeframe. CWH attributes Line Maintenance programs to extremely positive reliability performance of the system and low outages; no immediate remedial action is required and CWH anticipates its ongoing line maintenance expenditures to remain in-line with the current trend.

**Table 26 – Stations O&M (T-21 in PEG APB model)**

	Cost (\$1,000)					Scale (Total MVA)					Unit Cost (\$/MVA per Station)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	47.38	83.00	54.21	45.98	54.90	33	36	32	32	32	1,436	2,305	1,694	1,437	1,716	1,717.52
Year-over-Year Chg (\$)		35.62	- 28.79	- 8.23	8.92		3.00	- 4.00	-	-		869.69	-611.54	-257.20	278.88	
Year-over-Year Chg (%)		75.17%	-34.69%	-15.18%	19.41%		9.09%	-11.11%	0.00%	0.00%		60.57%	-26.53%	-15.18%	19.41%	

CWH's 5-year average unit cost per MVA of station capacity is \$1,717.52 which is slightly higher than the provincial average of \$1,397.00 over the same timeframe. CWH had higher than normal maintenance costs (>75%) in 2019 as a temporary station transformer needed to be installed for a failing unit that was planned to be replaced in the shoulder load season. There were additional O&M costs to put a temporary transformer in place while waiting for the new transformers to arrive. The new transformer was capitalized. Further to this CWH contracts out all station maintenance for both scheduled and unplanned work that is required.

**Table 27 – Stations CAPEX (tab T-27 in PEG APB model)**

	Cost (\$1,000)					Scale (Total MVA)					Unit Cost (\$/MVA per Station)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	40.75	805.69	-	-	-	5.50	6.00	(4.00)	-	-	7,409	134,281	-	-	-	28,338
Year-over-Year Chg (\$)		764.94	- 805.69	-	-		0.50	- 10.00	4.00	-		126,872	(134,281)	-	-	
Year-over-Year Chg (%)		1877%	-100%	0%	0%		9.09%	-166.67%	-100.00%	0.00%		1712.31%	-100.00%	0.00%	0.00%	

CWH's 5-year average unit cost per MVA of station capacity is \$28,338.17 which is much higher than the provincial average of \$3,234.90 over the same timeframe. CWH had a large capital project in 2019 to replace a station transformer which increased 2019's spending by 1877.07% and in turn inflated the 5-year average.



**Table 28 - Line Transformer CAPEX (tab T-30 in PEG APB model)**

	Cost (\$1,000)					Scale (Lines Transformer Additions)					Unit Cost (\$/Line Transformer Addition)					Average
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	
	168.73	127.57	88.96	13.85	44.61	23	13	23	11	11	7,336	9,813	3,868	1,259	4,055	5,266.15
Year-over-Year Chg (\$)	-	41.16	- 38.61	- 75.11	30.76	-	10.00	10.00	- 12.00	-	-	2,477	(5,945)	(2,609)	2,796	
Year-over-Year Chg (%)		-24.39%	-30.27%	-84.43%	222.10%		-43.48%	76.92%	-52.17%	0.00%		33.77%	-60.59%	-67.45%	222.10%	

CWH's 5-year average unit cost for line transformation is \$5,266.15 which is lower than the provincial average of \$16,976.00 over the same timeframe. CWH has experienced significantly higher transformer procurement costs over the last three years and expects this trend to continue into the future which will lead to higher capital expenditures.

## 1.9 FACILITATING INNOVATION

Facilitating innovation is part of CWH's business strategy and examples of this are the implementation of CWH's AMI system, building on that system for outage management tools, and implementing a SCADA system with remote capabilities for station automation. CWH plans to modernize its grid by replacing assets that no longer meet CWH's design standards with assets that meet the latest standards. CWH's reliability is excellent although we will continue to investigate solutions such as automated field switches and consider their use if the benefit outweighs the initial cost.

Establishing a reliable distribution system that can accommodate REG's is one way to proactively facilitate positive change and CWH will continue to focus on renewing its distribution system with this in mind. Along with the adoption of EV's as their use is a positive step to fighting climate change and CWH is encouraging the use of EV's by installing chargers in both its service areas, Fergus and Elora. CWH has installed 3 chargers in its service territory to date, which are currently free of charge to users.

CWH recognizes through customer engagement that there is an even split between customers that stated CWH should be investing in infrastructure that could accommodate new technologies now, and customers that believe CWH should not invest in new technologies until they are more commonplace. CWH needs to balance facilitating innovation with prudent investment and development within our service area.

**1.10 FINANCIAL INFORMATION**

The OEB’s RRFE for electricity distributors includes Financial Performance as one of the performance measurements. The four financial metrics included are liquidity, leverage, deemed return on equity and achieved return on equity. CWH’s metrics for historical years 2018 to 2023 and 2024 Bridge Year and 2025 Test Year projection based on current rates are shown in Table 29 - below.

**Table 29 - Financial Performance Financial Ratios**

Financial Performance Financial Ratio				
Year	Liquidity Current Ratio Leverage	Total Debt to Equity Ratio Profitability	Regulatory Return on Equity - Deemed Profitability	Return on Equity-Achieved
2018	1.52	1.07	9.00%	7.14%
2019	1.28	0.98	9.00%	5.19%
2020	1.42	0.93	9.00%	7.86%
2021	1.49	0.86	9.00%	9.84%
2022	1.53	0.80	9.00%	9.33%
2023	1.58	0.72	9.00%	11.44%
2024 Bridge	1.55	0.80	9.00%	10.06%
2025 Test	1.50	1.02	9.21%	9.21%

CWH strives to be financially responsible in controlling capital and OM&A expenditures to provide a rate of return within the OEB allowed return on equity thereby meeting the shareholder’s expectations while continuing to reinvest in its distribution system to meet customer expectations and operational efficiencies for the safe and reliable delivery of electricity.

## 1.10.1 ACCOUNTING STANDARDS FOR REGULATORY AND FINANCIAL REPORTING

### **Changes in Tax Status:**

CWH is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last Cost of Service Application, nor is it seeking a change in its tax status.

### **Existing/Proposed Accounting Order:**

CWH confirms it implemented the regulatory accounting changes for depreciation and overhead capitalization in 2015. The 2025 Cost of Service Application has been filed on an MIFRS accounting basis.

### **Accounting Standard used in Application:**

In accordance with the Filing Requirements, CWH has used MIFRS as the accounting standard for financial statements purposes since 2015.

### **Employee Pension and Benefits.**

OPEBs current expenses of retired employees is included in administrative expenses and has never been included in capital cost.

CWH's employees are members of the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan that most LDCs participate in, therefore the pension benefit provided to CWH's employees is consistent with that of other LDCs. The plan is a contributory defined benefit pension plan which is financed by equal contributions from the employer and employee based on the employee's contributory earnings. Employers cost of OMERS that is directly attributable to capital labour hours is capitalized.

### **Compliance with the Uniform System of Accounts**

CWH has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application. CWH is not aware of any departures from the USoA or to any OEB accounting orders.

## 1.10.2 ACCOUNTING TREATMENT OF NON-UTILITY RELATED BUSINESS

CWH provides non-utility services in two distinct sectors which are “Street Lighting – repair and maintenance” as well as “Water and Wastewater– customer service and billing”.

Net income related to providing Water and Wastewater billing to the Township of Centre Wellington has been included in the Other Operating Revenue and helps to offset cost to the electrical ratepayers. Revenues and expenses related to Water and Wastewater billing are included in account 4375 and 4380 as Non-Regulated Utility Operations.

Expenses for Street Lighting, labour, burdens, equipment and materials, are recorded in accounts 1875 (for new streetlights) and 5615 (for repairs and maintenance). CWH invoices the Township of Centre Wellington for these costs; they are not discounted or marked up. Therefore, no revenue or loss is typically created for Street Light maintenance by CWH. In 2023 CWH wrote off obsolete street light inventory, this loss was accounted for in 4380 and not reflected in recoverable rates.

Other non-utility business (such as EV chargers) is recorded in both accounts 4375 for income and 4380 for expenses and shall have no effect on the revenue requirement of The Applicant but shall adhere to the OEB Accounting Procedure Handbook.

## 1.10.3 HISTORICAL FINANCIAL STATEMENTS

The following attachments are presented in this next section.

- Appendix C Year ended 31 December 2022
- Appendix D Year ended 31 December 2023

## 1.10.4 RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND RESULTS FIELD

CWH has presented RRR 2.1.13 reconciliations of USofA Mapped to the Audited Financial Statements for the years ended December 31, 2012 and December 31, 2023 as Appendices E and F.

## 1.10.5 ANNUAL REPORT

The Applicant does not publish an annual report to its shareholders. Financial statements are presented yearly to the shareholder in a special meeting.

1 1.10.6 PROSPECTUS AND RECENT DEBT/SHARE ISSUANCE UPDATE

2  
3 CWH does not issue debt or share nor do they publish any prospectus.  
4

5 1.10.7 OTHER RELEVANT INFORMATION

6  
7 **Tax Status**

8  
9 The utility is not seeking any changes in its tax status in this application.  
10

11 **Account Standards used in Application**

12  
13 In accordance with the Board's Filing Requirements, CWH has provided information all  
14 information if IFRS.  
15

16 **Segregation of Rate Regulated Activities**

17  
18 CWH was engaged in the delivery of the IESO's Conservation and Demand Management  
19 Programs. The accounting of these activities were segregated from CWH's rate regulated  
20 activities in accordance with the Board's Accounting Procedures Handbook for Electricity  
21 Distributors.

## 1.11 DISTRIBUTOR CONSOLIDATION

CWH has not acquired nor amalgamated with any other distributor(s) since its last rebasing application 2018 EB-2017-0032.

In its 2021 mandate letter to the OEB, the Minister of Energy directed the OEB to require from LDC's with fewer than 30k customers to file information within their CoS in regards to collaboration and consolidation opportunities. Page 4 of the letter states the following:

*“The OEB should continue to ensure that the structure and operations of the distribution sector constantly evolve towards optimal efficiency. To that end, the OEB should explore opportunities to enable proactive investment in energy infrastructure, such as protection and refurbishment, where utilities can prove there are long-term economic and reliability benefits to ratepayers. In previous years, these efficiencies have been found both through utility mergers/acquisitions and with the formation of innovative partnerships between utilities. Considering this, I also ask that the OEB require LDCs with fewer than 30,000 customers to file information within their cost-of-service applications on the extent to which they have investigated potential opportunities from consolidation or collaboration/partnerships with other distributors.”*

CWH has a long history of collaboration and was one of the founding members of Cornerstone Hydro Electric Concepts (CHEC) and Utility Collaborative Services (UCS) groups.

The CHEC group is a collaborative organization that includes mainly small LDCs in the province. Resources and support are delivered by the association through member participation, fulltime CHEC staff, and shared consultants. Participation results in substantial efficiencies and workload reduction for each member. A valuation of the organization (through a template created by BDO) performed in 2020 set the valuation at approximately \$256,767 for a three-year term, or \$86,600 annually per member. Shared resources are provided across the board including Operations/Health & Safety, Finance & Regulatory, Billing and Customer Information Systems, Human Resources, Communications and Customer Engagement. Specific examples of the resources include:

- Group purchase of the biennial Customer Satisfaction and Electrical Safety Awareness surveys by members reduces cost of the reports and the standardization allows for easier comparisons between LDCs.
- A Disconnection Process Working Group developed a calendar tool and communication templates to assist LDC's disconnection processes and ensure the DSC rules are being followed and accurate information was being shared with customers.
- The Green Button All-Member Working Group allowed for the successful implementation of the provincially mandated program. The group led the vetting and evaluation of third-party vendors and facilitated collaboration within members that saved individual LDC resources, time, and costs.

1 The extended group ensured the project was guided by the experience and knowledge of a larger  
2 pool of expertise that allowed for a smoother implementation with assurance of success.

3  
4 • Shared training across all portfolios provides a more robust experience, leaning on more  
5 expertise than individual LDC's can produce alone. Members share the costs of professional  
6 trainers that may otherwise not be accessible. Training sessions educate members on the  
7 changes and requirements within the industry with recent courses such as Basic & Advanced  
8 Regulatory training, Leadership Training, Basics of Electricity and Electrical Safety Awareness I  
9 & II, Managing Customer Relationships, Effective Business Communication, Spring Safety  
10 Session including a mock accident trial, Privacy & Information Access Training, and HR training.

11  
12 • CHEC as a recognized organization within the industry and a voice of small LDCs in Ontario  
13 has facilitated improved communication between regulatory bodies, such as the OEB and the  
14 Ministry of Energy, and the CHEC members, resulting in more informed staff and the opportunity  
15 to provide feedback.

16  
17 • CHEC encourages networking and members are in constant communication with each other,  
18 sharing ideas and opportunities for savings and mutual support. Working together to develop  
19 policies, CoS models, processes, studies, and integral documents such as Conditions of Service  
20 for customers.

21  
22 • CHEC members support each other through the sharing of material and equipment, and a  
23 mutual aid agreement that has allowed for area assist during extreme weather events as well as  
24 supporting LDC's capital projects construction to completion.

25  
26 • CHEC members have the flexibility to collaborate as a whole group or spin off groups that require  
27 specific needs that other members are not in need of. An example of this is a shared full time GIS  
28 expert position implemented by 5 LDC's. This enables each of these smaller LDCs to obtain the  
29 services of a dedicated GIS expert on a part time basis in a manner that would not otherwise be  
30 available, and to share the cost.

31  
32 The UCS group is made of five LDC members who share a common platform for the Northstar  
33 CIS system and a full time CIS/IT expert staff member that manages the platform and supports  
34 members through day-to-day activities and numerous market/billing changes driven by the OEB  
35 and the Ministry of Energy.

36  
37 CWH collaborates with other LDC's by using their services, and an example of this is EARTH's  
38 group of companies that offer competitive offerings such as bill printing & mailing, meter service  
39 provision, retailer hub services, Green Button module, and hosting of CWH's CIS system.

40  
41 CWH is a member of Utilities Standard Forum ("USF"), a collaborative organization that includes  
42 small, medium, and large LDCs in the province. Resources and support are delivered by the



1 association through member participation and full time USF staff. Participation results in  
2 substantial efficiencies and workload reduction for its membership through the shared resources  
3 model that includes support in most areas of LDCs operations. Examples of the support offered  
4 through the USF group are:

- 5
- 6 • Networking opportunities that include meeting multiple times a year to connect and collaborate  
7 with industry peers
- 8
- 9 • Receiving updates from industry stakeholders and LDCs that spur discussion forums on current  
10 happenings that fosters group discussion and sharing ideas on LDC's practices and experiences  
11 and what works for each.
- 12
- 13 • Members have access to common design, construction, and material standards to reduce  
14 redundancy and create efficiencies.
- 15

16 CWH is a member of the Electricity Distributors Association (“EDA”) that brings together LDCs,  
17 affiliates, and commercial companies that work closely with LDCs. Their staff provides  
18 government advocacy, policy analysis, training, and networking opportunities. Participation  
19 results in substantial efficiencies, access of knowledge and additional resources, as well as active  
20 participation in shaping legislation within the province. Shared resources are provided for multiple  
21 areas of LDCs operations through several portfolios including Regulatory, Operations and  
22 Engineering, Finance, Human Resources, Communications, Conservation and Sustainability and  
23 Electrification.

24

25 CWH collaborates with the Municipal Electric Association Reciprocal Insurance Exchange  
26 (MEARIE) Group. MEARIE provides an array of financial, insurance and risk management  
27 solutions to Ontario's energy sector. Reciprocals are Member-owned and not-for-profit, and the  
28 focus is on the long-term interests of Membership. Participation results in group purchasing power  
29 and sector knowledge and insights. Shared resources are provided to the LDCs in the form of  
30 Commercial Insurance and Risk Based Services, including Human Capital Risk. General  
31 examples of the resources include:

- 32
- 33 • Insurance (comprehensive general liability, directors & officers, privacy/cyber, property, etc.)
- 34 • Industry Relations
- 35 • Compensation Benchmarking Services
- 36

37 All of the above examples of CWH's collaborative efforts have contributed to CWH's ability to  
38 continue providing reliable electricity to customers, with rates relative to inflation, and customer  
39 service that exceeds industry targets. CWH has been able to do this while keeping its workforce  
40 at the same FTE count over the last seven years during its last CoS rate rebasing period. Another  
41 testament to CWH's commitment to collaboration that drives efficiency outcomes is evidenced by  
42 CWH recently moving from Cohort 3 to Cohort 2 of the OEB's Benchmarking assignments.

## 1.12 IMPACTS OF COVID-19 PANDEMIC

1 CWH is not seeking to recover any costs that it incurred or lost revenue from the COVID-19  
2 pandemic. While CWH did incur costs related to COVID-19 they were not material. CWH did  
3 follow the public health recommendations and increased safety measures such as providing  
4 barriers around open desk spaces, increased access to cleaning supplies for staff to wipe down  
5 contact areas and limited people (including staff) in our office and distribution centre. CWH  
6 encountered reduced costs such as reduced travel expenses for conferences, seminars and  
7 training, CWH's own utility bills for water and electricity were lower as staff worked from home  
8 temporarily and there were reduced costs for janitorial as limitations were set for anyone coming  
9 into the office and as staff predominantly worked from home, it was not necessary to maintain the  
10 same cleaning schedule. CWH's GS 50-2,999 kW and GS 3,000-4,999 kW classes did see a  
11 reduction in demand and therefore CWH's distribution revenues were reduced, however those  
12 customers did not experience an extended period of time with reductions in their demand. In the  
13 early stages of the pandemic CWH stopped charging late fees on customers monthly hydro bills  
14 for a period of 2 months, and CWH was very fortunate that there was not a significant increase in  
15 bad debts. These details are shown and examined further in Exhibit 4 within the OM&A and in  
16 Exhibit 6 within Other Revenue.  
17

1 APPENDICES

2

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Appendix B	2024 Customer Satisfaction report
Appendix C	Financial Statements for Year ended 31 December, 2022
Appendix D	Financial Statements for Year ended 31 December, 2023
Appendix E	RRR 2.1.13 USofA Mapped to Audited Financial Statements 2022
Appendix F	RRR 2.1.13 USofA Mapped to Audited Financial Statements 2023

3

Centre Wellington Hydro Ltd.

Exhibit 1

Appendix A

CWH Business Plan



## BUSINESS PLAN 2023 - 2029



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## 1. Executive Summary

Centre Wellington Hydro Ltd. (“CWH”) is a fully licensed distributor of electricity pursuant to a distribution license ED-2002-0498 issued by the Ontario Energy Board (the “OEB” or “Board”) under the Ontario Energy Board Act, 1998 (the “Act”), and also falls under the Ontario Business Corporations Act (OBCA) as a private corporation.

CWH was formed at the time of deregulation by the merging of the former Fergus PUC and Elora Hydro Electric Commission by the newly formed municipality of the Township of Centre Wellington, which is the sole owner of CWH. CWH’s core business is developing and managing an electrical distribution network in the Municipality of the Township of Centre Wellington in southwestern Ontario, specifically the Town of Fergus and Village of Elora, and delivers electricity to residential, commercial and industrial customers via its distribution system. CWH earns income based on fixed and volumetric service charges for the distribution of this electricity and other revenues. The service charge prices are set through a periodic rate making process via applications to the OEB.

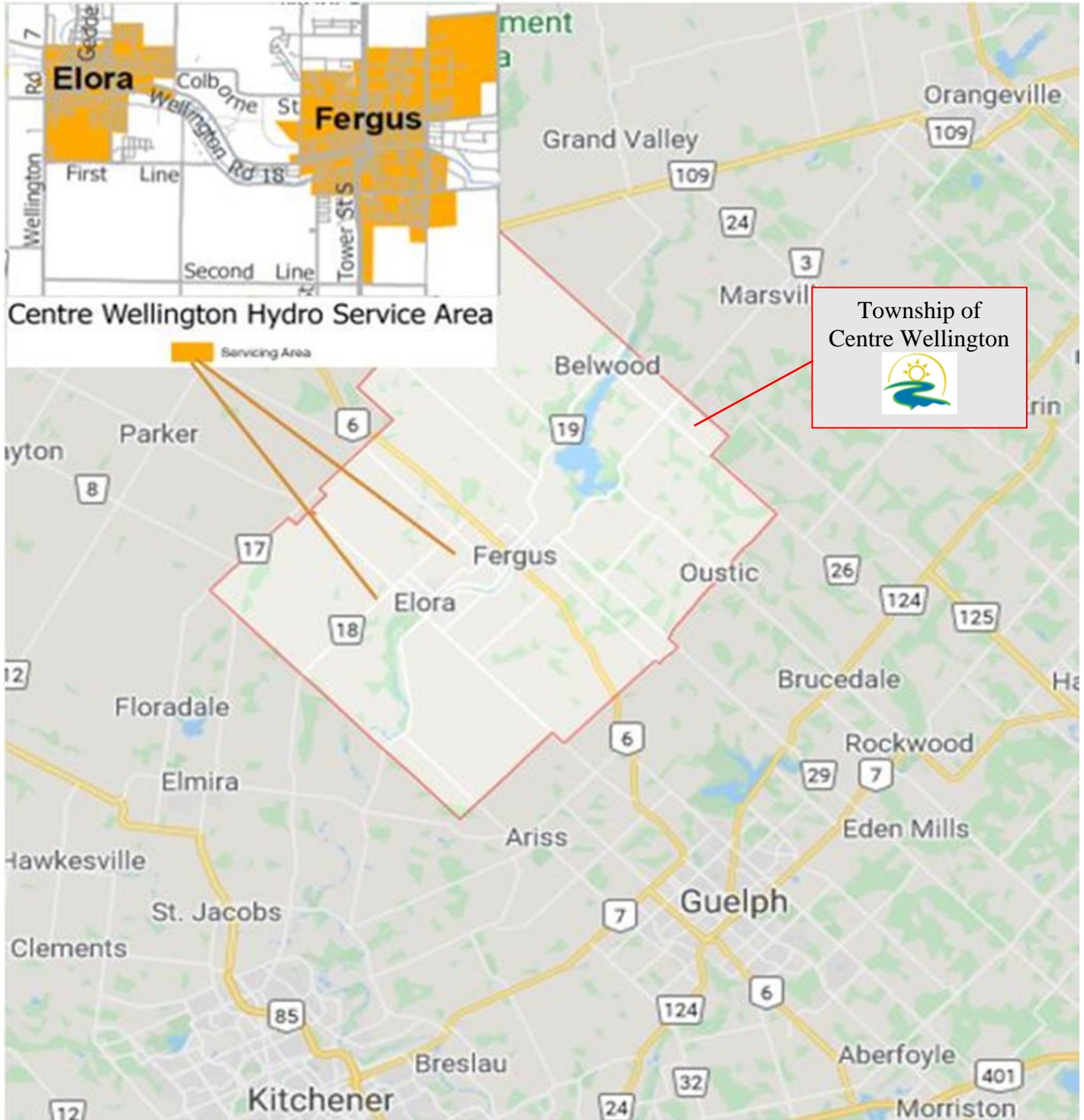
## 2. About the Utility

### 2.1 *Utility Description*

Servicing just over 7,459 customers in the Town of Fergus and Village of Elora, CWH is considered a small LDC in the province. The service territory (Table 1 below) is comprised of approximately 11.61 sq. km. of high-density urban area, with customer density of approximately 642 per sq. km. To service both areas, CWH owns and operates two distinct distribution networks, one in each, Fergus and Elora, with 1,935 poles, 160 kms of overhead and underground conductor, 881 distribution transformers and associated equipment. CWH is an embedded LDC and both distribution networks receive upstream power from Hydro One at 44 kV, which is stepped down to 4.16 kV at six distribution stations, four of which are located in Fergus and two located in Elora. CWH employs 15 full time highly trained staff (See Organization Chart in Table 3 below) and is an active partner in the community we live and work in.



Table 1 – CWH Service Territory



## 2.2 Corporate Structure and Governance of the LDC

Centre Wellington Hydro is wholly owned by the Township of Centre Wellington, as can be seen in Table 2 below.

CWH has made steps towards the OEB's objectives in setting out best practices for governance to build upon the OEB's focus of utility performance and assist the OEB to obtain insight into the quality and robustness of decision-making of the LDC's business.

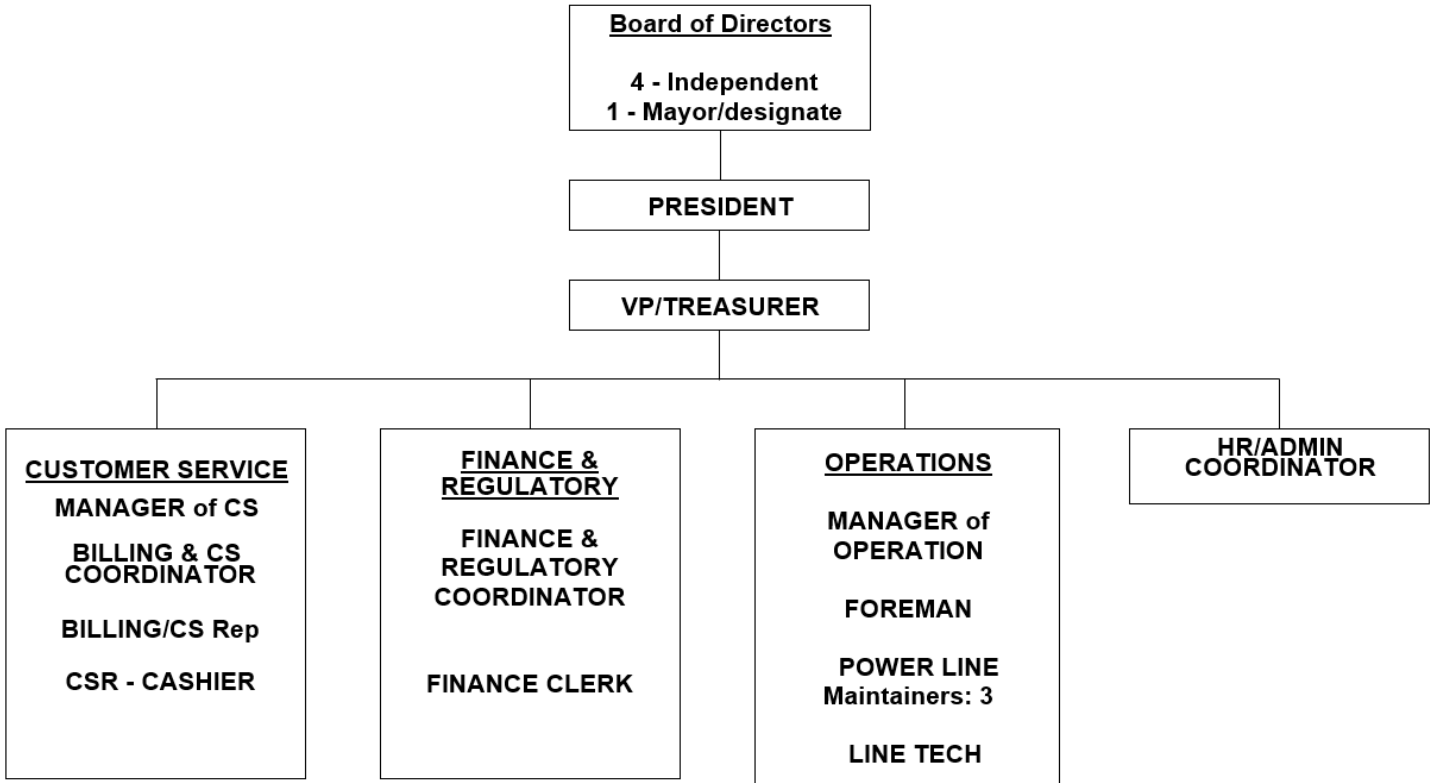
Since the previous Business Plan was developed CWH has implemented improvements to how the Board functions including forming a Governance & Nominating Committee, Audit Finance Committee, and HR Committee, each with their own mandates. Further to this a Board Mandate and Code of Ethics for Directors have been implemented to hold Directors accountable.

The Board operates with 80% of Directors being independent of the Holding company and shareholder, with a total of 5 Directors steering the corporation.

**Table 2 - Corporate Structure**



**Table 3 – Centre Wellington Hydro Ltd. Organizational Chart**



### 3. Mission, Vision, Values

The Board of Directors has reviewed and updated the previously approved mission, vision and values for CWH. The following mission, vision and values have been approved for the 2024 – 2029 Business Plan.

#### 3.1 Mission

To provide safe, reliable, efficient delivery of electrical energy within the Township of Centre Wellington while being accountable to our shareholders.... the citizens of Centre Wellington.

#### 3.2 Vision

To be a sustainable Local Distribution company for our customers and shareholder equally by being dedicated and responsive to their needs and adaptable within the electricity sector.

### 3.3 Values

#### Community

We value People, including the progress of social, economic and environmental betterment to support them.

#### Local presence

We value local control, local accountability, local employment, and local purchasing.

#### Professionalism

We value commitment to excellence and teamwork including collaboration, respect and accountability.

#### Accessibility

We value flexible convenient access to our services for customers, developers, contractors and the public.

## 4. Strategic Goals and Objectives

CWH has identified the following strategic goals. These are key areas of focus that support the utility's mission and the continued health and development of CWH.

1. Keep customers, shareholders and stakeholders informed so they can make effective decisions and in turn provide support for the utility.
2. Be the preferred energy provider and trusted partner for existing customers and new potential customers within Centre Wellington.
3. Continue to form strategic alliances with other similar utilities who face similar issues and combine forces to share resources and address complex issues collectively.
4. Invest heavily in our people to continually enhance their skills, maintain their focus, and give them chances to develop and realize their potential within our organization as an employer of choice.
5. Continued prudent investment while capitalizing on technology, innovation and enhanced solutions to sustain our performance, reliability, efficiency, safety, and regulatory compliance while providing opportunities for customers and the shareholder.
6. Preserve corporate viability and return on equity for our shareholder in order to support new business opportunities and ventures within the sector while prioritizing based on potential to improve the customer experience.

## 4.1. Objectives

CWH plans on achieving its strategic goals by setting and meeting the following objectives:

### **Customer Loyalty**

We shall count on our customers, who ultimately own us, to help us thrive. We will earn that support by providing them with the highest levels of customer service, reliability and cost effectiveness. Competitive rates, excellent reliability, responsiveness and professionalism will lead CWH to being the preferred service provider in Centre Wellington. We will engage and support them by advocating for them within the electrical sector of Ontario, from long term energy planning to new regulations and policies that will affect them.

### **Provide Information**

We shall keep people informed (customers, staff and shareholders). With complete, accurate and up-to-date information allowing them to make decisions which benefit all stakeholders and ensure the continued viability and effectiveness of the utility. Well informed local leaders educated and engaged customers and well trained and experienced staff will round off the full circle of stakeholder involvement.

### **Strategic Alliances**

There is a vast pool of people with experience, knowledge and expertise in the electrical industry within the province, including the fraternity between utilities, partnerships with private consultants in many disciplines and contacts with vendors supplying the latest technology and enhanced products for all distribution companies and customers. All the above are tapped through associations, partnerships (both informal and formal, for profit and not for profit corporations), forums and working groups. Working collectively and collaboratively, they can share ideas and resources, solve problems, adapt to new regulations and policy changes from governing bodies. CWH is a member of the following associations, partnerships, and groups:

- Electricity Distributors Association
- Cornerstone Hydro Electric Concepts Inc.
- Utility Collaborative Services
- Utilities Standards Forum
- Centre Wellington Chamber of Commerce

### **Invest in our People**

We will invest and retain our quality people by making their experience at CWH positive, safe and progressive in the industry. We will offer continuous opportunities for training and personal

development, and continuing education, in an effort to foster a promote from within mindset, and successful succession planning. Healthy lifestyle benefits and competitive collective agreements, along with keeping staff informed and including their input regarding the culture of CWH, will ensure employee engagement and satisfaction.

## **Prudent Investment and Capitalize on Technology**

CWH continues to invest in our distribution system, including implementing new technology enabling staff to serve customers more efficiently, who in turn are empowered to make informed decisions through convenient means. For example, CWH updated its website in 2020 and Customer Information System (CIS) hosting platform in 2021. These offer customers convenient online account set up, Move in/Move out, and other options through devices of their choice. Convenient e-bill delivery and immediate access to TOU consumption and history, has improved the customer's experience and allowed staff to process customer orders in a timelier manner.

CWH has enhanced its Cyber security posture since the implementation of the OEB's Cyber Security framework by using an IT consulting expert and outsourcing IT security services and management of its security program to a service provider with more advanced technology than CWH could implement and manage in-house.

CWH has joined a GIS working group through CHEC and upgraded its GIS licensing in 2021 to allow for collaborative benefits of being on the same platform as partner utilities and gleaning collective knowledge and expertise within the group. This will improve customer notifications and communications with CWH, as well as allow for more precise asset tracking and presentment as a tool for staff.

In 2022, CWH upgraded our financial system, and SCADA system as both were at end of life. The Financial system upgrade was required, as patches and technical support were going to end due to the version CWH was on. Upgrading our existing system was more beneficial due to the timing and staffing at CWH. The financial system is used for payroll, job costing, accounts payable, accounts receivable and inventory to name a few modules. It is a crucial component to having accurate and timely information. CWH will be reviewing vendors prior to the next upgrade to ensure the current financial systems makes good business sense for CWH. The SCADA system upgrade has brought CWH to the latest Survalent SmartVu platform which will ensure CWH's system monitoring, remote operations, and data collection are robust and supported by the vendor.

Whether allocating capital to ensure employee and public safety, increase productivity, or investing in new software through operational spending, the adoption of new technology will be necessary. CWH will need to focus on technology as a way to better serve and support our customers and efficiently implement positive change.



## 5. Economic Overview and Customer Description

As described in Centre Wellington’s Economic Development Strategic Plan, the Township of Centre Wellington is a municipally governed Township located in Wellington County, in south-central Ontario. Although predominantly rural, it includes two urban settlement areas: Fergus and Elora, both located on the Grand River. Based on the Province of Ontario’s Places to Grow requirements, this growing Township of close to 30,000 residents is expected to hit 52,000 (or double in size) by 2041. Centre Wellington is strategically located near the Toronto Waterloo Tech Corridor (Kitchener-Waterloo, Guelph and Toronto).

Centre Wellington’s Economic Development Strategic Action Plan will continue to provide the roadmap for sustainable employment growth by targeting specific sectors/industries, supporting the vital local agriculture sector and identifying opportunities for small business start-ups. Although the majority of these new citizens will be situated outside of CWH’s service territory, the influx of people, activity and goals as identified in the Township’s strategic plan (see Table 4 below) will increase business both small and large, which CWH will play a supportive role in.

As seen below, the Township’s strategic planning themes will need a trusted, reliable Local Distribution Company, such as CWH, to support and provide services to be developed. Enhancing downtown cores, accommodating increased tourism, supporting communications infrastructure, bolster proliferation of electric vehicles and charging, and servicing business expansion are all priorities for CWH to be the preferred and trusted electric service provider.

**Table 4 – Township of Centre Wellington Strategic Plan**

		
<p>Creating a Competitive Climate for Business Retention and Expansion</p>	<p>Becoming More Ready for Investment</p>	<p>Planning for Sustainable, Distinct Downtown Cores</p>
		
<p>Strategic Communications, Connecting Partners and Conveying a Clear Message</p>	<p>Building Tourism and Arts, History and Culture as Main Economic Drivers</p>	<p>Supporting Agriculture and Agri-Business</p>

## Centre Wellington Hydro Ltd.

A modest increase in residential, small commercial and industrial connections is expected over the coming years until all undeveloped land in CWH's existing service territory is fully developed. This limited customer growth will be a challenge for CWH to address as costs of operating, maintaining and administering an LDC increase over time at a higher rate than achievable cost savings through productivity improvement initiatives. Future additional cost requirements to be proficient in the industry while supplying safe and reliable energy to our customers will have to come from current customers without the benefit of increased customer volume to pay for it. It is important for CWH to sustain its distribution fixed and volumetric rates at a competitive/fair position for its customers.

Below is the makeup of CWH's Residential, Commercial and Industrial customer classes and the total count for each as of December 31, 2022.

<i>Customer Category</i>	<i>Count</i>
<i>General Service (&lt;50kW)</i>	787
<i>General Service (&gt;50kW)</i>	60
<i>Residential</i>	6,612
<b><i>Total</i></b>	<b>7,459</b>



## 6. Outcomes of the Renewed Regulatory Framework

On October 18, 2012, the Ontario Energy Board (“The Board”) issued its “Report of the Board: A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach”. The report set out a comprehensive performance-based approach for the Renewed Regulatory Framework which promotes the achievement of outcomes that would;

- benefit existing and future customers;
- align customer and distributor interests;
- continue to support the achievement of important public policy objectives; and
- place a greater focus on delivering value for money.

On March 5, 2014, the Board issued its report on “Performance Measurement for Electricity Distributors: A Scorecard Approach”. The report set out the Board’s policies on the measures that are to be used to assess a distributor’s effectiveness and improvement in achieving customer focus, operational effectiveness, public policy responsiveness, and financial performance to the benefit of existing and future customers.

With the above in mind, the next section provides an account of how CWH continues to improve in its understanding of the needs and expectations of its customers and its delivery of services.

### 6.1 Customer Focus

As a public business CWH’s focus on its customers is 2-fold; we are equally responsible to our customers to provide safe reliable electricity at a reasonable cost, as approved by the regulator. Secondly, our customers being our shareholder have the expectation that ownership will enhance value and produce advantages. No decision within the utility is made without considering the benefits and impacts to the customer, be it capital planning, tree trimming, or other operations and maintenance programs and spending considerations. Customers are engaged through education opportunities at the school level, through outreach at Spring home shows and other local events, and Chamber of Commerce engagement opportunities.

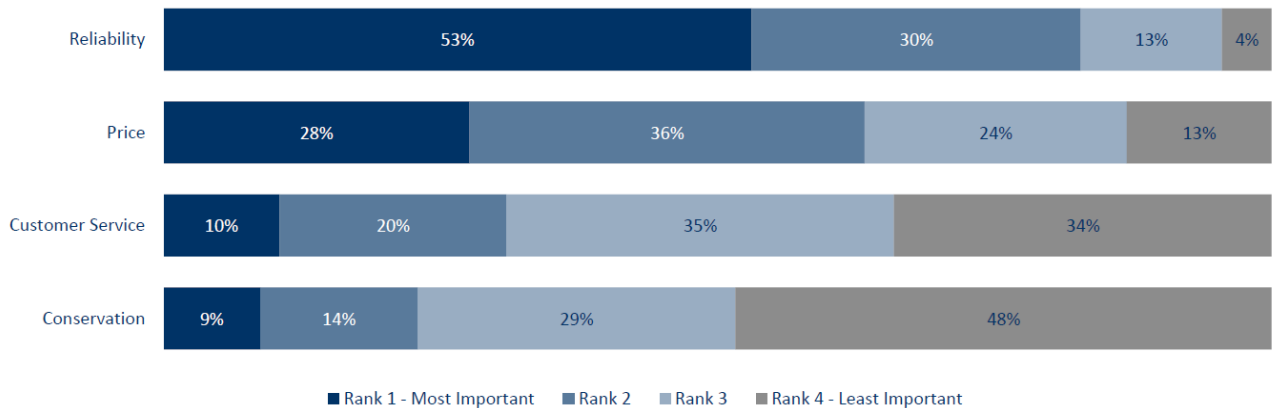
In March 2020 due to the COVID-19 pandemic, CWH office staff pivoted very quickly to working from home. To ensure our customers were still able to have excellent customer service, CWH upgraded the phone system to Voice Over IP (VOIP). The enhanced capabilities of moving to VOIP gave all staff the ability to receive and make phone calls through employees’ computers whether in the office or working remotely. CWH also redesigned its website to ensure customers were getting the best online experience, without investing a significant amount of money. This was accomplished by ensuring our new website was mobile friendly, information was easily accessible, and all of our required forms were made available and fillable online.

## 6.2 Seeking Customer Input

CWH values customer input and feedback and customer satisfaction largely depends on whether a utility’s products or services fulfill its customers’ expectations. Quantifying customer satisfaction involves accumulating specific customer perceptions of the service they receive.

CWH has completed 4 statistically sound Customer Satisfaction Surveys using the same template since 2017 provided by Redhead Media/Advanis, which establish reliable trending data. The most recent survey completed in 2023 shows the overall customer satisfaction Index Score is 79% which is a consistent trend since 2017. The survey identifies areas that we continue to be challenged with, for example we still have work to do to familiarize customers with their electric bill and understanding it. Overall customer satisfaction from these surveys is a measure on the Distributor Scorecard as a Key Performance Indicator (KPI) and is incorporated into goal setting and the planning processes, with a focus on ensuring and improving customer satisfaction. Below is direct feedback from our customers from the most recent customer satisfaction survey completed in Q2 of 2023 indicating their priorities.

*Please rank the following 4 aspects of customer service from most important to least important.*

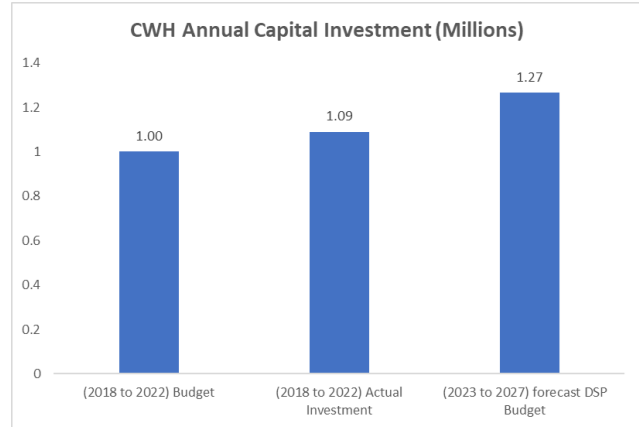


To further seek customer input for the purpose of long-term planning CWH engaged customers through the use of an on-line education and presentment of capital and maintenance planning website with a follow-up survey. This strategy brought to light customers input on CWH’s specific initiatives within our 5-year horizon of capital and operational budgeting plans. This was done by presenting details of CWH’s Distribution System Plan (DSP) and then asking them for input on those plans. CWH will further engage customers in support of updating the 2025 to 2029 DSP and ensure they are heard throughout the planning process.

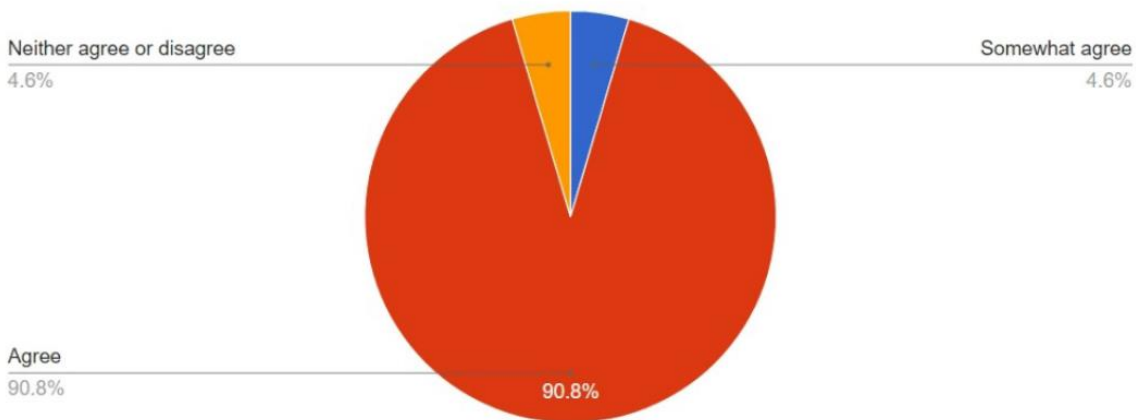
Two key questions and responses within the survey were:

### Capital Investment Plan

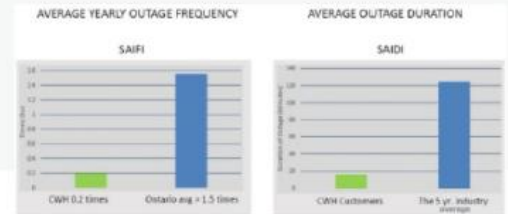
CWH will have spent \$1.09 Million annually on Capital Investments in our current DSP timeframe from 2017 to 2022. CWH is proposing an annual Capital Investment Budget of \$1.26 Million for the next 5-year (2023 to 2027) DSP. A large portion of our Capital Investment Budget is directed to the replacement of poles in poor and very poor condition, station transformer replacements, and large truck replacements.



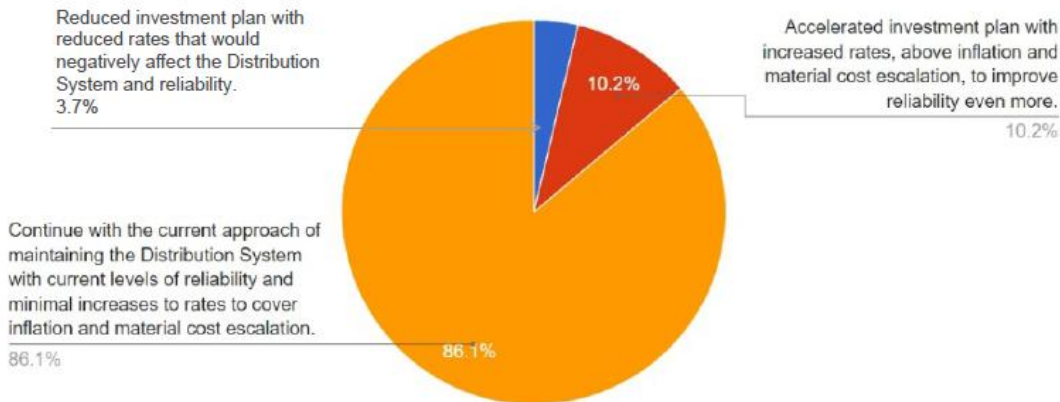
Do you agree with an investment plan that replaces assets prior to failure in the field?



CWH's Reliability is excellent compared to Ontario's industry average. Our customers have fewer outages, and our responsiveness keeps outage duration to a minimum. Our approach to the next 5-year DSP plan is to maintain the current excellent reliability and complete similar projects with minimal rate increases, which are mainly due to inflation and increased material costs.



Which of the following investment approaches align with your expectations?



### **6.3 Alignment of Goals to Needs and Preference of Customers**

Acting on customer feedback and taking advantage of the data trends from numerous satisfaction surveys is the best way to ensure CWH priorities and goals are in synch with our customers. Below is direct feedback from our customers from the most recent customer survey completed in 2021, specific to CWH's future operational and capital expenditure priorities and planning which supported the development of CWH's updated DSP. CWH plans to further survey customers in Dec 2023 on the DSP's capital planning.

- Maintain and Upgrade Equipment to continue to maintain existing reliability levels.
- Replace assets prior to failure to maintain reliability levels while minimizing rate impacts.
- Consider replacing vehicles with lower emissions solutions.
- Consider investment in infrastructure that will accommodate new technologies.
- Move to only electronic billing if it results in monthly savings to electricity bills.

CWH has built these priorities into its planning process and specific project needs. Below are direct links to how CWH's DSP addresses these customer priorities.

- CWH has replaced 2 vehicles through its fleet replacement schedule with new EV's.
- Proactive replacement programs such as annual pole replacements, pole line rebuilds, and distribution transformer, station transformer replacements to replace assets in poor condition and/or past end of useful life before they fail.
- Continue to facilitate customer requests.
- Continue to invest in computer software to continue to enable a good customer experience for when the customer requires access to information from CWH.

### **6.4 Public Policy Responsiveness**

CWH believes that the current state of the electricity sector is grounded through public policy that ensures the sustainability of generation, transmission and distribution, while considering economic, social and environmental consequences. CWH is doing its part by responsibly upgrading and maintaining its distribution system in stride with the useful life of the infrastructure and growth of the community in an efficient manner at reasonable cost. CWH's Asset Condition Assessment (ACA) and DSP are used as a tool to ensure the schedule for these activities are planned effectively and a balanced approach to spending is continued into the foreseeable future. CWH is particularly proud of our continued low outage and duration of outage statistics (as seen in the trended scorecard in Appendix A to the Business Plan) that corroborate our effectiveness at managing the distribution system.

In recent years, public policy has driven environmental improvements in the sector by means of the LDC's Conservation and Demand Management obligations. CWH's CDM program, under the Conservation First Framework, was extremely effective in reducing electric usage in our service territory and meeting all conservation targets successfully.

CWH will continue to work with our customers and explore new conservation options that will benefit the environment. Public policy implementation to improve social issues within communities in Ontario was most prevalent in 2020 through 2022 to address the Covid Pandemic Emergency and its effects on electricity customers due to financial hardships. CWH successfully implemented every new policy directive from the Ministry of Energy Northern Development and Mines (ENDM) and the OEB, such as freezing rates and other TOU changes as well as administering Covid Emergency Assistance Plans to residential and small business, and changes to the disconnection process for nonpayment. Public Policy is ever evolving to advance improvements to the Environment, communities and people in the province and CWH is a proud and committed partner in these endeavours.

## **6.5 Financial Performance**

CWH continues to record solid financial performance metrics. Key factors to this financial success are effective business planning, a continuous focus on operational efficiency, and managing capital and OM&A expenditures to budget. The Business Plan and DSP will serve an important role in providing the future direction of financial expenditure and performance. Financial results are discussed in detail at section 8 of this Business Plan.

# **7. Performance Metrics and Benchmarking**

Perhaps the most widely known benchmark of efficiency rating for Ontario electric utilities comes from the PEG report which surveys utilities for the OEB. The PEG analysis is one of the only instruments that compares utilities' cost efficiencies on a consistent basis and is publicly available. PEG produces an annual report that provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring.

As a result of this study, CWH has expended considerable effort to understand the drivers of their efficiency ranking and has undertaken initiatives to improve its scores. The following section reviews past performances and projects future performances based on load forecast and forecasted capital and operational expenditures.

## **7.1 Past Performances**

In the most recent PEG report, CWH has moved from the 3rd stretch factor cohort to the 2nd stretch factor cohort, this metric is completed annually and published each summer for all LDC's. The PEG report uses econometrics to determine the cost efficiency of distributors. The PEG past performance consists of five groups, Group 1 (of 5) is ranked as the most efficient group. The percentage difference between actual and predicted cost is the measure of cost performance. Group 2 is determined by having actual costs between 10% and 25% below the predicted costs. In the PEG report for 2022 data there were 14 distributors out of 54 categorized in Group 2.

In CWH's 2018 CoS Settlement document, an average annualized capital expenditure of \$1M was agreed to for the years 2018 to 2022. While CWH's capital in 2018 and 2019 were greater than \$1M due to specific projects, the remaining life of CWH's DSP, 2020 to 2022 annual capital expenditures have been below \$1M. The table below summarizes each year's net capital expenditure for the life of our most recent DSP. The above average capital spending in 2018 and 2019 were due to high value assets, such as a station transformer replacement, vehicle replacement and computer software additions. Given our modest annualized capital budget and size of distribution system, high value individual assets can cause spikes in capital spending from year to year. CWH anticipates this in 2024 and 2026 as a station transformer replacement at Elora MS-2 and a new Fergus MS-5 station build are being planned, which will cause an incremental increase in capital spending.

**Table 5 – Net Capital Additions (reduced by Cap Contributions)**

	2018 - Actual	2019 - Actual	2020 - Actual	2021 – Actual	2022 - Actual	5-Year average
<i>Capital Additions</i>	\$1,172,990	\$1,922,298	\$653,286	\$678,323	\$681,686	\$1,021,700

The utility's revenues per class and overall revenues have also been historically steady and increases requested through the annual Incentive Rate Mechanism (IRM) application rate process have not resulted in overall bill impacts over the OEB threshold of a 10% impact that has required mitigation.

**Table 6 – Residential Historical Bill Impacts**

Year	2017	2018	2019	2020	2021	2022	2023	2024
<i>Monthly Charge</i>	21.02	26.33	29.25	29.75	30.32	31.23	32.29	33.79
<i>Volumetric</i>	0.0074	0.0042	-	-	-	-	-	-
<b><i>Overall Bill Impact</i></b>	<b>1.95%</b>	<b>1.90%</b>	<b>0.10%</b>	<b>-0.10%</b>	<b>-0.10%</b>	<b>1.82%</b>	<b>3.05%</b>	<b>3.68%</b>

It is important to note that bill impacts also include the effects of the disposition of deferral and variance accounts from pass-through charge (regulatory assets).

CWH's historical performance measures and metrics which are updated annually and published via the Scorecard can be found in Appendix A. The scorecard reports the past 5 years in a variety of areas that are prescribed by the OEB.

## **7.2 Managing our Assets through Capital and Operational Spending**

CWH's predominant function is to maintain, refurbish and replace assets as they age, deteriorate, become obsolete or fail due to weather, people or acts of God that inhibit them from performing their intended functions in a safe and reliable manner. CWH's proposed investments align with the Strategic Goals and Initiatives and with CWH's Distribution System Plan (DSP) as evaluated by METSCO for efficiency, customer value and reliability.

CWH's Distribution System Infrastructure assets were put through an Asset Condition Assessment (ACA) in 2021 to identify each major components health. These health scores derived from criteria such as age and degradation factors were plotted in graphical representations showing current conditions of assets from very poor to very good condition. As described in CWH's DSP these asset health scores were used for Asset Management Planning to forecast the level of future capital investments to maintain a reasonable average life expectancy. CWH's operations and maintenance programs are reviewed against asset conditions to ensure opportunities to extend the life of assets are taken advantage of where possible and budgeted for. Capital, operations and maintenance expenditure predictions for the future 5-year period from 2025 to 2029 have been budgeted and presented within CWH's current DSP.

Priorities and strategies for budget development are presented in the DSP which starts with background and drivers for capital investment in each of the four general categories: system renewal, system access, system service and general plant. These background drivers coupled with the Health Index and condition of field assets which were assessed through the ACA in 2021 form the basis for determining priority spending for specific projects. CWH works with sector partners and stakeholders through planning engagements; these partners include:

- customers
- the regional and municipal governments
- IESO
- Regional Infrastructure Planning Group – Kitchener, Waterloo, Cambridge, Guelph Region
- the transmission company – Hydro One
- the upstream distributor – Hydro One

### **5-10 Year Capital Planning to Address Growth, Aging Infrastructure and DER's**

CWH places a high priority on balancing its obligations to accommodate growth while addressing the upkeep and replacement of its aging infrastructure. The key objectives of the capital investment programs to be proposed by CWH for the next 5 to 10 years include:

- Supporting residence and local business by ensuring customer needs for electricity supply and reliability are met through implementing cost effective solutions, mitigating the risk of asset failures in service, and through economically efficient investments;



- Mitigating and reducing our community's safety risks from distribution system operations by providing reliable infrastructure;
- Meeting CWH's regulatory obligations and supporting our community by focused customer service, serving customers within the service territory, relocate lines when requested by the County and Municipality, complying with Measurement Canada regulations related retail revenue metering;
- Providing access to the distribution system in support of green energy initiatives through Distributed Energy Resources (DER's) generation connections. Continue to promote conservation and environmentally positive solutions, and;
- Providing training and equipment to staff to work safely and productively.

Historically CWH has taken steps to weave reliability and sustainability into all aspects of its operations from power supply to encouraging and helping customers incorporate green features into their homes and businesses. CWH is an efficient and effective small utility. Planning is something CWH has always done well and will continue to do so in future years.

### **7.3 Operational Costs**

Planning for the future also includes operating expenses to ensure the prescribed useful life of assets are realised and if possible extended, as well as considering system reliability, customer service, and overall cost to customers. This is a balancing act and CWH's traditional proactive approach to OMA plans show proven results in our competitive rates, high reliability scores and customer satisfaction.

CWH's Maintenance and Operations Management is reviewed within Distribution System Planning considering safety, equipment reliability, financial requirements, and inspection processes. Stakeholders' needs can differ and assessing the impact to all, customers impact, employee engagement and training, environment, and CWH's financial situation alike is priority.

CWH analyzes its operation budget on a regular basis to ensure that it operates as closely to the budget amounts as possible and are aware if jobs are over or under budget and attempts to mitigate any overages. Operational maintenance planning is completed by following CWH's Distribution Maintenance Program and focuses on balancing cost-effective spending with practical operational requirements and finding efficiencies when possible. These efficiencies ensure planned in-service life of assets are met and exceeded where possible by proactive inspections, field audits and maintenance programs. CWH's Management Planning into capital and maintenance is described in more detail with the CWH's current DSP.



## **7.4 Return on Equity**

The actual return on equity for 2022 is 9.33%, which is slightly above the Board Approved 2018 rate of return on equity of 9%. Further information on the topic of Return on Equity can be found in Section 8.

## **7.5 Target Performance**

This section summarizes the projected performance of the utility and the long-term perspective on the health and age of the distribution assets. It captures the results of CWH's projected PEG performance, Rate Base and projected revenues based on its priorities for capital investments and operational expenditures.

CWH is persistent in its goal to meet all targets set out by the OEB in the annual scorecard and has been successful in doing so to date with numerous targets being exceeded. The scorecard measures are set by the OEB and are deemed an industry target.

CWH sets out to leverage technology to improve the customer experience. The utility has launched upgrades to its website to include an interactive reporting map and educational tools about the industry and regulatory processes which will increase communication with its customers. Through collaboration with organizations (such as CHEC), opportunities to test and pilot new technologies will be available, and ultimately positively affect the future of CWH.

As a result of populating the OEB's Benchmarking model, the current projections for 2024 and 2025 indicate CWH's costs to be more than 10% below the predicted cost total. This has CWH remaining in Group 2.

The capital and distribution expense budgets are created through an asset management planning process with a focus on enhancing the short and long-term management of its assets as well as complying with regulatory requirements. CWH's priorities take into account both reliability goals and cost to customers when planning capital and O&M expenditures and budgets. Over the period of 2025 to 2029 CWH is anticipating an annualized capital expenditure of \$2.0 million.

# **8. Strategy and Implementation Summary**

## **8.1 SWOT Analysis**

The use of the SWOT (strengths, weaknesses, opportunities, and threats) analysis is not new to CWH, and it has proven to be an important management tool that has helped evaluate key aspects of the utility to identify factors that will drive performance and decision making going forward.

Strengths and Weaknesses are generally associated with internal factors such as:

- Financial resources, such as funding, ability to meet its financial obligations
- Physical resources, such as a utility's location, facilities and equipment
- Human resources, such as employees, and target audiences – the customer
- Current processes, such as employee programs, department hierarchies and software systems

Opportunities and Threats are associated with external factors such as:

- Market trends, like new products and technology or shifts in audience needs
- Economic trends, such as local, national and international financial trends
- Funding, such as donations, legislature and other sources
- Demographics, such as a target audience's (customer) make up and types of loads
- Political, environmental and economic regulations

## 8.2 *CWH Strengths*

Being municipally owned yet independently operated provides a distinct advantage. Our customers are also our shareholders, and we can make decisions based on the aggregate benefit to them. This may mean decisions that are better for them as customers rather than shareholders. Private ownership only, may not have this option.

### **High level of customer loyalty and satisfaction.**

Highest levels of customer service (reliability, responsiveness and courtesy) have been achieved through years of positive, cooperative and productive relationships with our customers, contractors, and shareholder. CWH's size plays a role in this strength as we are easily accessible to all our stakeholders and intertwined within the fabric of the community including its businesses, clubs, associations and events. We are the trusted energy advisor to our customers and as such are positioned to evolve in stride with our customers as their options and needs transform.

### **Local Community Social and Environmental Responsibility**

CWH works closely with the Centre Wellington Resource Group and had representation on the Community Advisory Group for the County of Wellington's recent Climate Change Mitigation Plan in an effort to responsibly promote local, social and environmental change. CWH's concern has fostered a forward-thinking mindset within the organization that works toward balancing community needs including growth and opportunity with environmental impacts. CWH continually strives to implement new technologies to advance our capabilities and offerings and works with customers to assist them with opportunities to take advantage of new technologies for new and established customer connections. By improving processes and efficiencies we can reduce or offset cost and wasteful electrical usage and the impact of larger inefficient equipment.

### **Collaboration and high performing, capable staff.**

Staff are well trained, positive, safe, focused and adaptable to ever changing policies and understand the high priority put on the customer's experience with CWH. All these attributes have been enhanced by the history of collaborating with outside organizations and other like-minded LDCs through formal and informal partnerships. Workload has increased due to more regulation, added rate changes, applications and options for customers, and increased capital projects, with CWH staffing levels going up only nominally by 0.5 employees to a total of 15.5.

### **Condition of Distribution System and physical plant.**

CWH's lines, poles, underground conductors, transformers, substations, etc. are in good condition without any advanced degradation of asset conditions. Our office and shop facilities are functional and no major expenditures in the future, other than normal upgrades, are required.

## **8.3 CWH Weaknesses**

### **Minimal ability to increase customer growth/base.**

CWH's customer growth rate is very modest at an average of 1.23% annually since 2013. CWH expects customer growth to continue at this pace, mainly from densification development. Housing and industry saturation to CWH's borders, and the increasing penetration of bulk metered condominium style housing within CWH's service area is a challenge. CWH anticipates the continuation of the 1.23% annual development growth occurring over the 2025 – 2029 timeframe.

### **Employee Staffing levels within Departments to maintain continuity**

CWH currently employs 15.5 full time staff members to carry out the day to day and long-term activities of an LDC. Since the introduction of Bill 35 – The Energy Competition Act - there has been a continuous increase in activities introduced to Utilities through policy changes and regulation. Adapting to these changes and increased responsibilities while staying efficient and economically sound is challenging for LDC's without increasing staffing levels.

The COVID Pandemic and policy changes to address it is an example of unexpected situations that can arise and tax staffing levels and resources to cope with. During the Pandemic to date CWH has had to make multiple rate changes, administer the CEAP and CEAP-SB program, comply with additional monthly reporting and increase communications with our customers to ensure they understood all changes, options, and supports. Not COVID related, but also in the summer/fall of 2020, a large undertaking was the Customer Choice initiative. This project required software upgrades in a very short timeframe, an influx of customer confusion, and manual staff time to process requests until necessary software upgrades were available, tested for billing accuracy and implemented.

CWH will need to continue addressing these challenges through strategic alliances and collaborating with partners such as Cornerstone Hydro Electric Concepts, Utility Collaborative Services, Utility Standards Forum and the Electricity Distributors Association as well as continually investing in our people and or contracting outside services for specialized expertise when appropriate.

Our staff is at the core of CWH's success and employee retention is a major risk, especially to an organization of our size. Attrition in the industry is at a peak and CWH is not immune to this with highly skilled and trained staff on the eve of retirement. CWH must continue to offer competitive compensation, health and pension benefits and policies that show we support their well-being such as Healthy Lifestyle benefits. Retaining staff by offering advancement through continuous training and development will be key to success in the future, and succession planning.

## **8.4 CWH Opportunities**

### **Customized Service**

Consumers want more control, choice and convenience; there will be opportunities in the future to expand services to accommodate these requests by upgrading or improving Customer Information Systems, GIS systems, phone systems, etc.

### **Collaboration**

Private sector investment into DER's are expected and CWH is encouraged by the potential opportunities this brings to support environmentally friendly supply. These DER's coupled with electrification of transportation infrastructure, and energy efficient options for customers and businesses through natural market incentive or government regulation will be an incentive for all stakeholders to collaborate. CWH is well positioned to partner with the community and developers on these possible projects.

### **Community support**

CWH will support the community through education for schools and service groups on safety and conservation initiatives as well as support the local economy by purchasing goods and services of local business, offering high skilled employment, and providing billing services to the Municipality. An example of CWH's support for the community we serve in is a planned expansion to electrical servicing of event grounds that host the annual Highland Games and Festival, Fall Fair, Truck and Tractor pulls, and many school and sports events.

## 8.5 CWH Threats or Risks

### Regulatory/Political - Policy Risk

As a regulated business, CWH is subject to the direction of Government legislated boards and committees. Regulatory changes and constant additional requirements may adversely affect utility plans within the 5-year DSP timeframe. Recent examples of this are, eliminating LDC's participation of conservation by centralizing programs at the IESO, winding down the fair Hydro plan, adding on-bill rebates onto bill prints, and overhauling the OEB regulatory structure.

Continued public pressure towards the energy sector in terms of cost of electricity has forced the current provincial government to continue with electric rebates which the LDCs must administer at a cost, both monetary and from a staff resource perspective. The high-profile issues of energy costs, climate change and reducing greenhouse gas emissions will continue to drive policy changes and LDC's will need to be responsive to these needs. The inevitable connection of DER's, proliferation of electric vehicle use, and other climate driven government policy changes are potential Risks to CWH.

### Cost Challenges

Along with all other LDC's, CWH is facing rapidly increasing inflation which has driven up the cost of material, equipment, and distribution grid apparatus costs substantially. This is especially the case for the largest of assets CWH is faced with replacing in capital investment plans over the Cost of Service timeframe including a new distribution station project, bucket truck replacement, and distribution transformer replacement program. In most cases the cost of these items has doubled since CWH's last approved rate rebasing. Along with the increased costs CWH is having to increase its inventory due to lengthened and uncertain delivery schedules for large and small material and equipment to ensure stock levels are adequate to reliably respond to asset replacements for planned and unplanned work.

Other factors driving up costs are increased Cyber Security requirements, including hardware, software, insurance rates, and consulting labour to ensure CWH's data, and privacy are protected along with that of its customers we serve.

Cloud based solutions for systems and process in the industry are also driving up OM&A costs and overall costs in general as these have shifted from an upfront capital cost to monthly service and maintenance fees. These costs are typically higher over the timeframes that upfront capital costs would be attributed too.

### Ability to keep pace with technological advancements.

CWH's greatest strengths lie within the range of traditional utility activities yet has had to adapt to the inception of new technologies such as smart meters, SCADA, connecting renewable energy, and process changes such as billing and settlement processes that require new skill sets. Adopting and adapting to new technologies will be a threat that CWH will need to continue to address and keep pace with through employee training, development and recruitment, as well as collaboration within the industry.

## 9. Personnel Plan

Like the broader industry CWH is facing the same challenges related to the electricity industry is, relative to its aging demographics and infrastructure. Matching the resource capability with work demands in the electricity sector requires good planning. Numerous contributing factors are affecting workforce planning, including a shortage of proficiently skilled personnel, and increased work demands, therefore CWH has opted to invest in its current staff members on the various aspects of successfully operating a utility. The BoD HR Committee annually reviews the staffing and succession planning report for CWH to ensure consistent operational levels are maintained, staff are appropriately trained, and emergency services are uninterrupted.

## 10. Financial Results

CWH's financial performance has remained strong over the past 5 years with income (net of regulatory movement) of \$464,467 (2018), \$533,424 (2019), \$323,923 (2020), \$621,458 (2021) and \$561,772 (2022) respectively.

It is common for a utility to have a decreasing income the closer it gets to filing their cost of service application as the rate base for the utility was set in the previous Cost of Service. CWH's bank balance remains healthy and is not anticipated to change from this situation. With the projected increase in capital expenditures in 2024 and 2026, CWH anticipates increasing its debt. At the end of December 2022 CWH's debt to equity ratio was close to 45/55. This is below the 60/40 split that is used in the OEB's Revenue Requirement Workform.

### 10.1 Important Assumptions

Load forecasting affects all aspects of the utility's future including supply capacity of the distribution system and revenue requirements. The load forecast also has the potential to be significantly impacted by Conservation and Demand Management targets. Each LDC had a target to reduce its annual energy supplied (kWh). CWH's target was 8,730,000 kWh in energy reduction for the period of 2015-2020. CWH has not established targets for the 2022 to 2027 period.

CWH's preliminary Load Forecast for 2025 is anticipating a consistent consumption and demand compared to the previous two years (2020 and 2021). This is primarily seen in the residential class and in the GS<50 and GS 3,000-4,999 classes. CWH has learned its 4th largest customer will be ending business by Q1 2025 which could contribute to an overall reduction of load in the first few years of the CoS 2025 to 2029 timeframe, this customer is within the GS 50-2,999 class. The residential class pays a fully fixed distribution rate and the load forecast for this class does not directly impact distribution revenue.

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The OMA budgets for 2024 and 2025 are based on business as usual, with, CWH staff returning to in person conferences, seminars and training post Covid.

Table 7 - Load and Customer Forecast Table

		2018 Board Approved	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
<i>Residential</i>	<b>Cust/Conn</b>	6,107	6,213	6,234	6,447	6,542	6,586		
	<b>kWh</b>	44,716,576	46,552,089	45,878,451	49,497,551	49,994,215	46,067,113		
<i>GS&lt;50</i>	<b>Cust/Conn</b>	758	755	782	777	784	788		
	<b>kWh</b>	20,596,746	23,320,955	22,669,052	23,240,081	23,728,198	22,105,340		
<i>GS 50-2999</i>	<b>Cust/Conn</b>	45	53	49	58	58	59		
	<b>kWh</b>	59,273,907	53,321,831	52,423,807	50,457,001	53,111,196	53,103,572		
	<b>kW</b>	160,292	143,527	143,971	143,721	152,528	149,415		
	<b>TA</b>	\$47,415	\$50,603	\$48,831	\$52,040	\$54,422	\$55,000		
<i>GS 3000-4999</i>	<b>Cust/Conn</b>	1	1	1	1	1	1		
	<b>kWh</b>	18,632,513	18,999,941	18,101,354	14,539,031	15,657,577	16,099,321		
	<b>kW</b>	43,538	43,889	42,600	38,002	36,889	39,163		
	<b>TA</b>	\$22,450	\$26,377	\$26,067	\$22,695	\$22,076	\$27,300		
<i>USL</i>	<b>Cust/Conn</b>	13	11	13	14	14	14		
	<b>kWh</b>	548,560	571,748	585,041	589,141	617,066	640,132		
<i>Sentinel Lights</i>	<b>Cust/Conn</b>	29	27	26	26	26	26		
	<b>kWh</b>	38,252	36,404	35,563	35,580	35,485	35,089		
	<b>kW</b>	106	101.12	98.79	98.83	99	96		
<i>Streetlights</i>	<b>Cust/Conn</b>	1,716	1,796	1,813	1,848	1,848	1,863		
	<b>kWh</b>	558,906	520,134	517,704	525,998	588,172	568,919		
	<b>kW</b>	1,536	1,436	1,429	1,445	1,630	1,533		
<b>TOTAL</b>	<b>Cust/Conn</b>	<b>8,669</b>	<b>8,856</b>	<b>8,918</b>	<b>9,171</b>	<b>9,270</b>	<b>9337</b>		
	<b>kWh</b>	<b>144,365,460</b>	<b>143,323,102</b>	<b>140,210,972</b>	<b>138,884,383</b>	<b>143,731,909</b>	<b>138,619,486</b>		
	<b>kW</b>	<b>205,472</b>	<b>188,953</b>	<b>188,099</b>	<b>183,267</b>	<b>191,146</b>	<b>190,208</b>		

**Table 8 - Operation Costs Table ('000)**

	2018 Board Approved	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast
<i>Operations</i>	\$366	\$353	\$347	\$393	\$347	\$435	\$455	\$442	\$488
<i>Maintenance</i>	\$320	\$419	\$504	\$384	\$342	\$453	\$460	\$462	\$468
<i>Billing and Collecting</i>	\$521	\$509	\$539	\$562	\$598	\$637	\$667	\$688	\$717
<i>Community Relations</i>	\$40	\$35	\$33	\$34	\$43	\$45	\$39	\$45	\$46
<i>Administrative and General</i>	\$1,091	\$1,104	\$1,145	\$1,054	\$1,087	\$1,116	\$1,239	\$1,283	\$1,395
<b>Total</b>	<b>\$2,338</b>	<b>\$2,420</b>	<b>\$2,568</b>	<b>\$2,427</b>	<b>\$2,417</b>	<b>\$2,686</b>	<b>\$2,860</b>	<b>\$2,920</b>	<b>\$3,114</b>

## 10.2 Actual Return vs Allowed Return

### Liquidity : Current Ratio (Current Assets/Current Liabilities)

Since 2016 CWH has had a consistent current ratio around 1.5. All capital spending since 2016 has been funded by cash and no new loans or short-term payment arrangements have been required. The value of 1.0 to 1.5 is an indicator of good financial health and CWH expects to remain within range of this metric.

In 2022, CWH's liquidity rate was 1.53, and CWH anticipates this value to slightly decrease in 2024 as borrowing is anticipated to increase, however the value will remain in the range of 1.0 to 1.5.

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

In 2015 CWH made its final draw on a secured loan with Infrastructure Ontario for completion of extensive work on CWH's distribution stations, which occurred over a 5-year period. This was the last increase CWH had in its debt. CWH anticipates increasing the debt amount in 2024/2025. As payments are made on CWH's current loans with Infrastructure Ontario and without increasing other debt, the debt-to-equity ratio has decreased over the years and is currently 0.80. CWH anticipates the debt-to-equity ratio to increase in 2024/2025 once more borrowing occurs. CWH is comfortable in this balanced stable position.



**Profitability: Regulatory Return on Equity**

CWH's current distribution rates were rebased and approved by the OEB in 2018 and include an allowed (deemed) regulatory return on equity (ROE) of 9%. The actual return on equity for 2022 is 9.33% which indicates a slight over earning when compared to the Board Approved 2018 rate of return.

In 2019, CWH's ROE was lower due to tax adjustments from a prior year. Achieving an ROE of +/- 3% of the allowed ROE requires the utility to complete supplemental filing to the OEB during the utilities annual filing. An ROE consistently under or over the 3% allowed ROE could be an indication for the utility to file a CoS to rebase its revenue requirement and thus distribution rates.

**Table 9 - Return on Equity Table**

	<b>2018 BA</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Return on Equity</i>	9.00%	7.14%	5.19%	7.86%	9.84%	9.33%

# Appendix A

## CWH's 2022 Scorecard

Performance Outcomes	Performance Categories	Measures	2018	2019	2020	2021	2022	Trend	Target		
									Industry	Distributor	
<b>Customer Focus</b> Services are provided in a manner that responds to identified customer preferences.	<b>Service Quality</b>	New Residential/Small Business Services Connected on Time	99.53%	100.00%	100.00%	100.00%	100.00%	↑	90.00%		
		Scheduled Appointments Met On Time	99.51%	100.00%	99.69%	100.00%	100.00%	↑	90.00%		
		Telephone Calls Answered On Time	97.88%	98.16%	69.90%	90.92%	94.23%	↓	65.00%		
	<b>Customer Satisfaction</b>	First Contact Resolution	99.72%	99.88%	99.43%	99.03%	99.26%	↓			
		Billing Accuracy	99.82%	99.97%	99.88%	99.96%	99.90%	↑	98.00%		
		Customer Satisfaction Survey Results	79.9	79.90	81%	81	79%	↓			
<b>Operational Effectiveness</b> Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	<b>Safety</b>	Level of Public Awareness	85.60%	85.70%	85.70%	83.70%	83.70%	↓			
		Level of Compliance with Ontario Regulation 22/04 <sup>1</sup>	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
	<b>System Reliability</b>	Average Number of Hours that Power to a Customer is Interrupted <sup>2</sup>	0.31	0.45	0.27	0.26	0.21	↓		0.65	
		Average Number of Times that Power to a Customer is Interrupted <sup>2</sup>	0.70	0.48	0.20	0.22	0.20	↓		0.24	
	<b>Asset Management</b>	Distribution System Plan Implementation Progress	100	85	73%	70	76%	↔			
	<b>Cost Control</b>	Efficiency Assessment	3	3	3	3	2	↓			
		Total Cost per Customer <sup>3</sup>	\$710	\$731	\$675	\$660	\$715	↔			
		Total Cost per Km of Line <sup>3</sup>	\$31,963	\$32,898	\$30,739	\$30,457	\$33,310	↔			
<b>Public Policy Responsiveness</b> Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	<b>Connection of Renewable Generation</b>	Renewable Generation Connection Impact Assessments Completed On Time <sup>4</sup>	100.00%								
		New Micro-embedded Generation Facilities Connected On Time	100.00%						90.00%		
<b>Financial Performance</b> Financial viability is maintained; and savings from operational effectiveness are sustainable.	<b>Financial Ratios</b>	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.52	1.28	1.42	1.49	1.53	↔			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.07	0.98	0.93	0.86	0.80	↓			
		Profitability: Regulatory Return on Equity	Deemed (included in rates)	9.00%	9.00%	9.00%	9.00%	9.00%	↔		
			Achieved	7.14%	5.19%	7.86%	9.84%	9.33%	↔		

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

Centre Wellington Hydro Ltd.

Exhibit 1

Appendix B

2023 Customer Satisfaction Report



**ADVANIS**

for

**CW**hydro  
CENTRE WELLINGTON HYDRO

# 2023 Customer Satisfaction Survey

March 2023



**ADVANIS**  
Confidential



# 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?”; and
  - questions where respondents could “specify” a response to one of your custom questions (if applicable).
  - 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](https://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](mailto:Gary.Offenberger@advanis.net).

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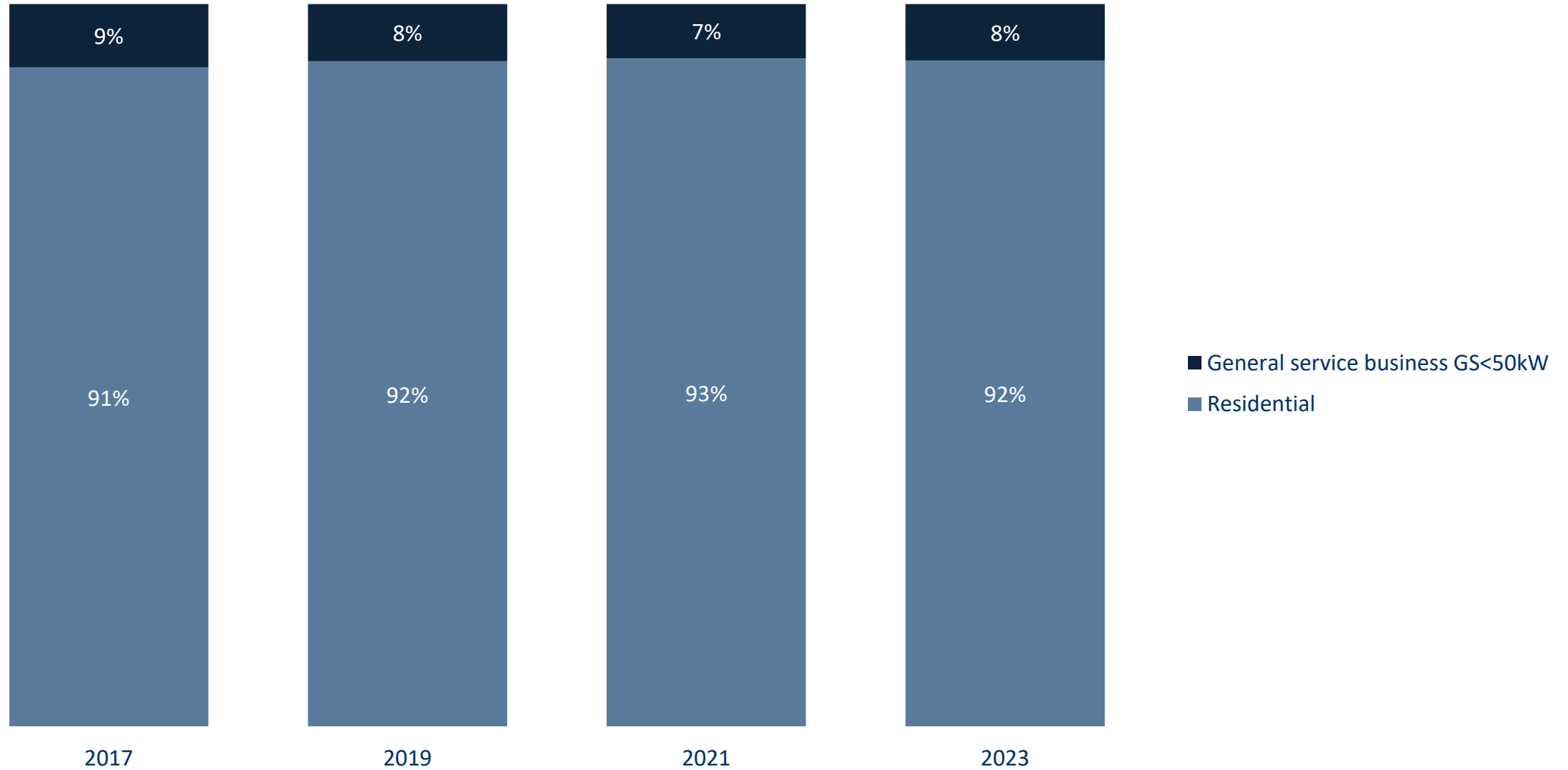
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Lead Consultant: [Gary.Offenberger@advanis.net](mailto:Gary.Offenberger@advanis.net) // 780.229.1140

Customer (i.e., Survey Respondent) Profile

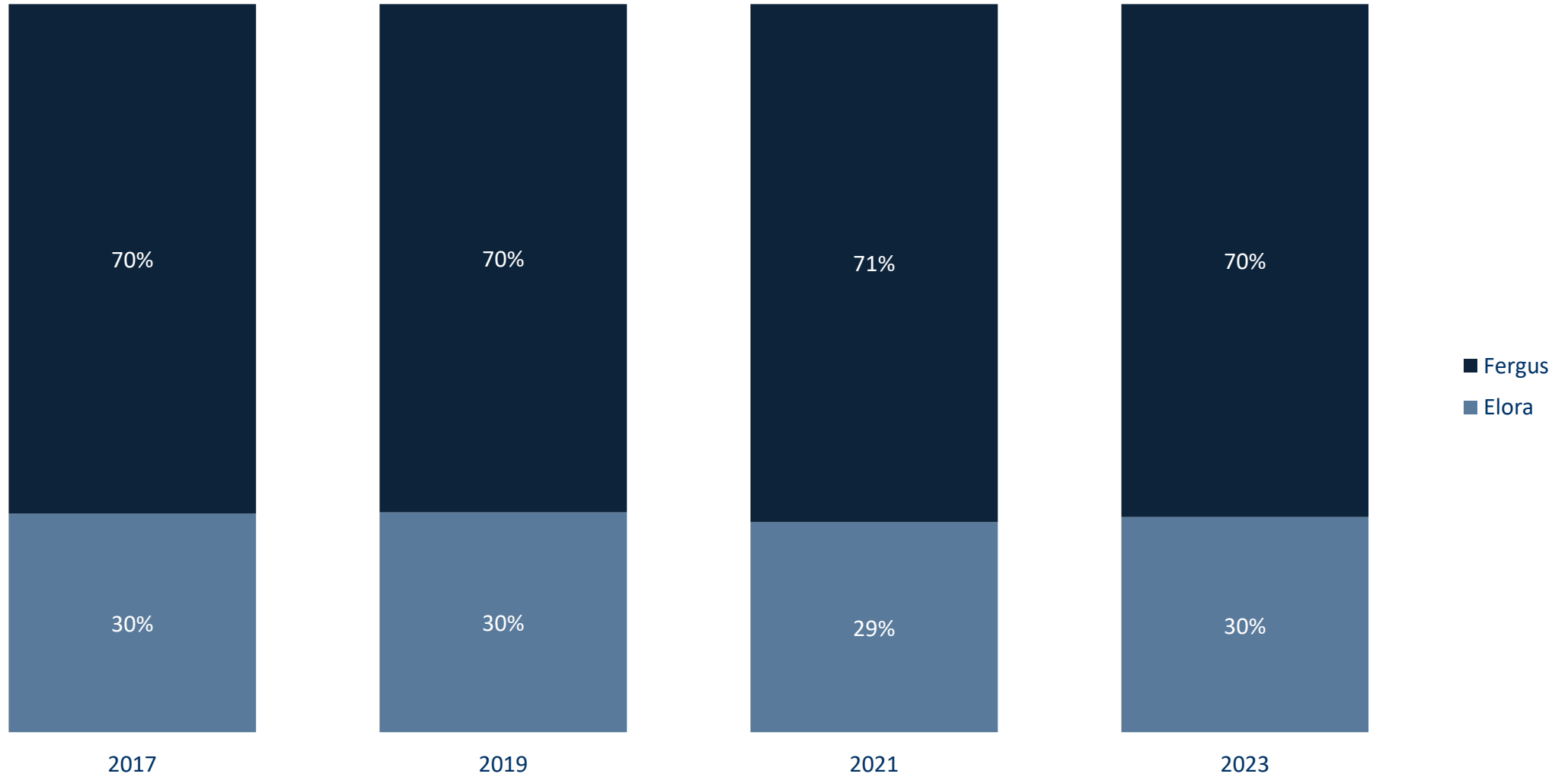


## Customer Type - information provided by Centre Wellington Hydro

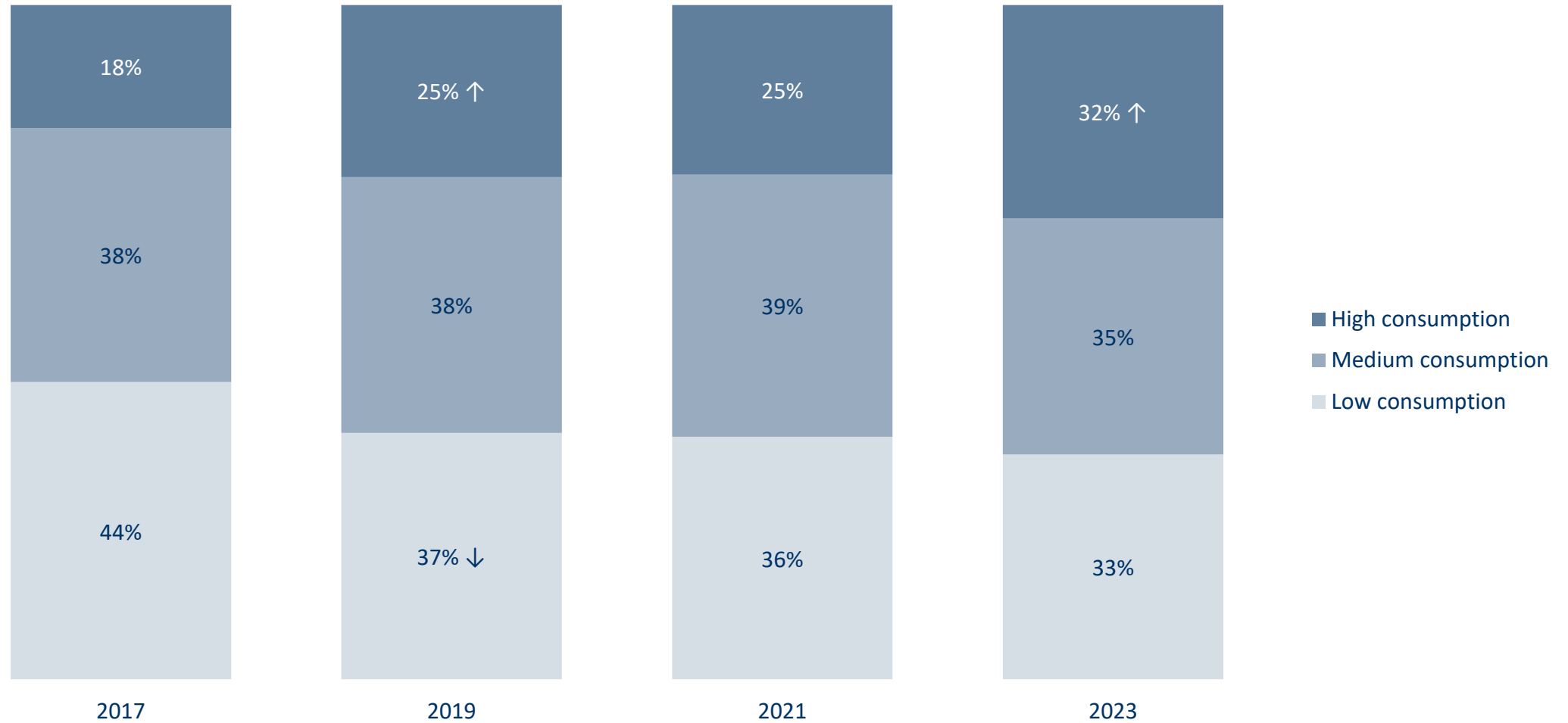


Weight: Aggregate weight for LDC based on customer\_type  
Filters: LDC: Centre Wellington Hydro

## Region - information provided by Centre Wellington Hydro



*Indexed score of annual consumption (Only have GS data for 2023 onwards) -  
information provided by Centre Wellington Hydro*

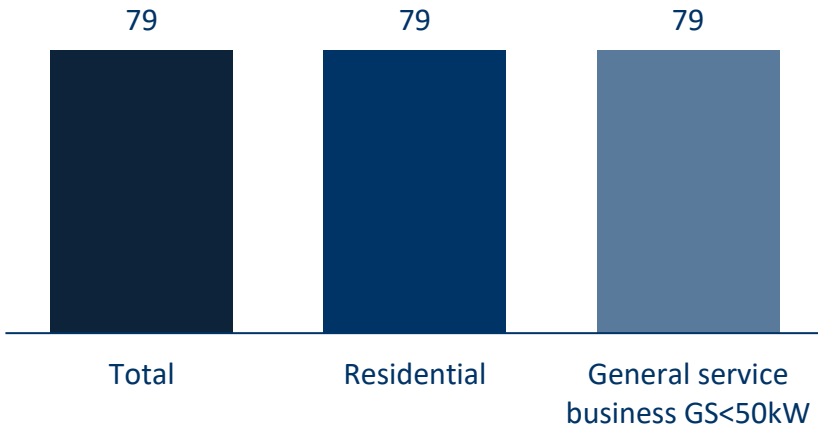


Weight: Aggregate weight for LDC based on customer\_type  
Filters: LDC: Centre Wellington Hydro

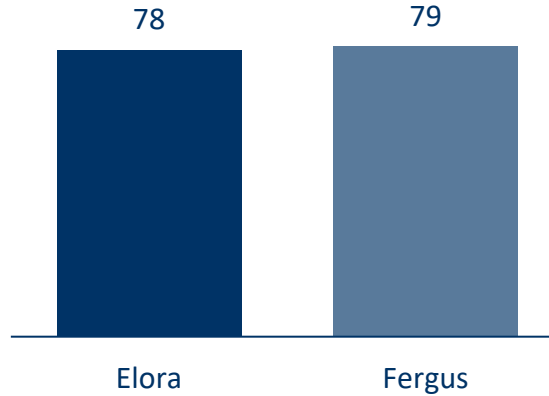
# Customer Satisfaction Index Score – 2023 Results & Trend

# Customer Satisfaction Index: Centre Wellington Hydro for 2023

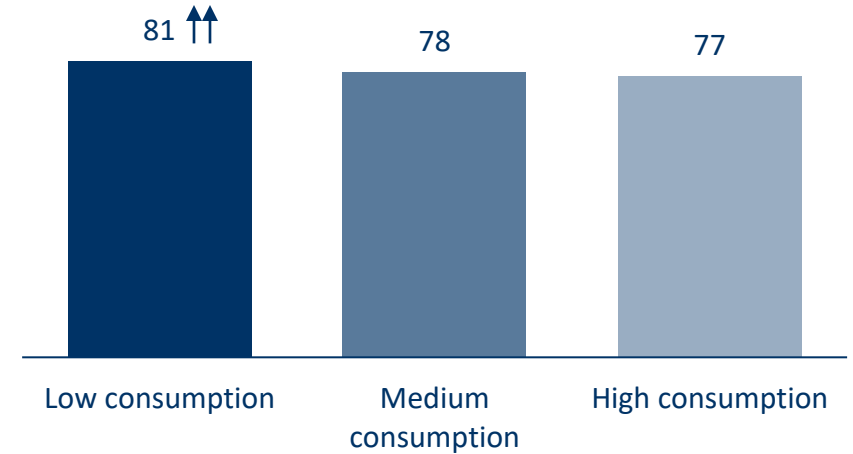
CSI Score – Total and by Customer Type



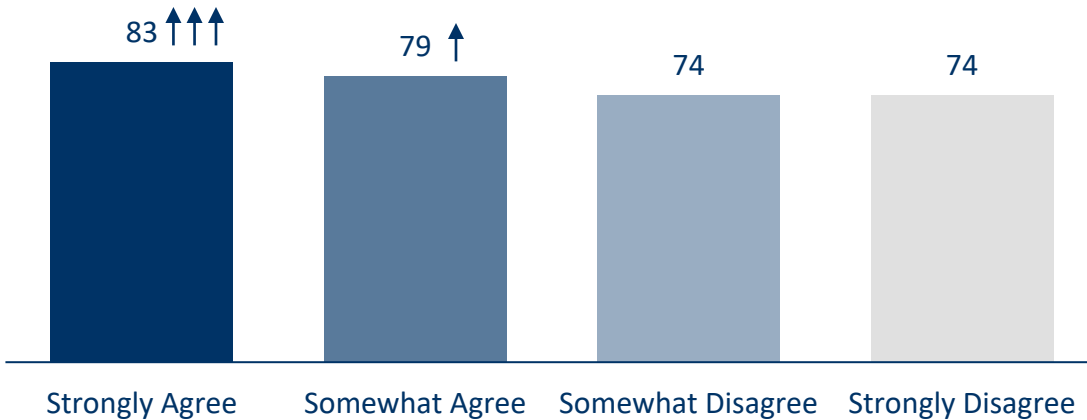
CSI Score by Region



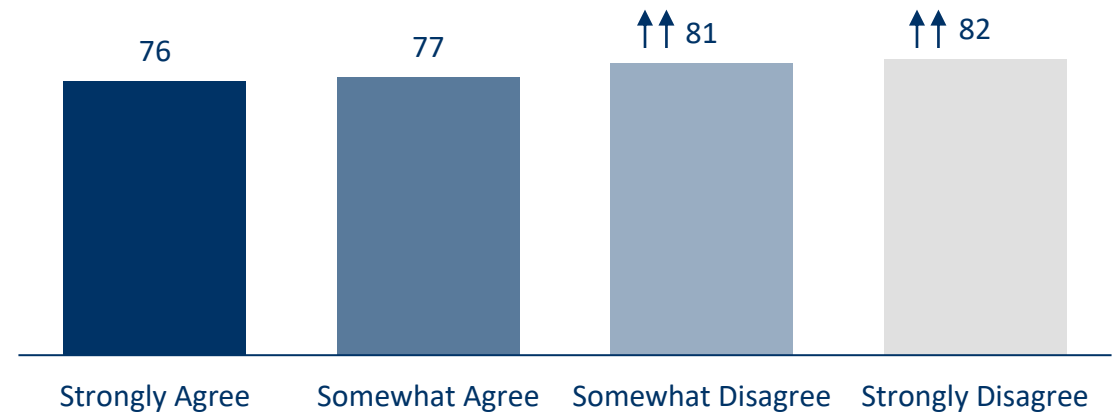
CSI Score by Annual Consumption Index



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]”



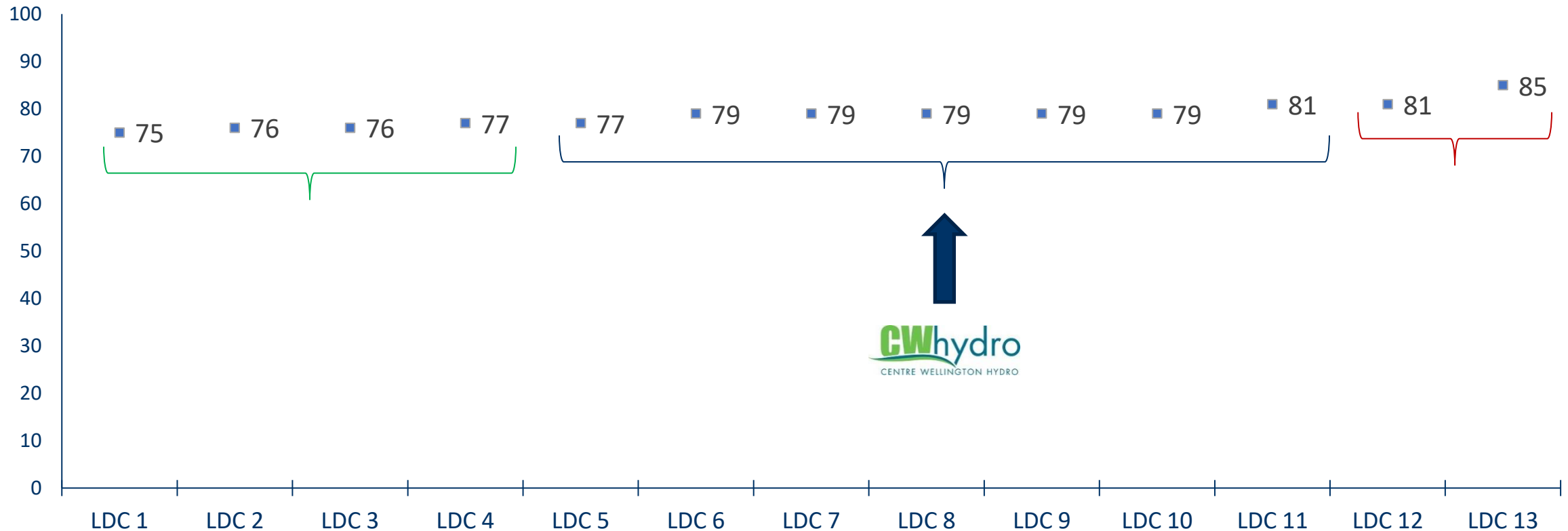
Weight: Aggregate weight for LDC based on customer\_type

Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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, CWH's score of 79 is *statistically* the same as that of 6 other LDCs.
- CWH's score is *statistically* higher than that of 4 other LDCs (the score of 77 for one of the LDCs is not statistically lower than CWH's).
- CWH's score is *statistically* lower than that of 2 of the other LDCs (the score of 81 for one of the LDCs is not statistically higher than CWH's).

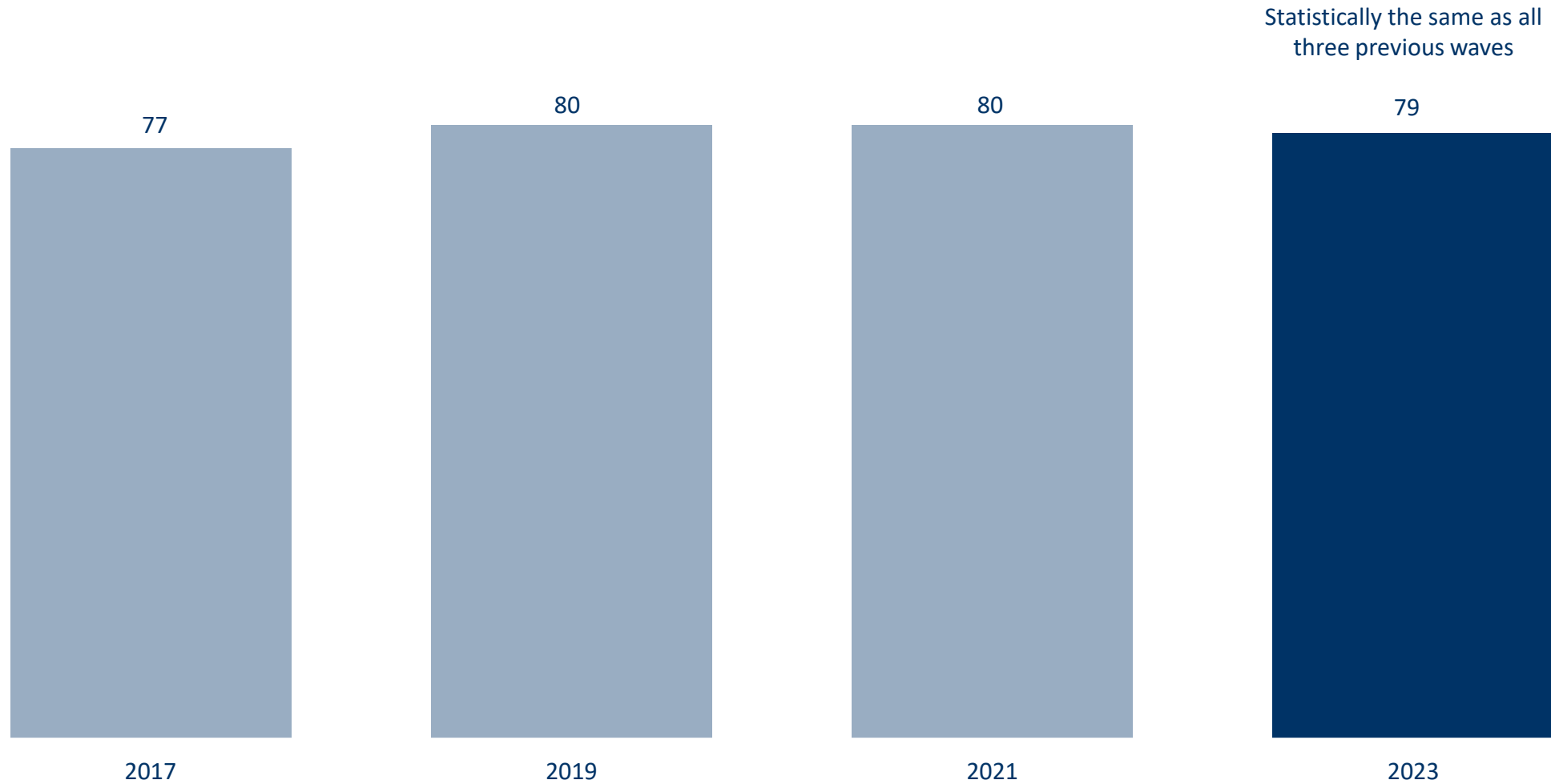


Weight: Aggregate weight for LDC based on customer\_type

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

## Centre Wellington Hydro's Customer Satisfaction Index by Year



**Weight:** Aggregate weight for LDC based on customer\_type

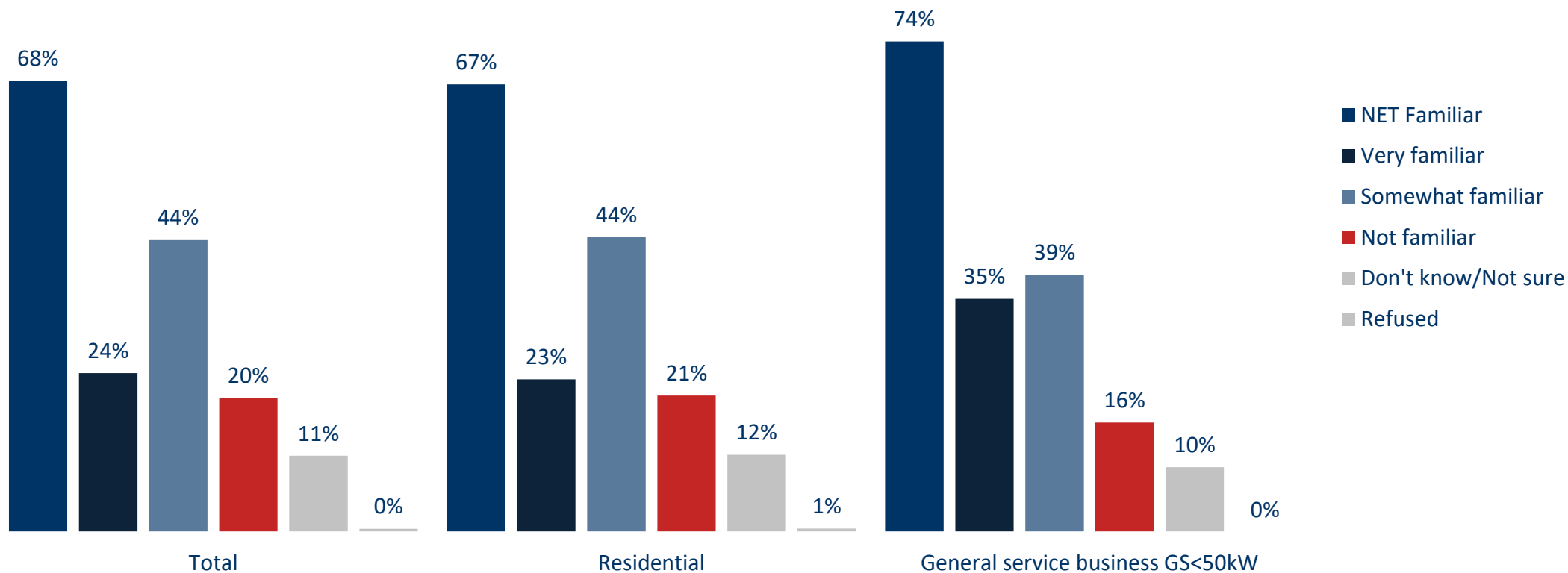
**Filters:** LDC: Centre Wellington Hydro

**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

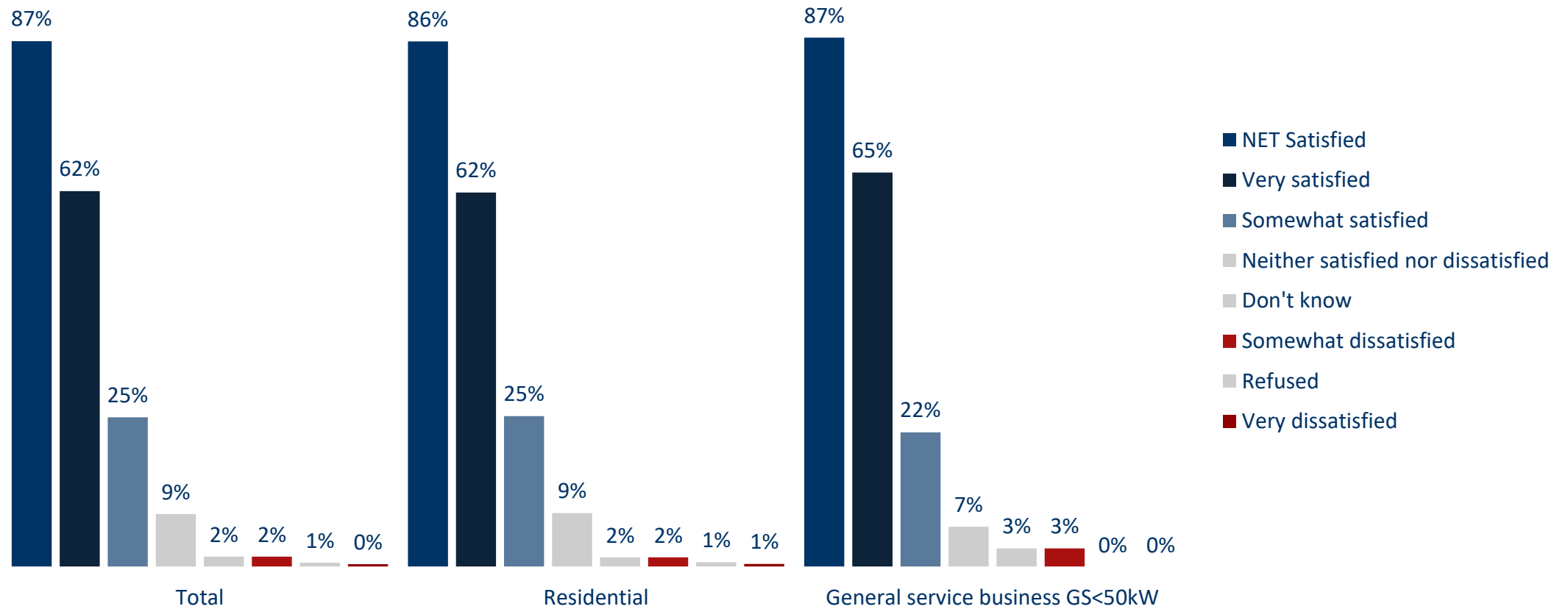


## How familiar are you with Centre Wellington Hydro, which operates the electricity distribution system in your community?



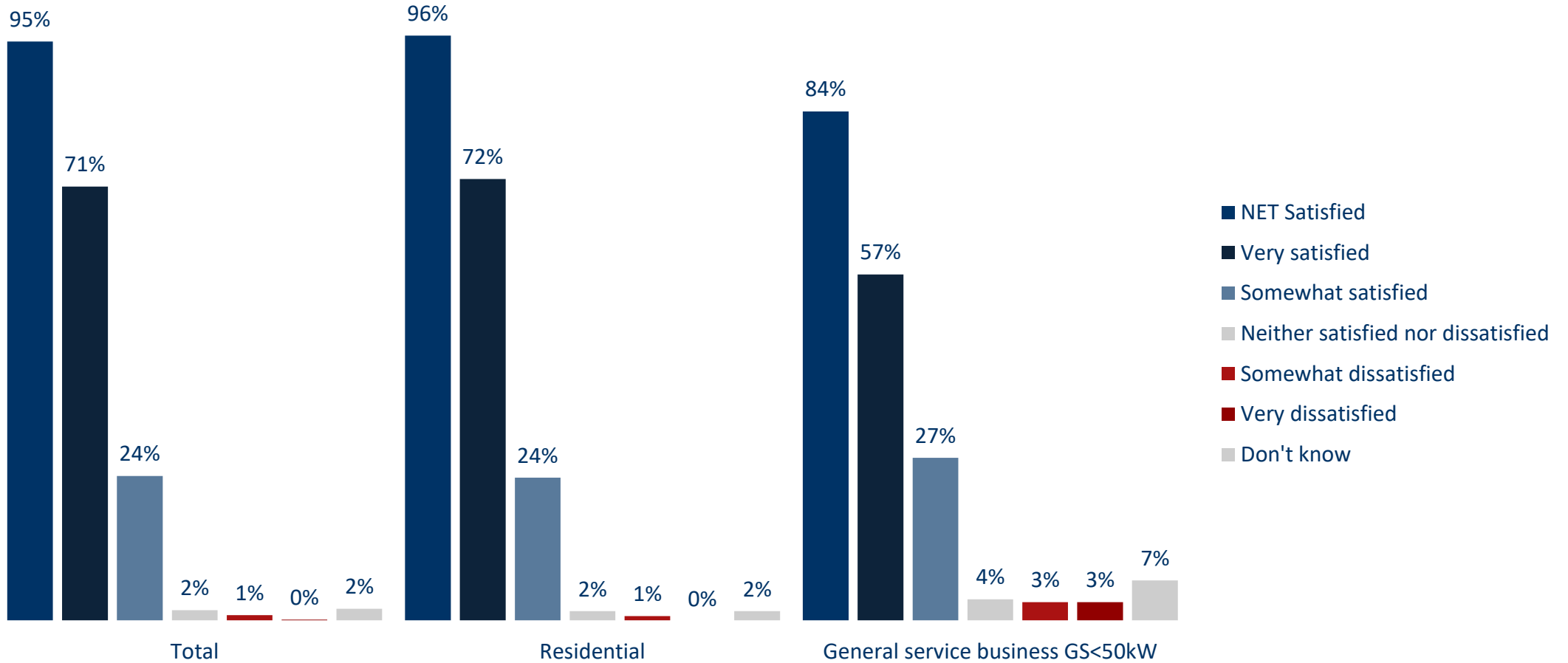
Weight: Aggregate weight for LDC based on customer\_type  
Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

*Thinking specifically about the services provided to you and your community by Centre Wellington Hydro, OVERALL, how satisfied are you with the services that you receive?*



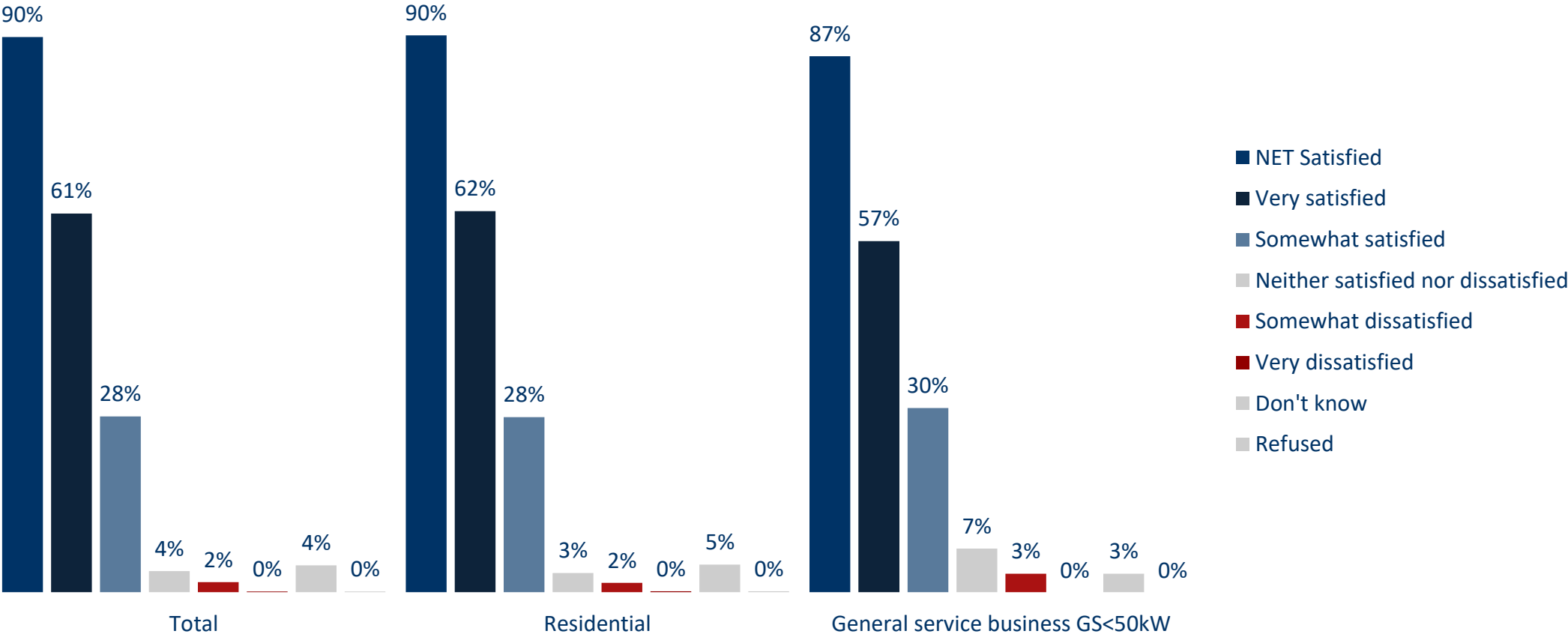
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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



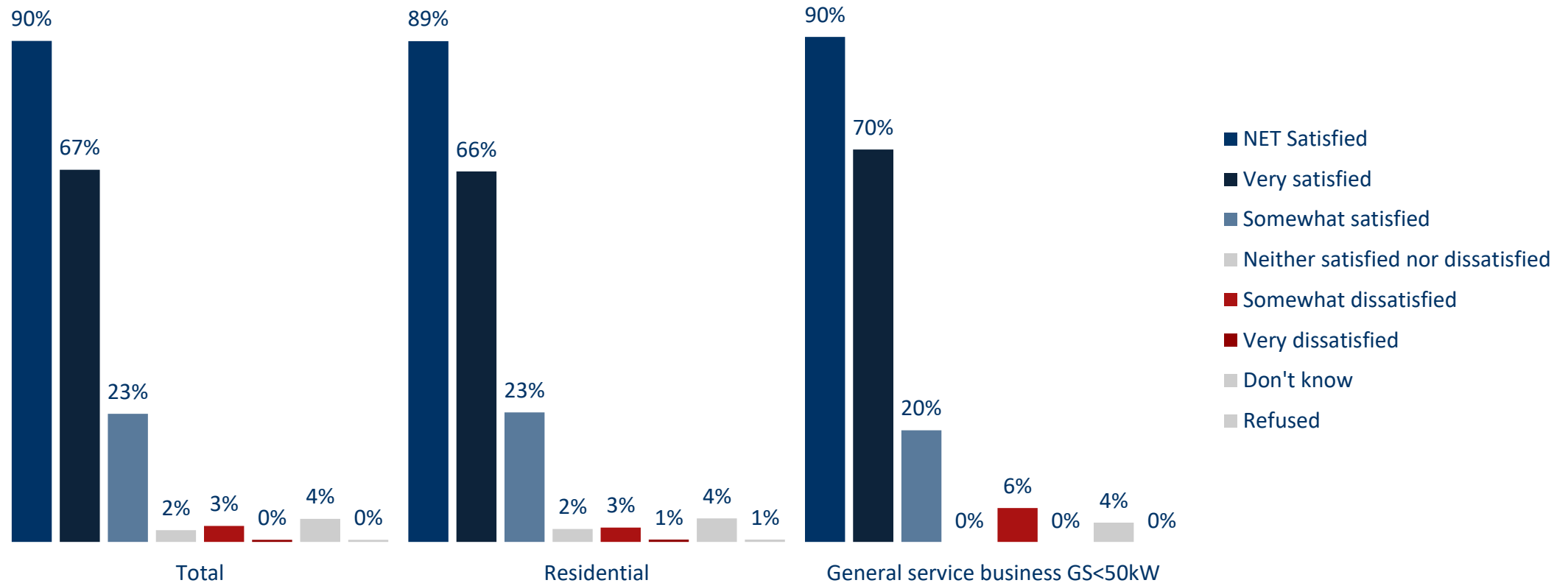
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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



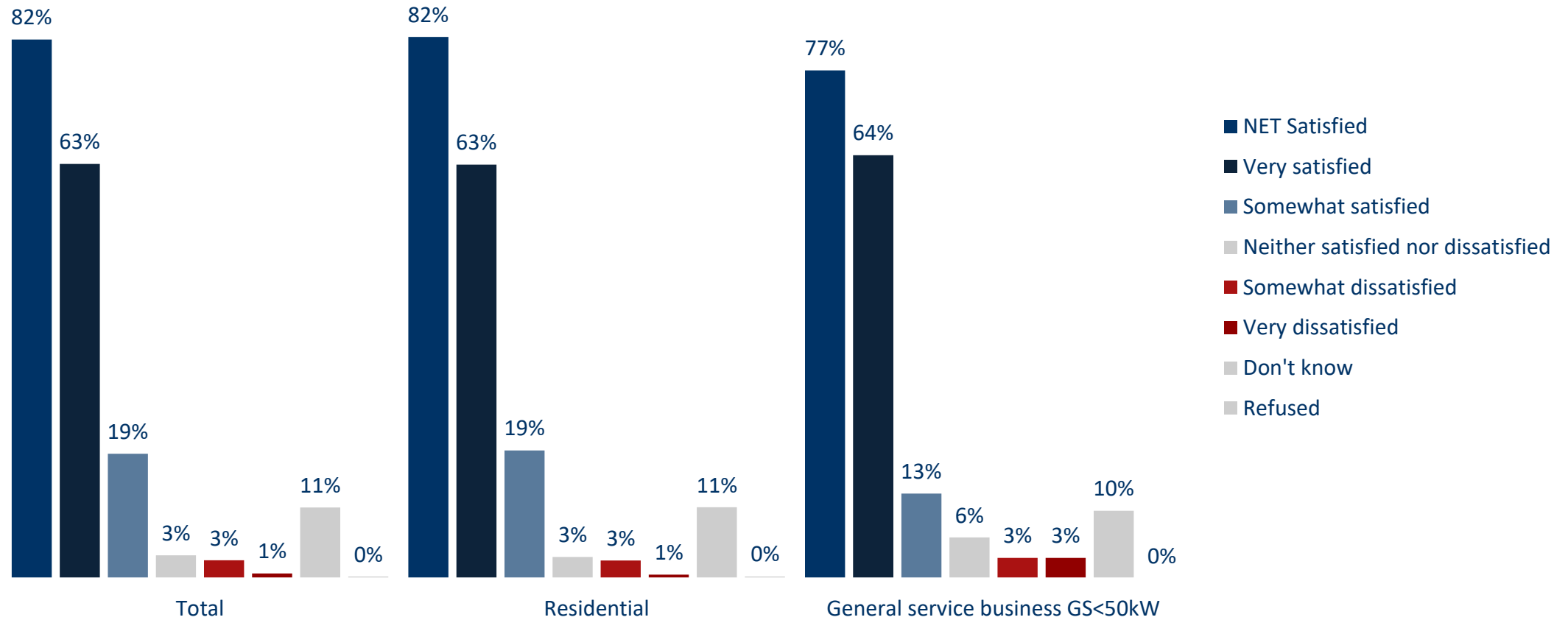
Weight: Aggregate weight for LDC based on customer\_type  
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*How satisfied are you with the electrical service that you receive from Centre Wellington Hydro - based on the QUALITY OF THE POWER delivered to you as judged by the absence of voltage fluctuations that can result in flickering/dimming of lights / an affe*

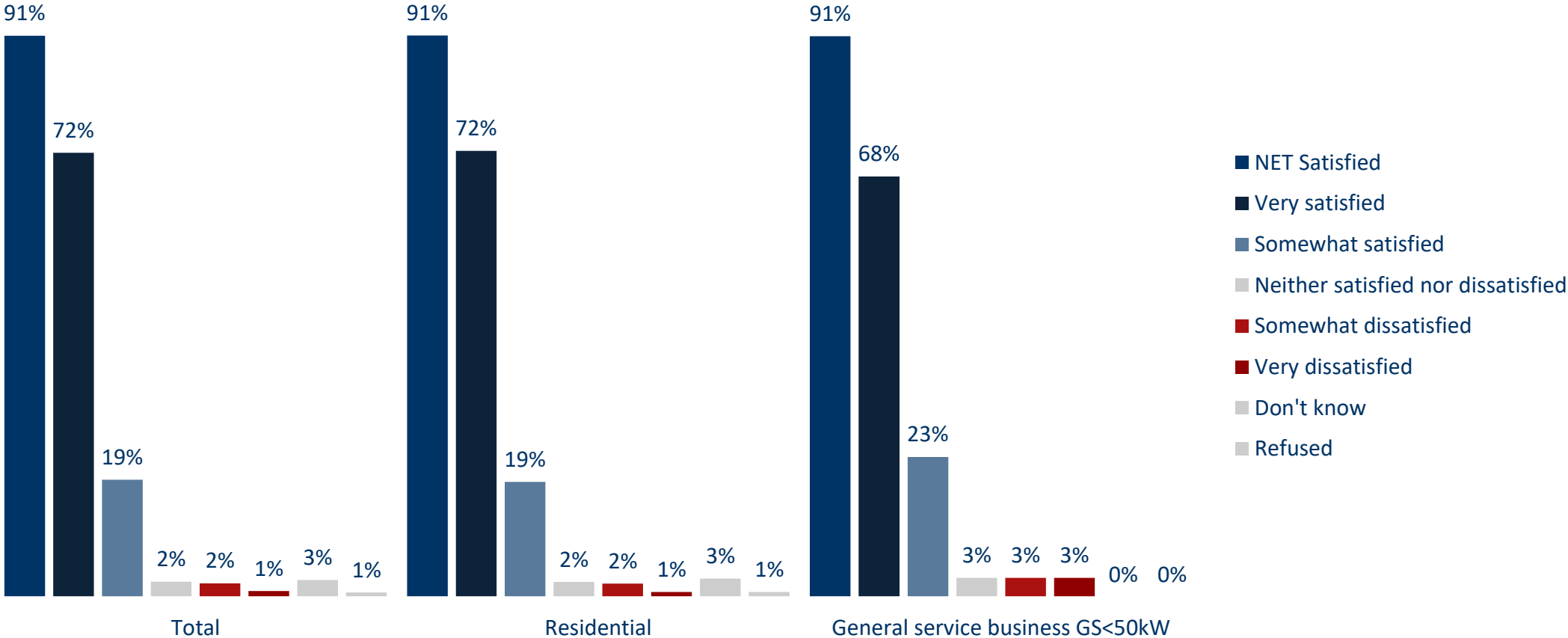


Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

## How satisfied are you with the bills that you receive from Centre Wellington Hydro - based on them providing ACCURATE BILLS?

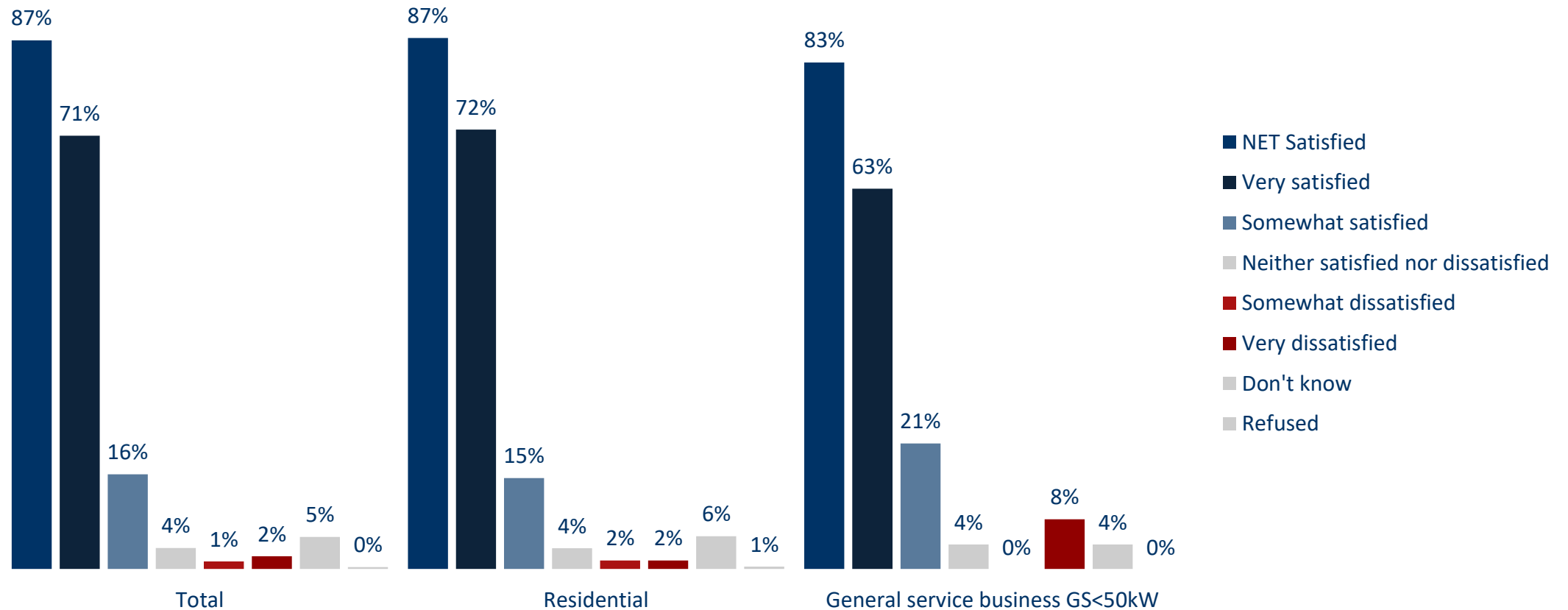


*How satisfied are you with the bills that you receive from Centre Wellington Hydro - based on them providing CONVENIENT OPTIONS TO RECEIVE AND PAY BILLS?*



Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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



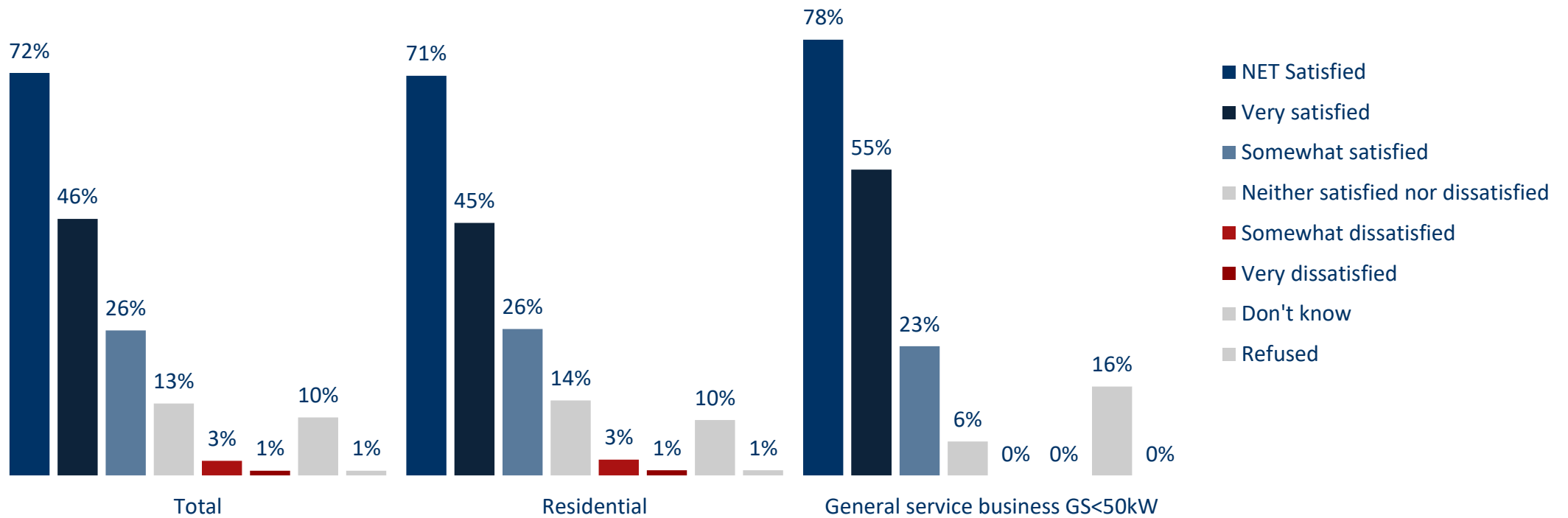
Weight: Aggregate weight for LDC based on customer\_type

Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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

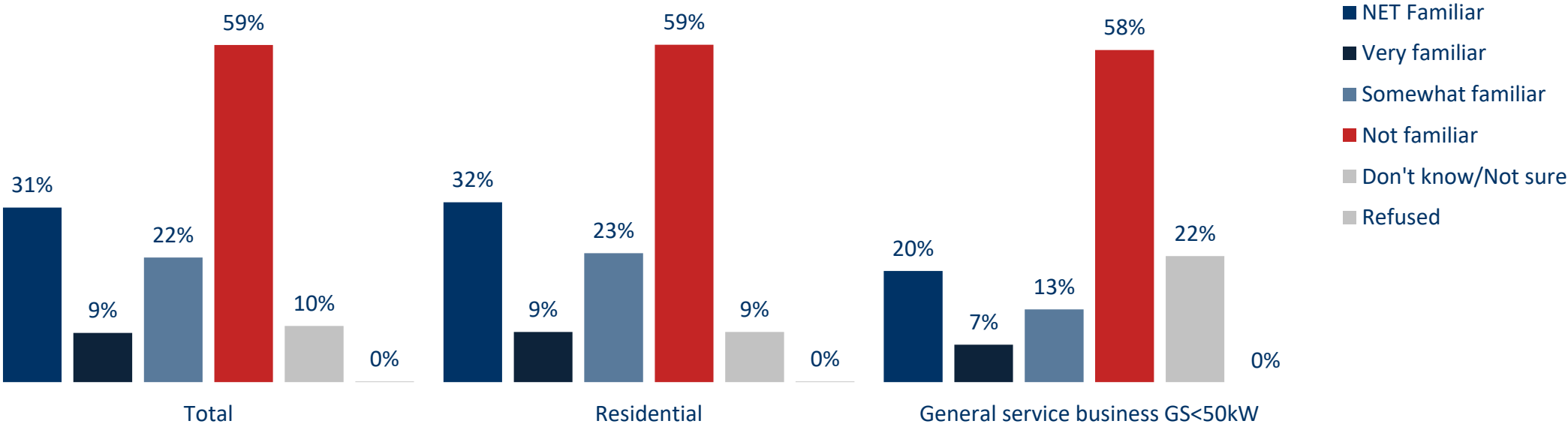


*How satisfied are you with the COMMUNICATIONS that you may receive from Centre Wellington Hydro without talking directly to an employee, including information found on their website, bill inserts, advertising, notices, emails, or social media sites?*



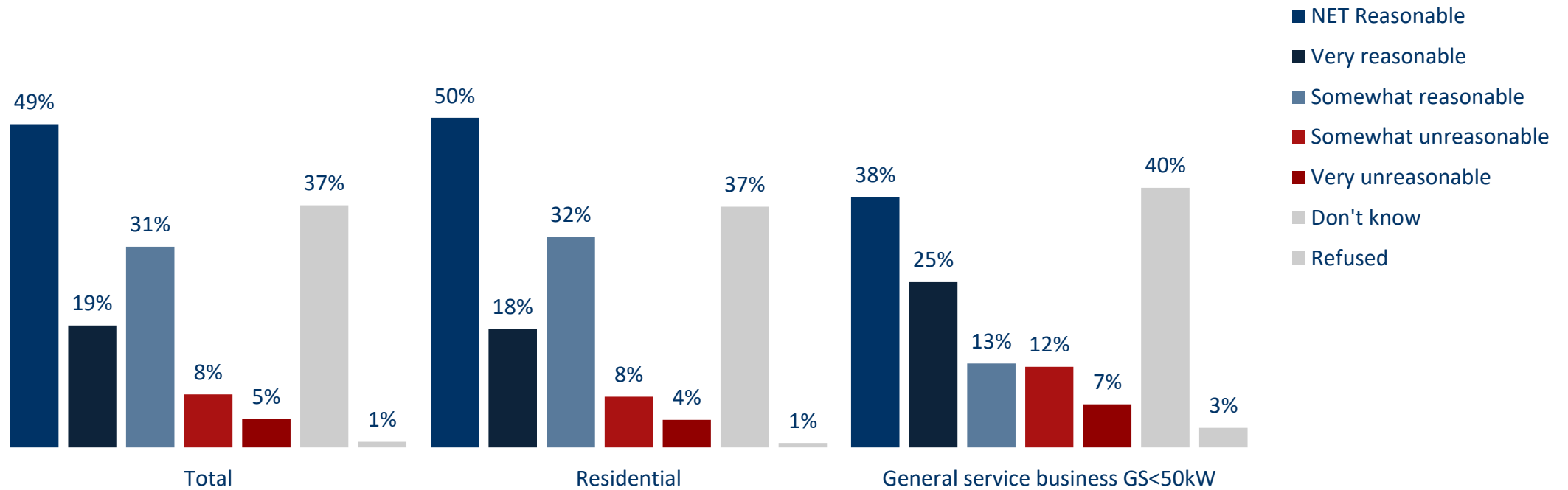
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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



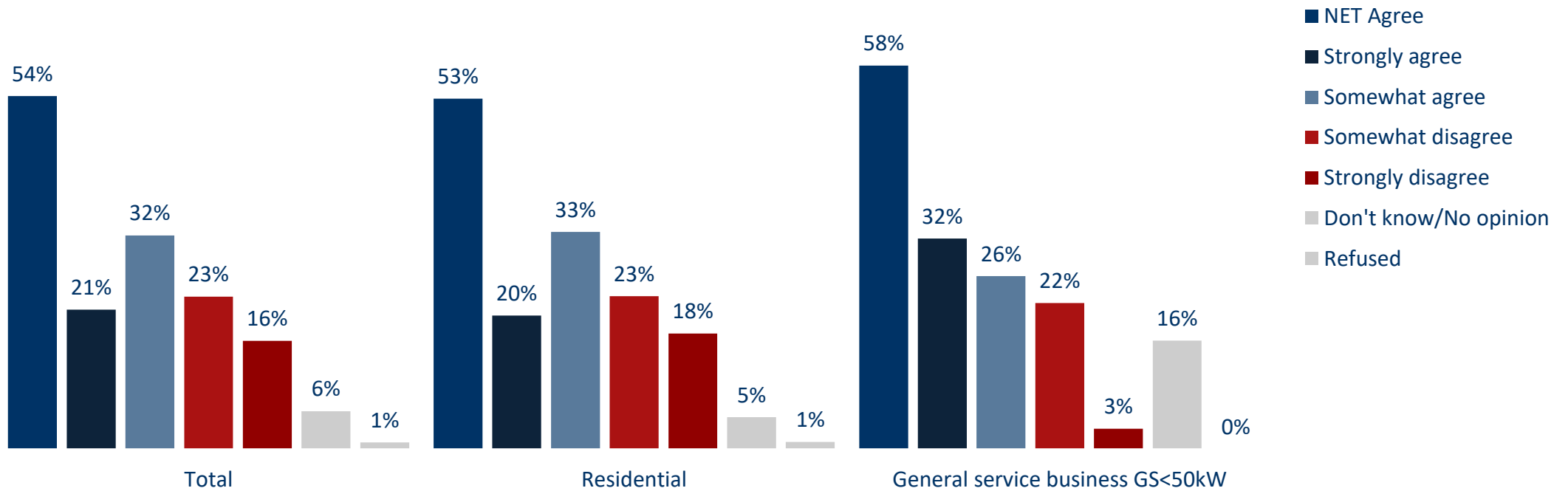
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

*Do you feel that the percentage of your total electricity bill that you pay to Centre Wellington Hydro for the services they provide is...?*



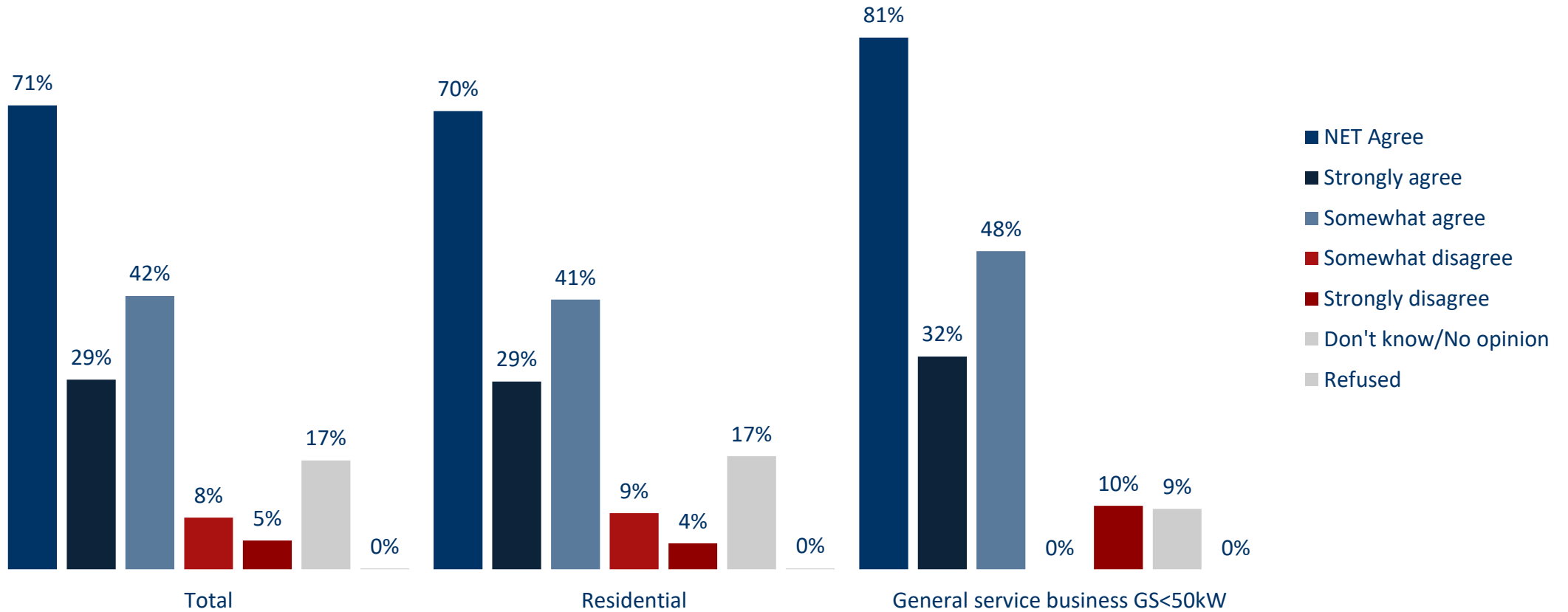
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

*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]"?*



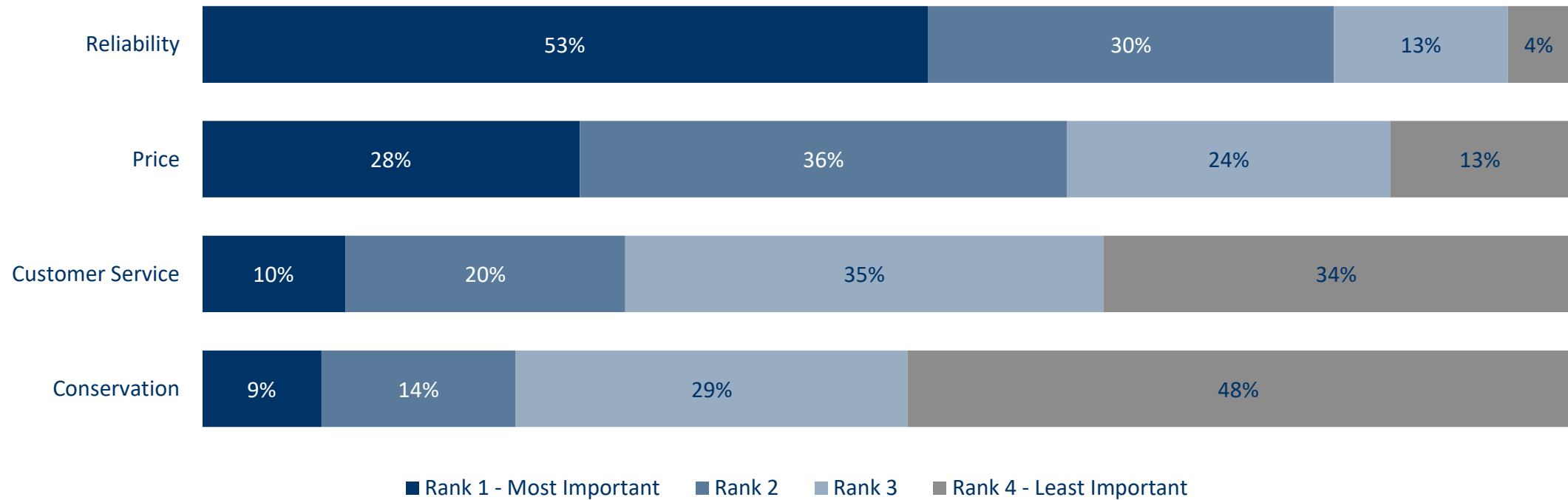
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: Year of Data Collection: 2023, LDC: Centre Wellington Hydro

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



# CWH's Custom Survey Questions – 2023 Results

*Please rank the following 4 aspects of customer service from most important to least important.*

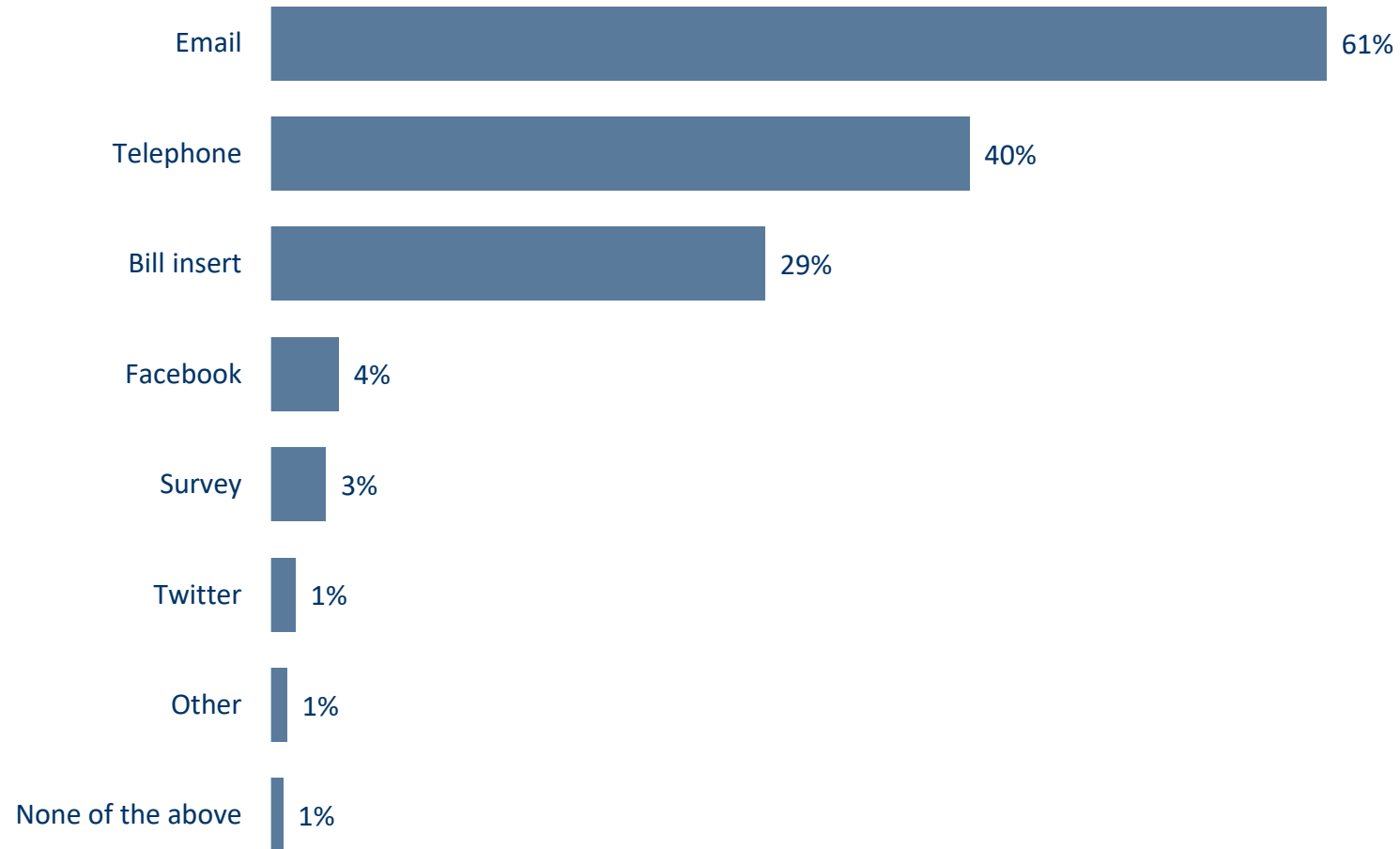


*Thinking specifically about the price of electricity, as a customer, are you willing to accept a higher price of electricity for improved reliability of service?*



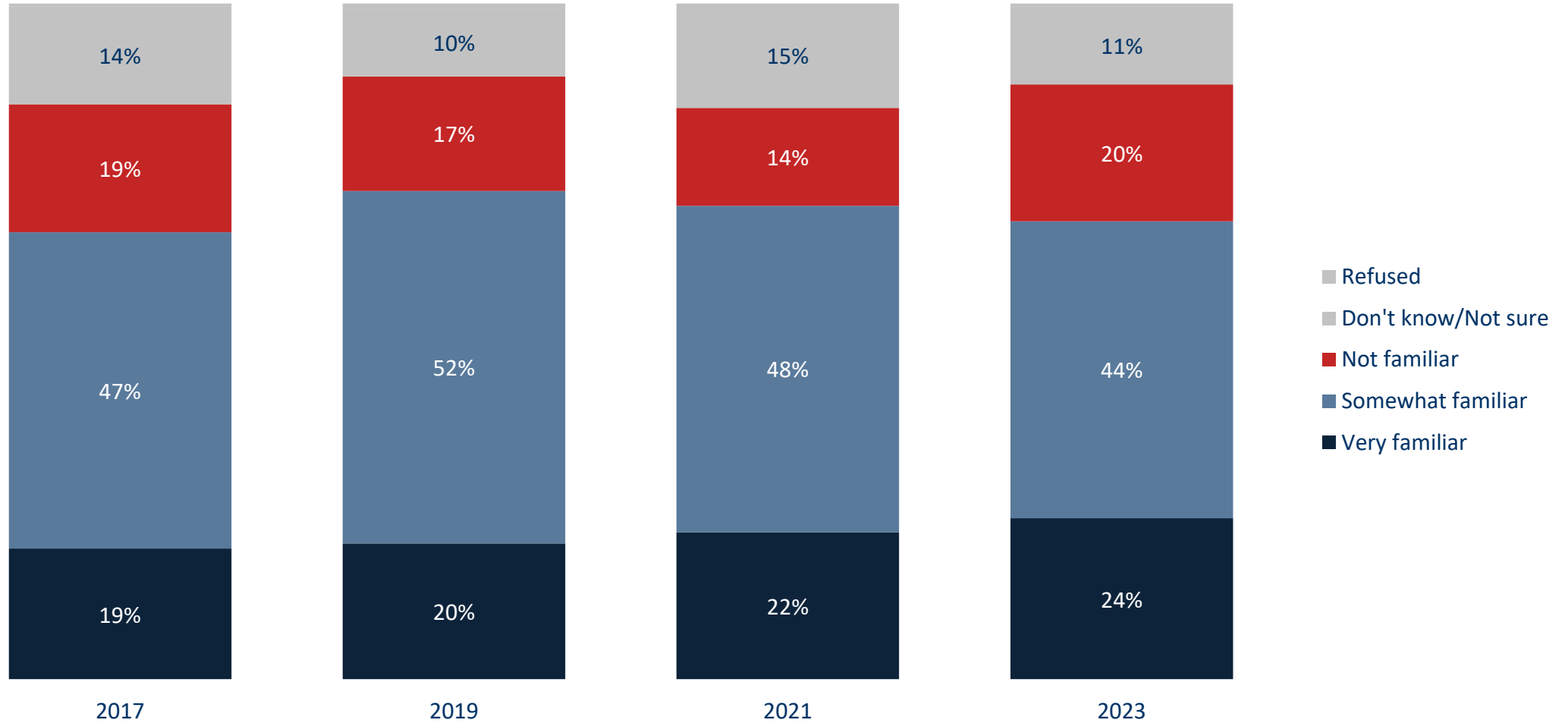


*Which of the following are your preferred methods of communication for reaching you as a customer?*



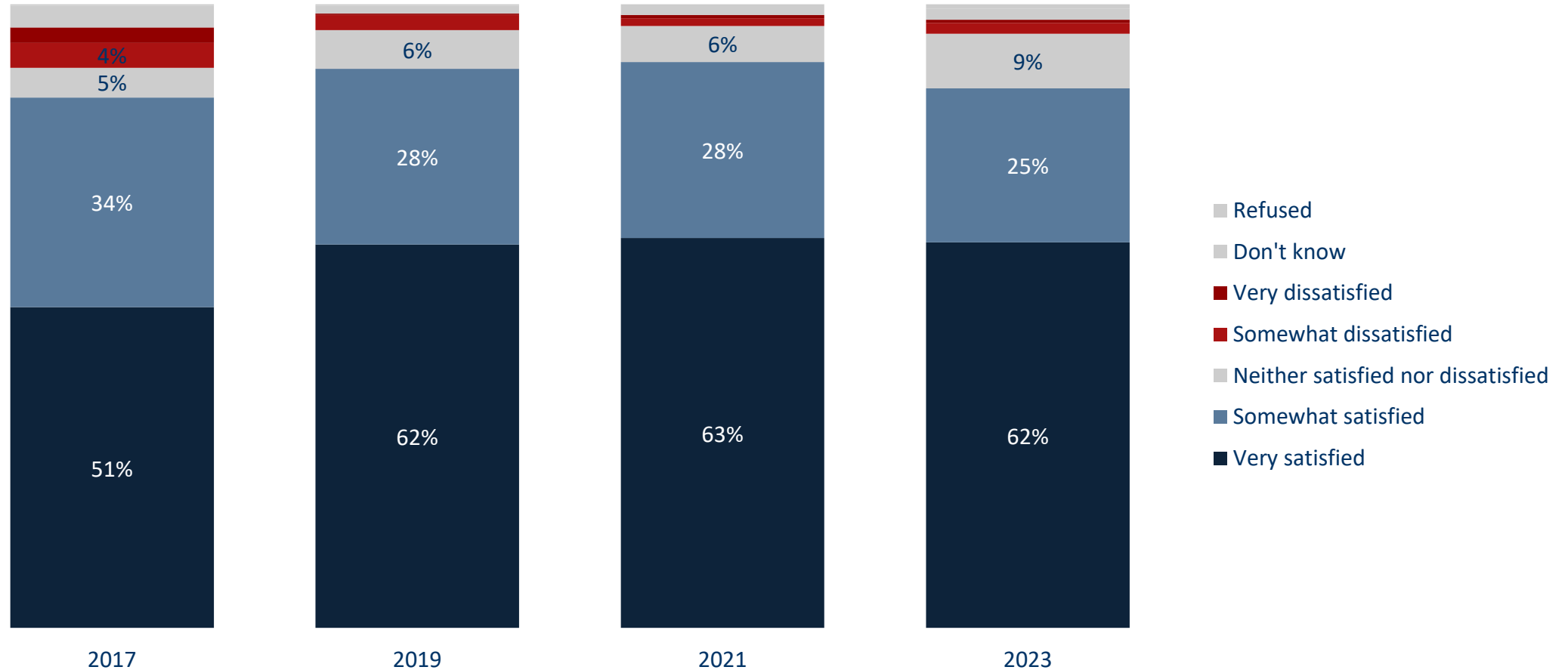
# Core (OEB) Survey Questions – Trend over Time

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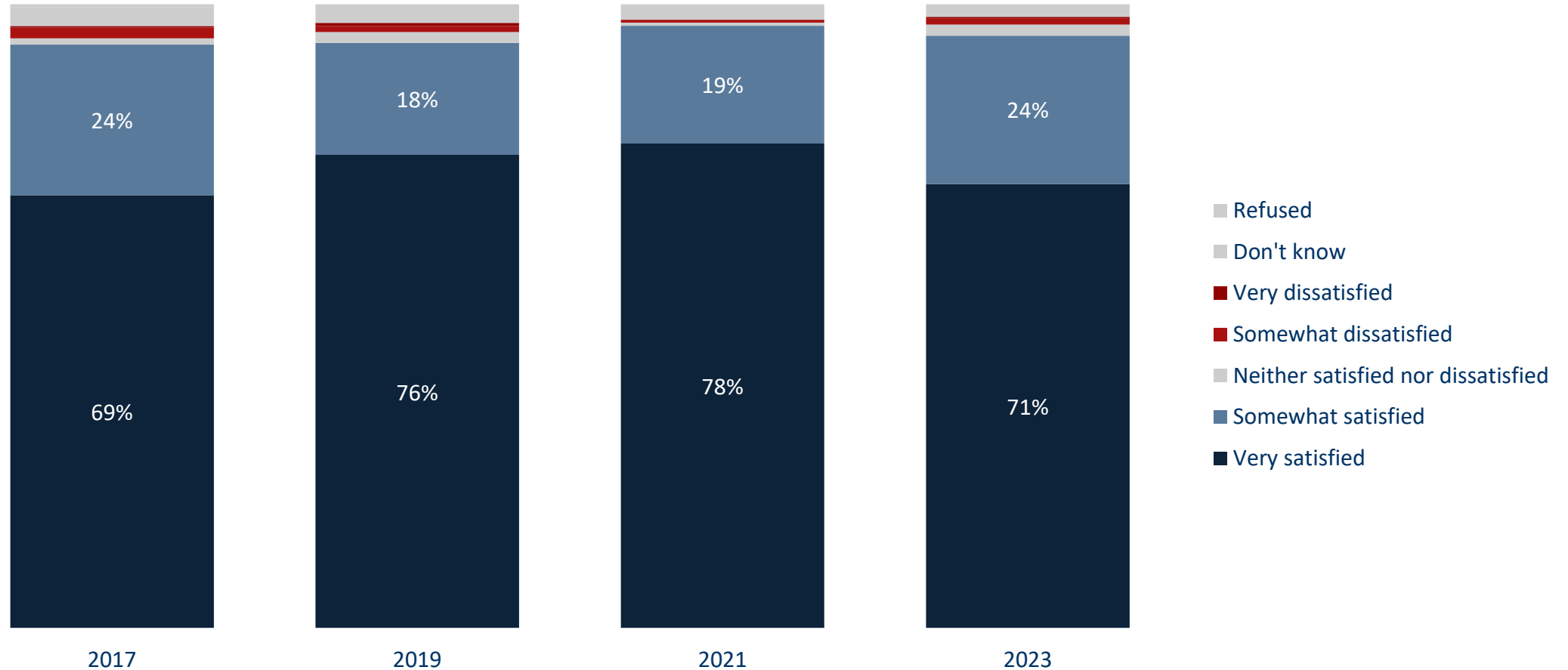
Weight: Aggregate weight for LDC based on customer\_type  
Filters: LDC: Centre Wellington Hydro

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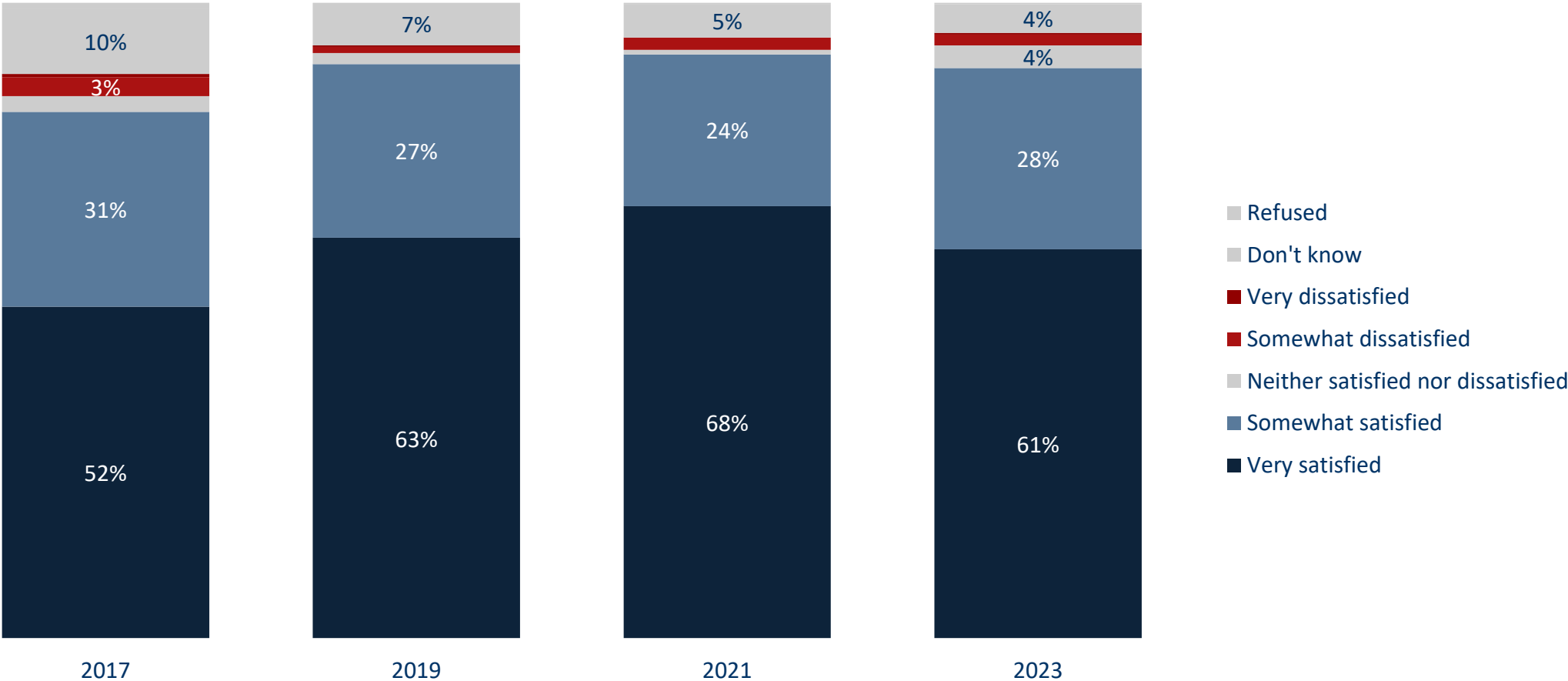
Weight: Aggregate weight for LDC based on customer\_type  
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*How satisfied are you with the electrical service that you receive from Centre Wellington Hydro - based on the RELIABILITY of your electrical service as judged by the number of outages you experience?*



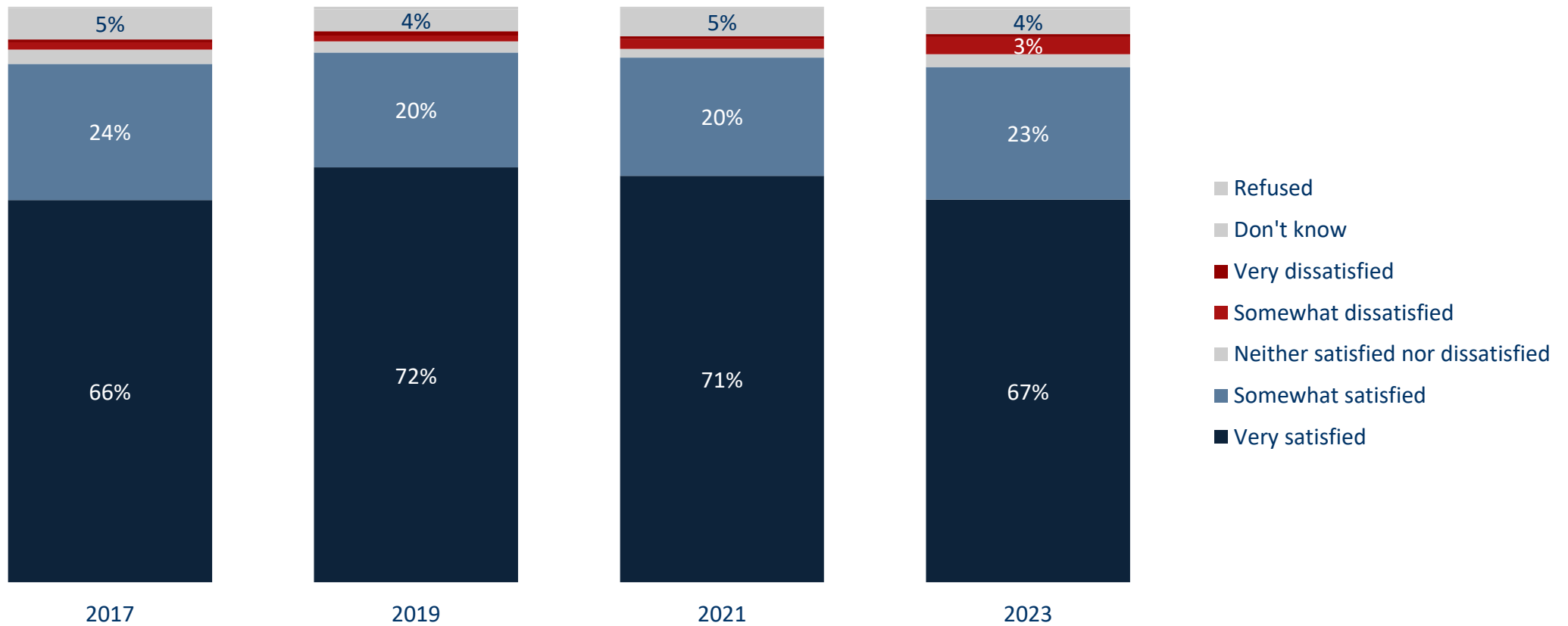
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*How satisfied are you with the electrical service that you receive from Centre Wellington Hydro - based on the amount of TIME IT TAKES TO RESTORE POWER when outages occur?*



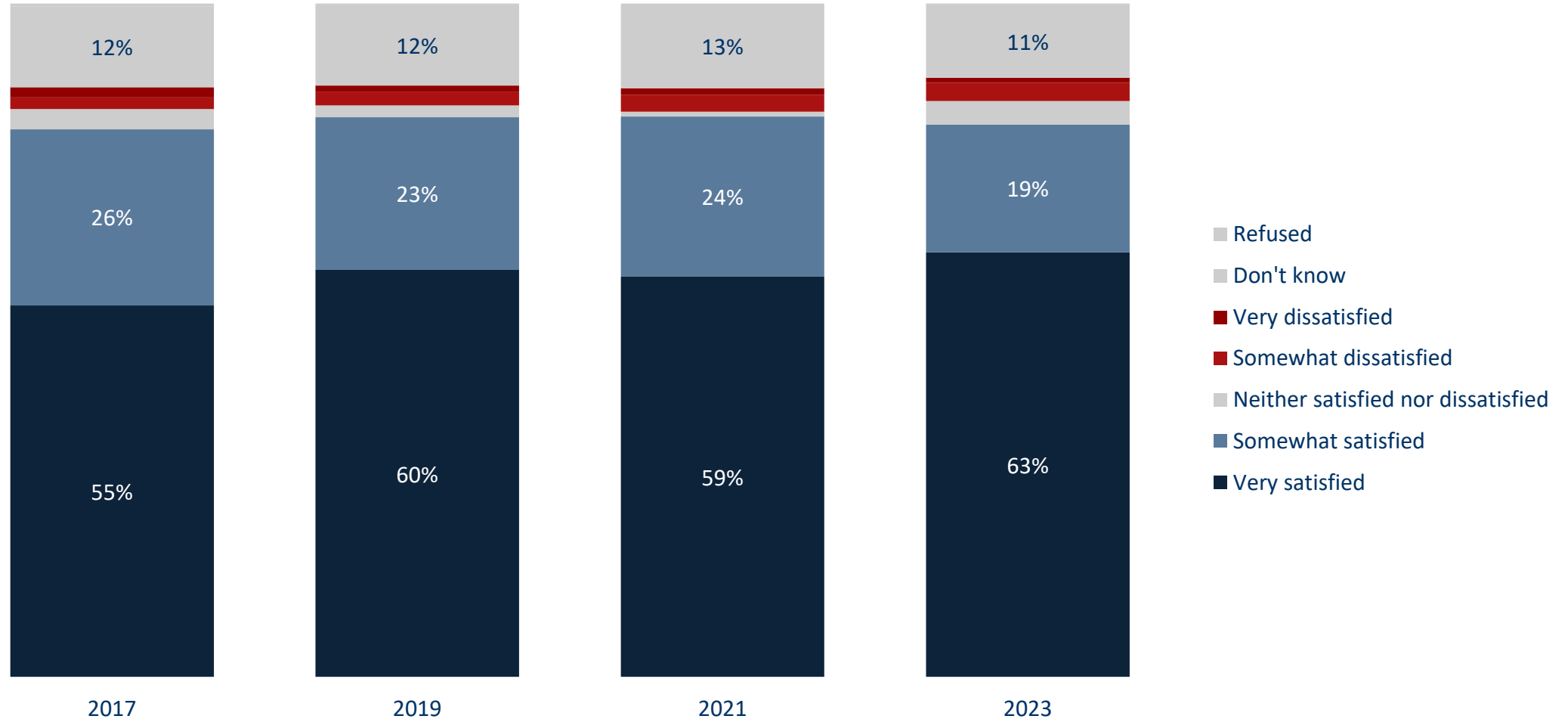
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*How satisfied are you with the electrical service that you receive from Centre Wellington Hydro - based on the QUALITY OF THE POWER delivered to you as judged by the absence of voltage fluctuations that can result in flickering/dimming of lights / an affe*



Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

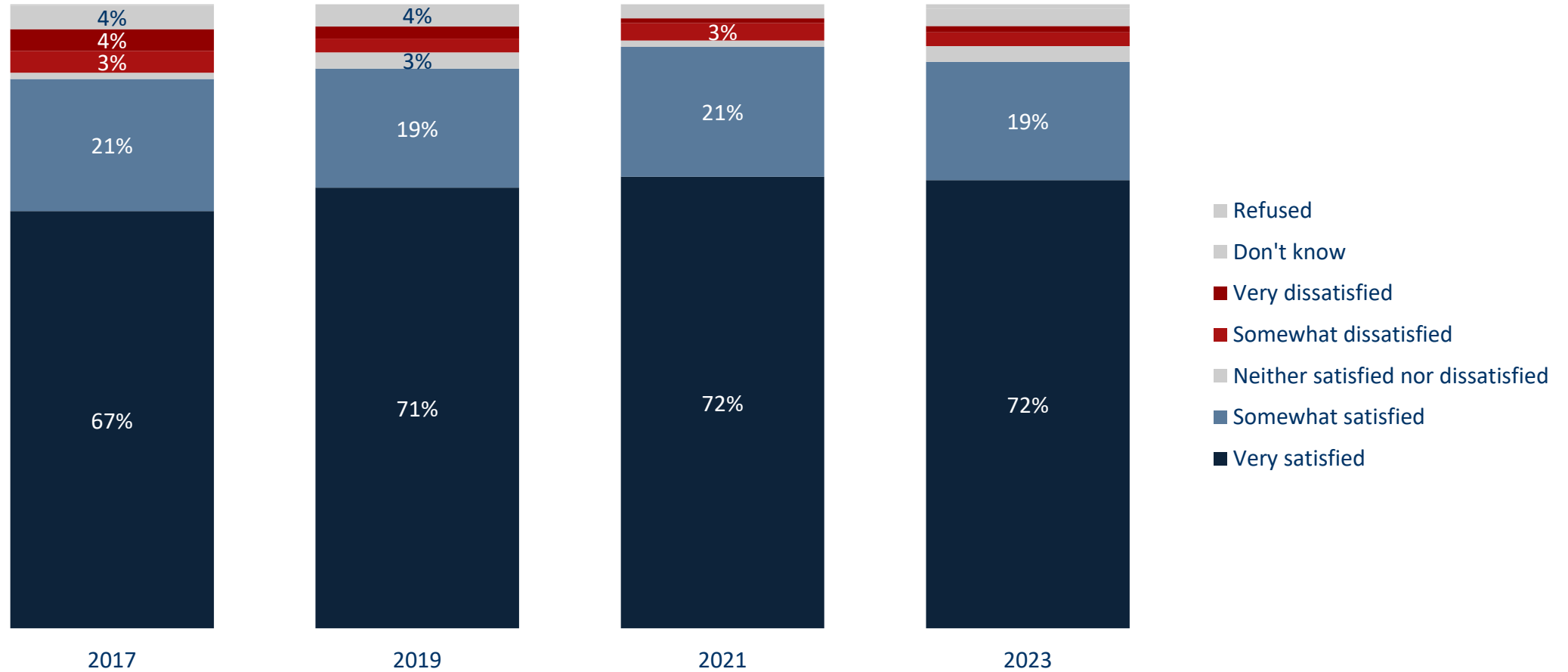
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Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

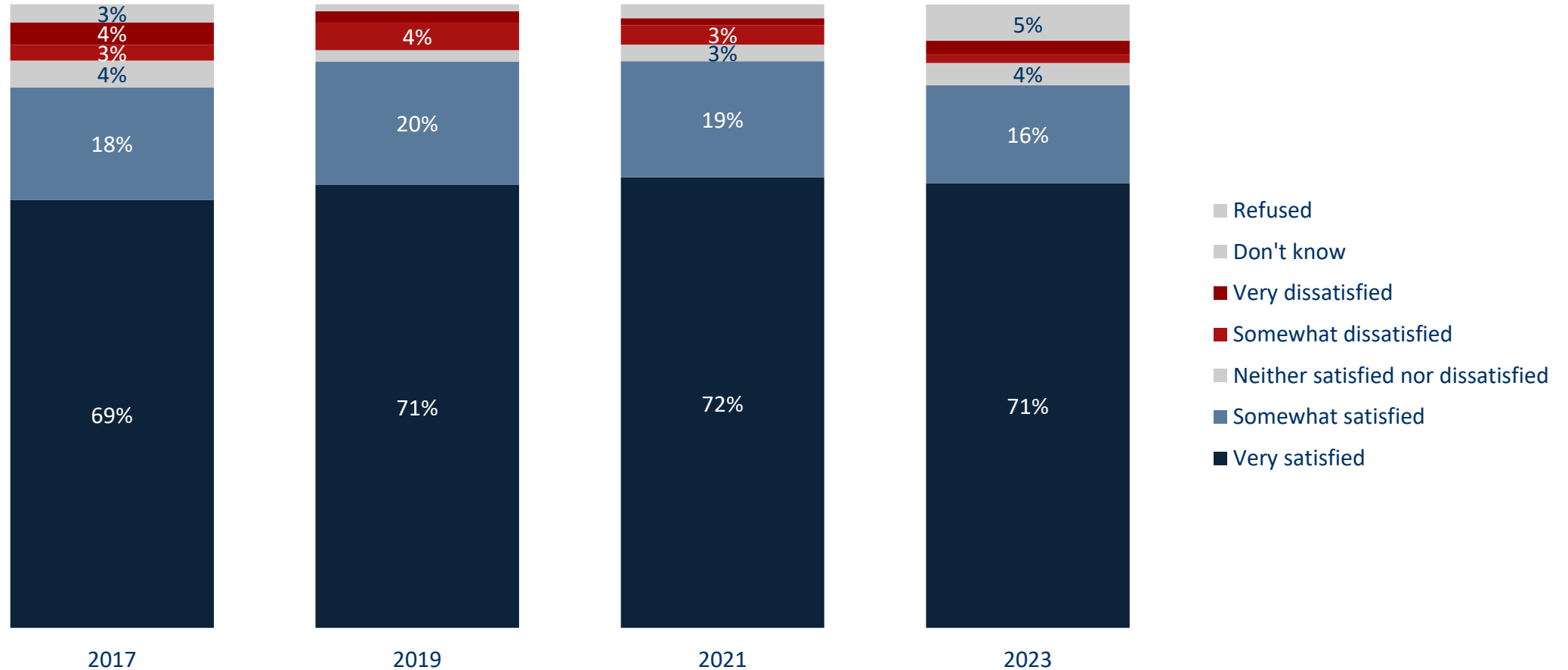


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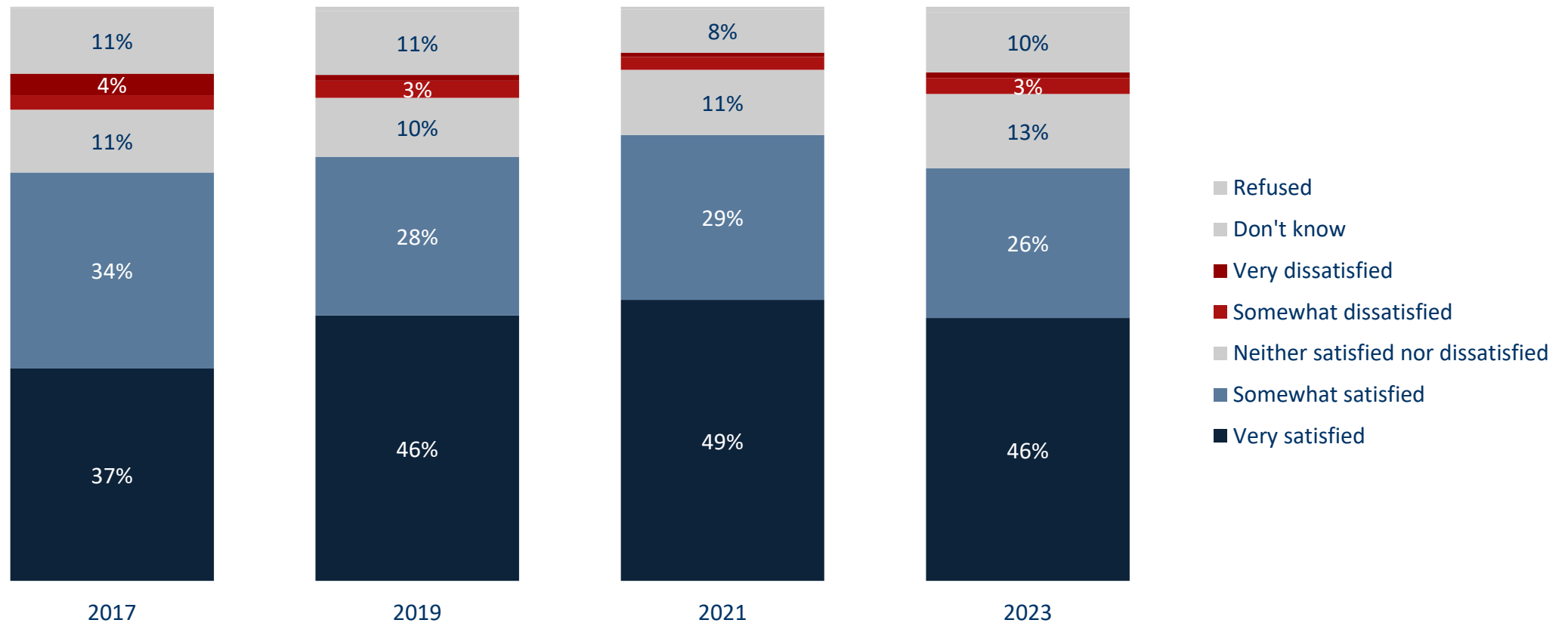


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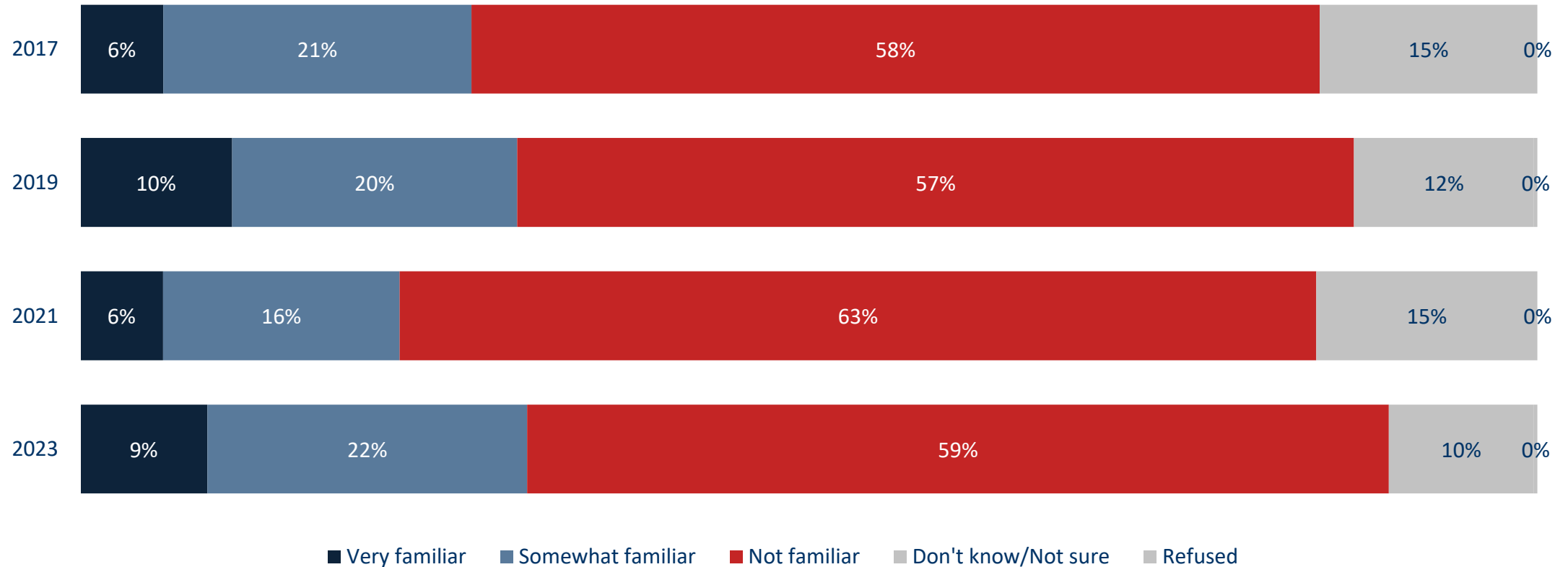
Note: Base excludes those who indicated that they had not contacted customer service, thus could not provide an assessment

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



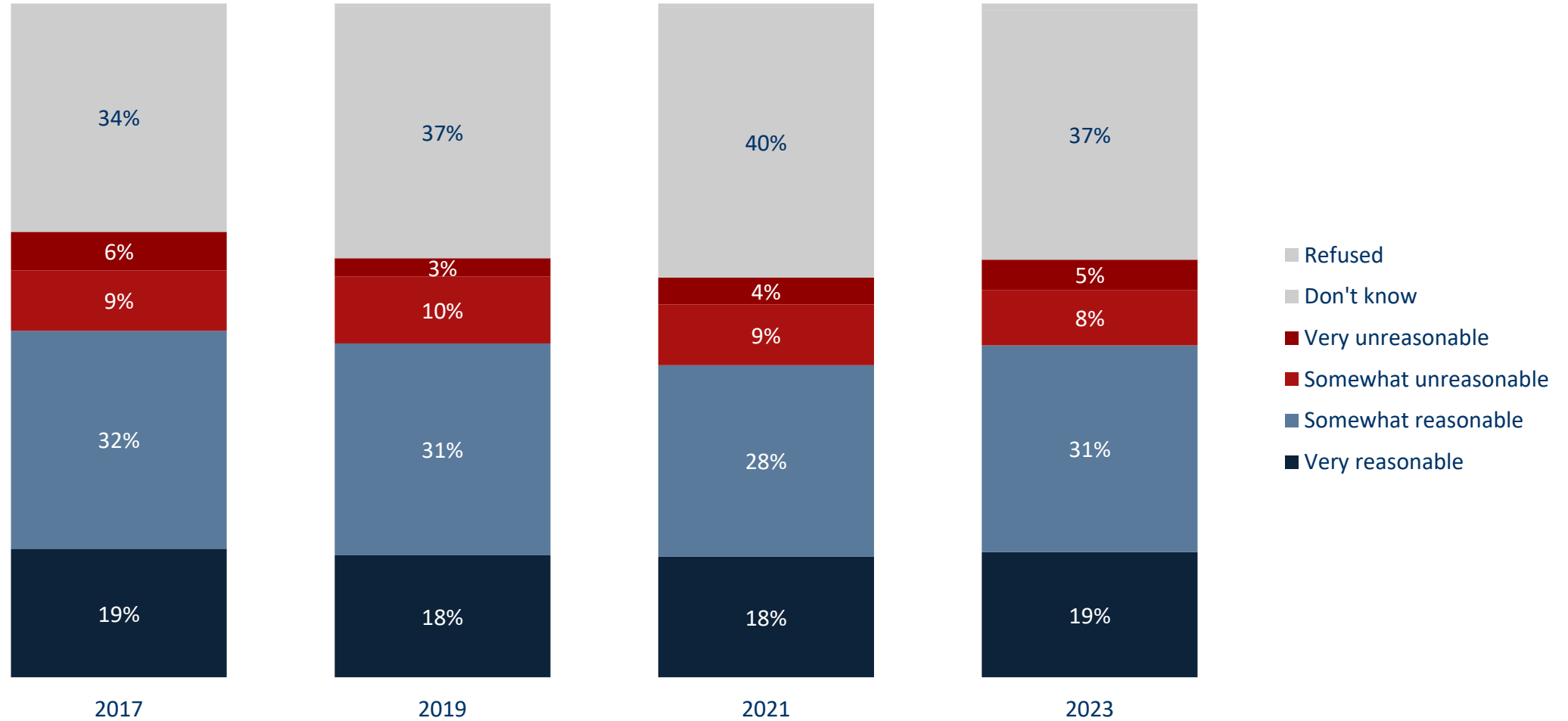
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

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



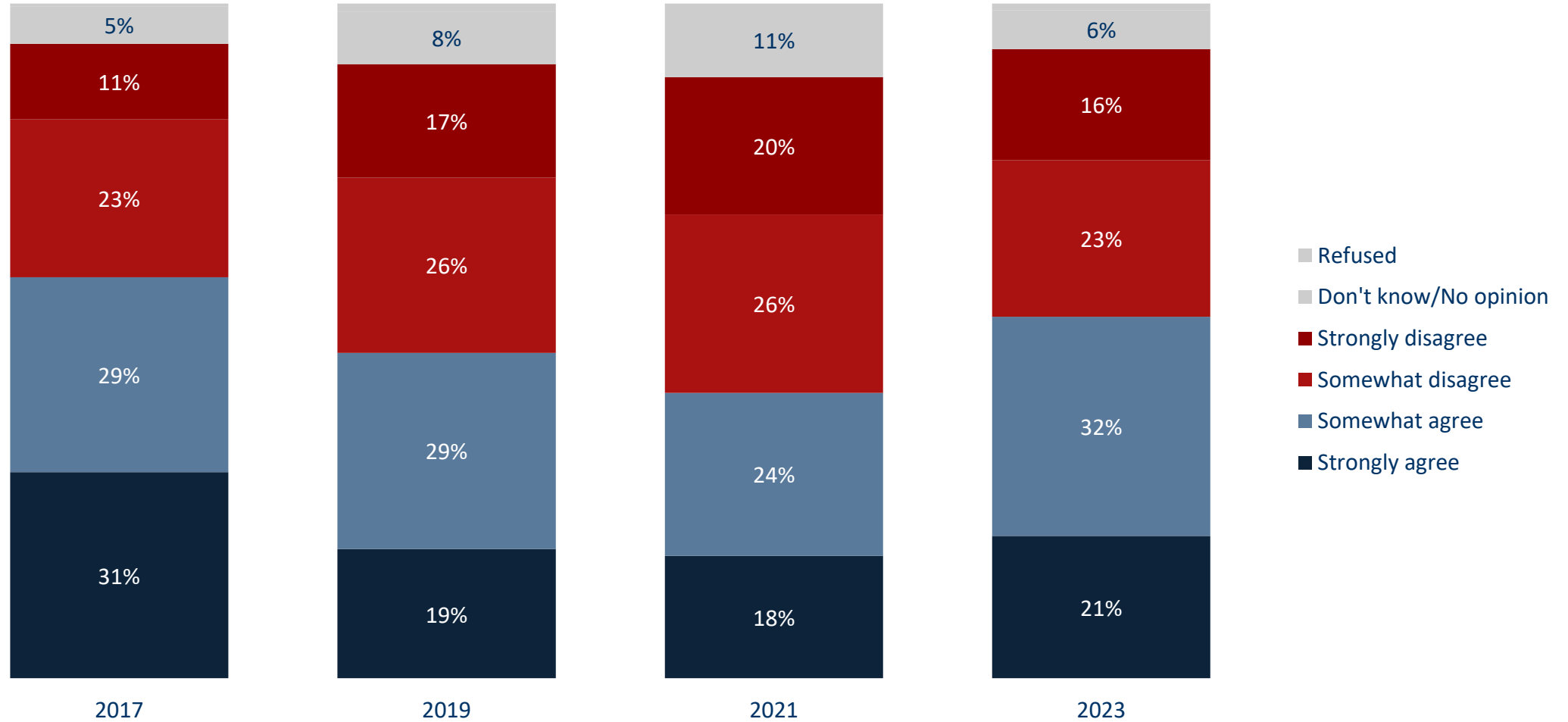
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

*Do you feel that the percentage of your total electricity bill that you pay to Centre Wellington Hydro for the services they provide is...?*



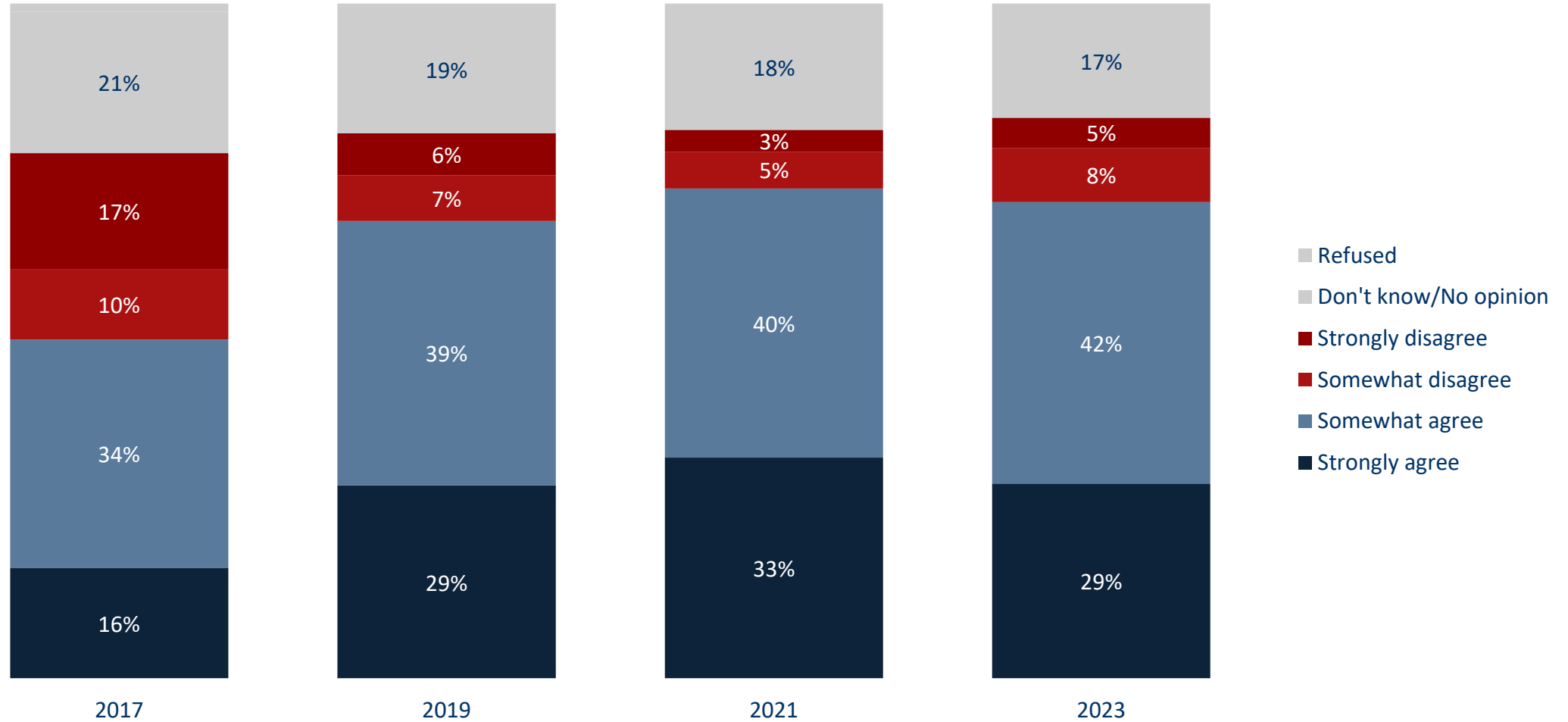
Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

*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: Centre Wellington Hydro

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

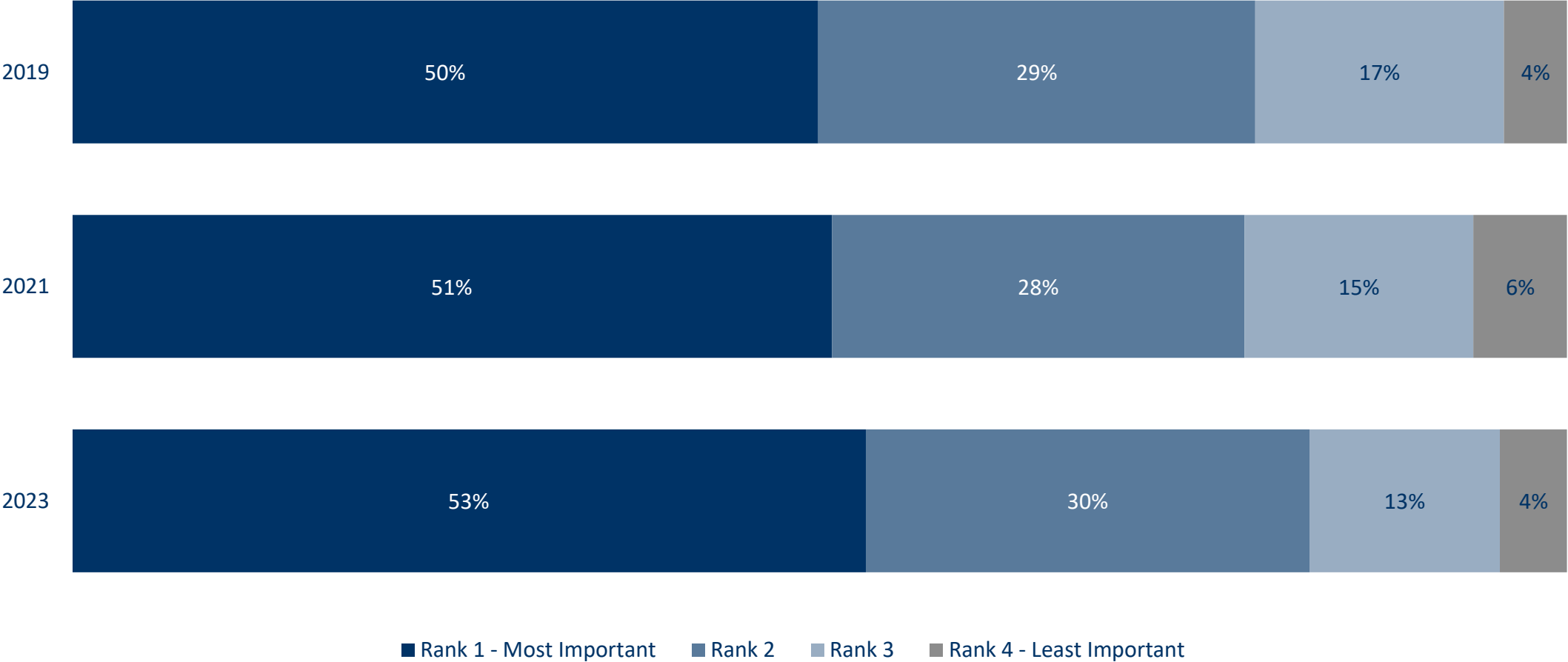


Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

# CWH's Custom Survey Questions– Trend over Time

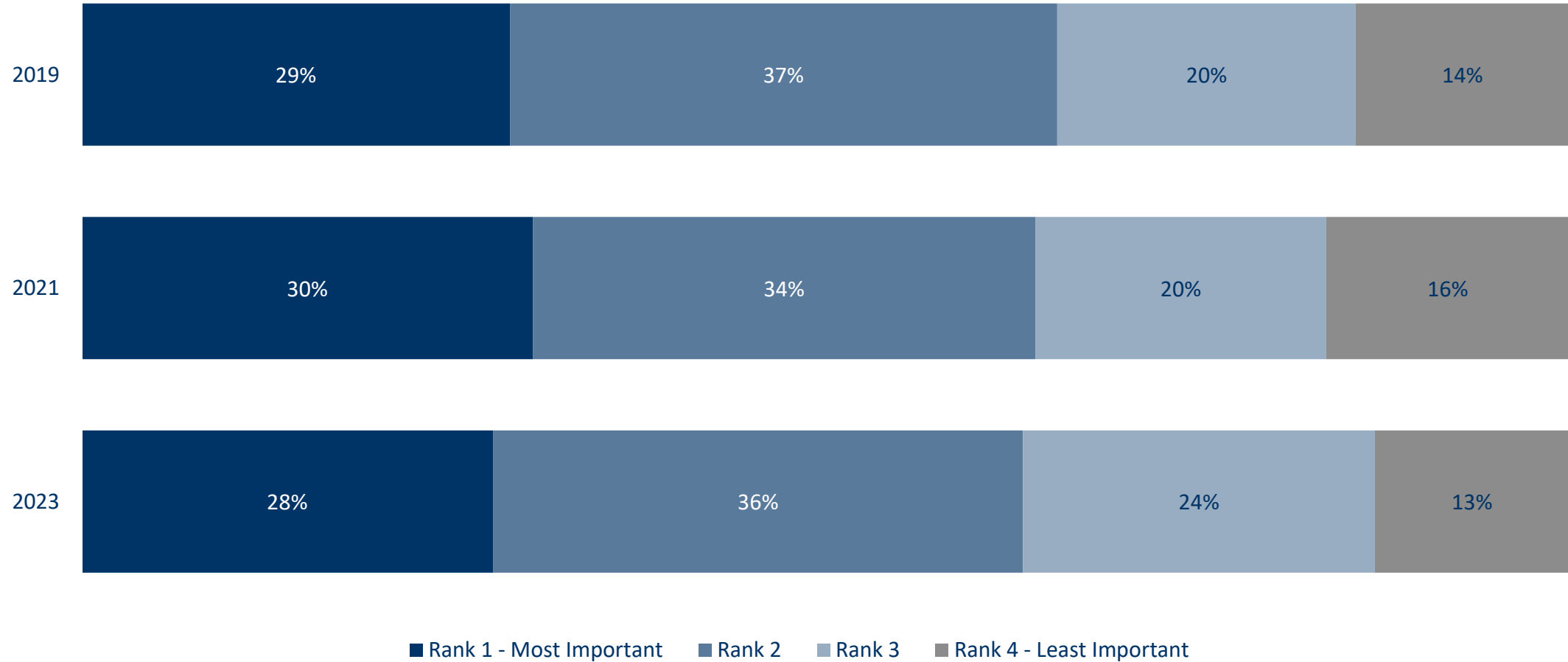


*RELIABILITY: Please rank the following 4 aspects of customer service from most important to least important.*

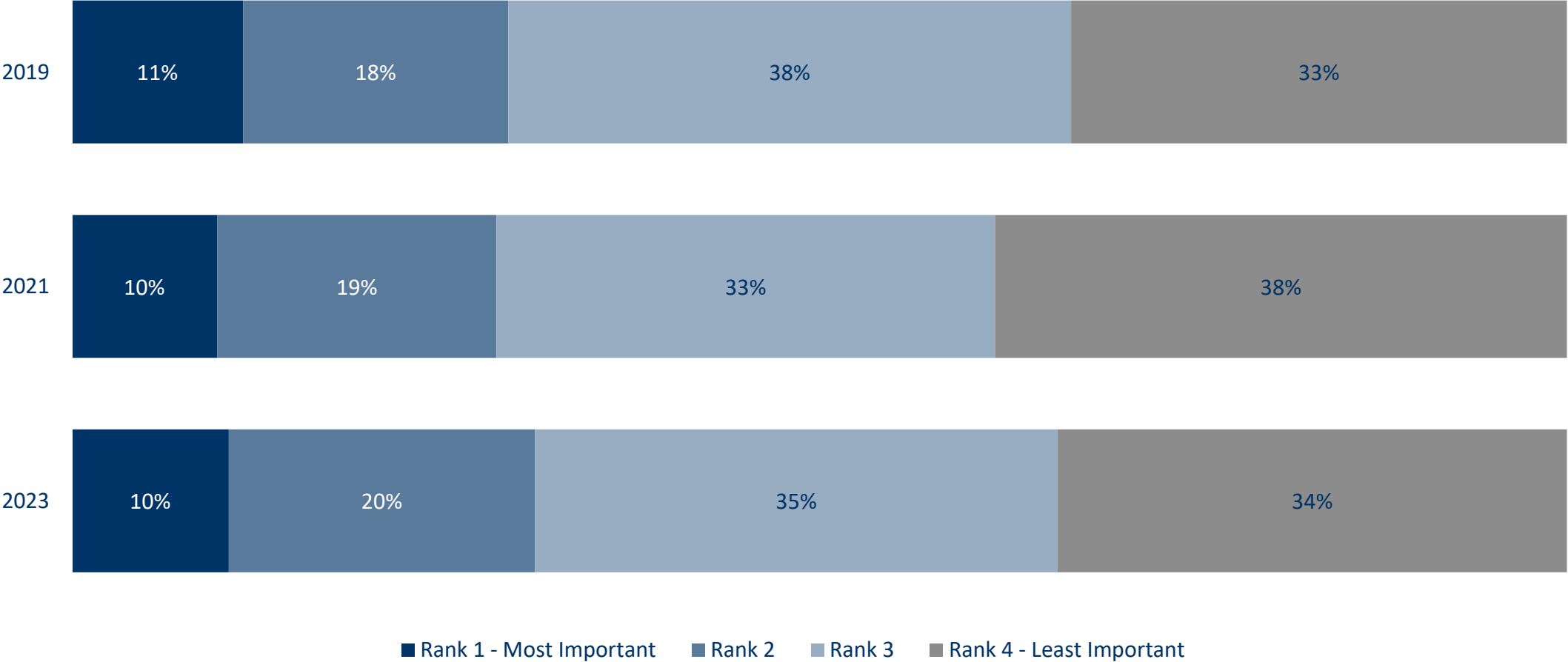


Weight: Aggregate weight for LDC based on customer\_type  
Filters: LDC: Centre Wellington Hydro

*PRICE: Please rank the following 4 aspects of customer service from most important to least important.*

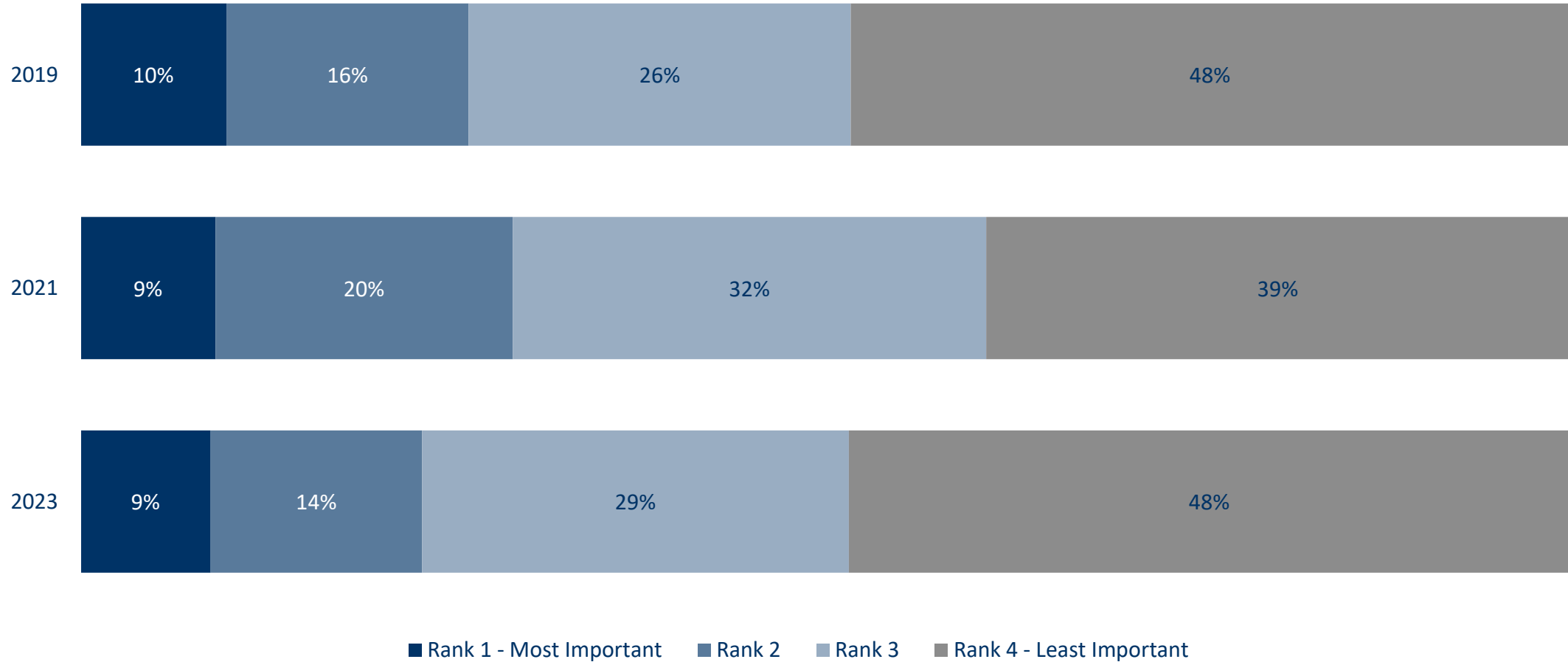


*CUSTOMER SERVICE: Please rank the following 4 aspects of customer service from most important to least important.*

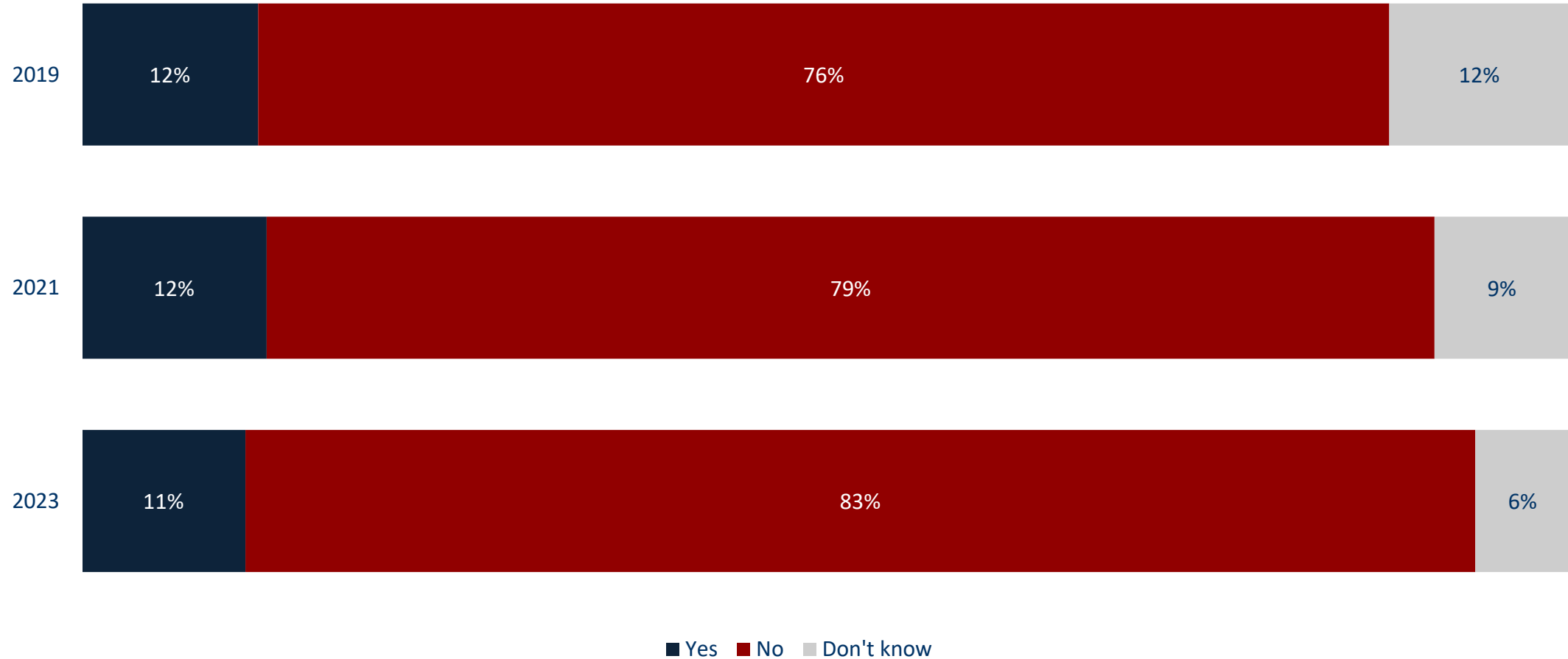


Weight: Aggregate weight for LDC based on customer\_type  
Filters: LDC: Centre Wellington Hydro

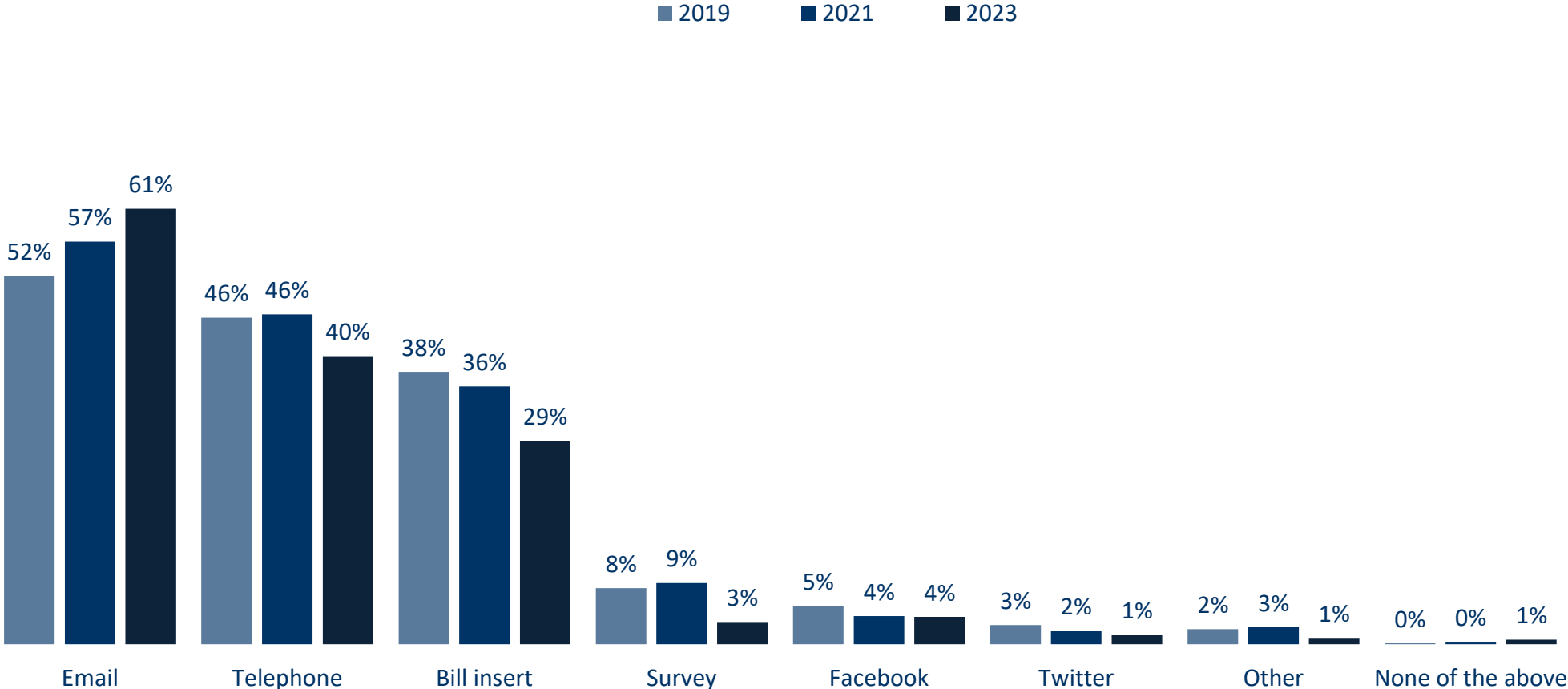
*CONSERVATION: Please rank the following 4 aspects of customer service from most important to least important.*



*Thinking specifically about the price of electricity, as a customer, are you willing to accept a higher price of electricity for improved reliability of service?*



*Which of the following are your preferred methods of communication for reaching you as a customer?*



Weight: Aggregate weight for LDC based on customer\_type  
 Filters: LDC: Centre Wellington Hydro

Methodology

# Methodology Summary

Commissioned by	Centre Wellington Hydro Inc.
Sample size	401 randomly selected customers
Margin of error	±4.7 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 Centre Wellington Hydro
Time of calling	4PM-9PM Weekdays, 10AM-5PM Saturdays, scheduled callbacks
In-field dates	January 9-February 17, 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 <a href="mailto:Gary.Offenberger@advanis.net">Gary.Offenberger@advanis.net</a>



# 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  $\pm 4.9$  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 17, 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 together<sup>3</sup>.

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

**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
Centre Wellington Hydro	6365	401	6.30%	+/- 4.7%

\* 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

Centre Wellington Hydro						
Regions Flagged in Sample	Low Volume Rate Class	Sample Received (Cleaned, Deduplicated)	Rate Class Proportion	Estimated Customer Proportion	Weighted Sample Count	Unweighted Sample Count
Elora	Residential	1,744	92%	30%	110	110
	General Service < 50 kW	142	8%		9	8
Fergus	Residential	4,126	92%	70%	260	260
	General Service < 50 kW	353	8%		22	23
TOTAL	<b>Residential</b>	<b>5,870</b>	<b>92%</b>	<b>100%</b>	<b>370</b>	<b>370</b>
	<b>General Service &lt; 50 kW</b>	<b>495</b>	<b>8%</b>		<b>31</b>	<b>31</b>
					<b>401</b>	<b>401</b>



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Centre Wellington Hydro Ltd.

Exhibit 1

Appendix C

CWH Financial Statements for year  
ended December 31, 2022

Financial Statements of

**CENTRE WELLINGTON  
HYDRO LTD.**

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 Shareholder of Centre Wellington Hydro Ltd.

### ***Opinion***

We have audited the financial statements of Centre Wellington Hydro Ltd. (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 financial performance and its cash flows for the year then ended in accordance with International financial reporting standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***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 International financial reporting standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

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

### ***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*

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Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 24, 2023

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 1,442,973	\$ 1,579,518
Accounts receivable (note 4)	2,483,851	2,428,520
Unbilled revenue	1,773,840	1,599,060
Materials and supplies	553,404	480,598
Prepaid expenses	220,649	224,304
Total current assets	6,474,717	6,312,000
Non-current assets:		
Property, plant and equipment (note 5)	17,452,255	17,439,694
Intangible assets (note 6)	195,719	117,835
Long term investment	-	47,104
Deferred tax assets (note 7)	-	132,409
Total non-current assets	17,647,974	17,737,042
Total assets	24,122,691	24,049,042
Regulatory debit balances (note 8)	967,163	512,463
Total assets and regulatory balances	\$ 25,089,854	\$ 24,561,505

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

Statement of Financial Position (continued)

December 31, 2022, with comparative information for 2021

	2022	2021
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 4,025,994	\$ 4,013,065
Long-term debt due within one year (note 10)	149,334	133,651
Customer deposits	171,643	180,797
Total current liabilities	4,346,971	4,327,513
Non-current liabilities:		
Long-term debt (note 10)	8,368,449	8,527,793
Post-employment benefits (note 11)	265,592	263,560
Deferred revenue	1,041,366	1,032,661
Deferred tax liability (note 7)	27,841	-
Total non-current liabilities	9,703,248	9,824,014
Total liabilities	14,050,219	14,151,527
Equity:		
Share capital (note 12)	5,035,066	5,035,066
Accumulated other comprehensive loss	-	(29,035)
Retained earnings	5,626,828	5,102,778
	10,661,894	10,108,809
Regulatory credit balances (note 8)	377,741	301,169
Total liabilities, equity and regulatory balances	\$ 25,089,854	\$ 24,561,505

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Sale of energy (note 13)	\$ 17,894,686	\$ 17,812,957
Distribution revenue (note 13)	4,249,166	4,024,791
Other (note 13)	235,680	296,596
	<u>4,484,846</u>	<u>4,321,387</u>
	22,379,532	22,134,344
Operating expenses:		
Cost of power	18,182,813	17,992,570
General and administrative	1,153,709	1,118,137
Billing and collection	644,210	604,839
Operations and maintenance	933,055	732,542
Depreciation and amortization	654,140	627,917
	<u>3,385,114</u>	<u>3,083,435</u>
	21,567,927	21,076,005
Income from operating activities	811,605	1,058,339
Finance income (note 15)	42,193	14,555
Finance cost (note 15)	(509,949)	(512,363)
Income before income taxes and undernoted items	343,849	560,531
Income tax expense (note 7)	160,249	178,855
Income before the undernoted item	183,600	381,676
Net movement in regulatory balances	378,172	239,782
Net income for the year and net movement in regulatory balances	561,772	621,458
Other comprehensive income:		
Loss on available for sale investment	8,687	9,239
Other comprehensive loss for the year	8,687	9,239
Total comprehensive income for the year	<u>\$ 553,085</u>	<u>\$ 630,697</u>

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2021	\$ 5,035,066	\$ 4,481,320	\$ (38,274)	9,478,112
Net income and net movement in regulatory balances	-	621,458	-	621,458
Other comprehensive gain	-	-	9,239	9,239
Balance at December 31, 2021	\$ 5,035,066	\$ 5,102,778	\$ (29,035)	10,108,809
Balance at January 1, 2022	\$ 5,035,066	\$ 5,102,778	\$ (29,035)	10,108,809
Net income and net movement in regulatory balances	-	561,772	-	561,772
Other comprehensive loss	-	-	(8,687)	(8,687)
Reclassification of gains on investment	-	(37,722)	37,722	-
Balance at December 31, 2022	\$ 5,035,066	\$ 5,626,828	\$ -	10,661,894

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

## 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	\$ 561,772	\$ 621,458
Items not involving cash:		
Depreciation and amortization	752,036	729,448
Amortization of deferred revenue	(22,709)	(22,709)
Post-employment benefits	2,032	398
Gain on disposal of property, plant and equipment	12,073	(35,970)
Net finance costs	467,755	497,808
Income tax expense	160,249	178,855
	1,933,208	1,969,288
Changes in non-cash operating working capital:		
Accounts receivable	(55,331)	74,934
Unbilled revenue	(174,780)	580,207
Materials and supplies	(72,806)	(62,766)
Prepaid expenses	3,655	(49,985)
Accounts payable and accrued liabilities	12,929	336
Customer deposits	(9,154)	7,114
	(295,487)	549,840
Regulatory balances	(378,129)	(240,537)
Interest paid	(509,948)	(512,363)
Interest received	42,193	14,555
	791,837	1,780,783
Financing activities:		
Repayment of long-term debt	(143,663)	(138,198)
Investing activities:		
Purchase of property, plant and equipment	(729,846)	(737,677)
Proceeds on disposal of property, plant and equipment	-	71,941
Proceeds on disposal of long term investment	38,421	-
Purchase of intangible assets	(124,708)	(20,815)
Capital contributions received from customers	31,414	90,620
	(784,719)	(595,931)
(Decrease) increase in cash	(136,545)	1,046,654
Cash, beginning of year	1,579,518	532,864
Cash, end of year	\$ 1,442,973	\$ 1,579,518

See accompanying notes to financial statements.



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements

Year ended December 31, 2022

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## Reporting entity:

Centre Wellington Hydro Ltd. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Township of Centre Wellington (the "Township"). The address of the Corporation's registered office is 730 Gartshore Street, Fergus, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the Township. The Corporation is wholly owned by Centre Wellington Energy Inc. and the ultimate parent company is the Township of Centre Wellington.

The financial statements are for the Corporation as at and for the year ended December 31, 2022.

## 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 19, 2023.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

### (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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 1. Basis of presentation (continued):

### (d) Use of estimates and judgments (continued):

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) - measurement of unbilled revenue
- (ii) Notes 5, 6 - estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 8 - recognition and measurement of regulatory balances
- (iv) Note 11 - measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 16 - recognition and measurement of provisions and contingencies

### (e) Rate regulation:

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

#### Rate setting

#### *Distribution revenue*

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 1. Basis of presentation (continued):

### (e) Rate regulation (continued):

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.

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

The Corporation last filed a COS application in May 2017 for rates effective January 1, 2018 to December 31, 2022. The GDP IPI-FDD for 2022 is 3.30%, the Corporation’s productivity factor is nil% and the stretch factor is 0.30%, resulting in a net adjustment of 3.00% to the previous year’s rates.

#### *Electricity rates*

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

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

### (a) Financial instruments (continued):

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

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

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

### (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 customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation 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 Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

---

## 2. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

#### *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 Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

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

#### *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered.

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 is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

---

## 2. Significant accounting policies (continued):

### (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 Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

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 Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in 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 Corporation 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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

---

## 2. Significant accounting policies (continued):

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

The estimated useful lives are as follows:

Asset	Rate
Buildings	25-50 years
Distribution equipment	15-70 years
Vehicles	7-12 years
Other tools and equipment	8-15 years
Computer equipment	3-6 years

(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 Corporation 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.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are 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	5 years
Land rights	0-50 years

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# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 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 Corporation'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 Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

### (h) Provisions:

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

### (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 Corporation.

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 deferral account 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.

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 Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income. The amounts returned to the customers are recognized as a reduction of revenue. The regulatory deferral account 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 other comprehensive income.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

(j) Post-employment benefits:

(i) Pension plan

The Corporation 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 Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation 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.

(ii) Post-employment benefits, other than pension

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

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management’s best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

### (k) Leased assets:

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

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 Corporation 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 Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 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 income comprises interest earned on cash and dividend income.

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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### 3. Standards issued but not yet adopted:

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Corporation.

New standards, amendments and interpretations not adopted in the current year include the following:

- (i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- (ii) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- (iii) Definition of Accounting Estimate (Amendments to IAS 8).
- (iv) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes.

The Corporation is currently assessing the impact of these standards.

### 4. Accounts receivable:

	2022	2021
Trade customer accounts receivable	\$ 2,374,010	\$ 2,165,599
Other receivables	109,841	262,921
	<u>\$ 2,483,851</u>	<u>\$ 2,428,520</u>

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 5. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction- in-progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2022	\$ 1,012,878	\$ 19,673,688	\$ 1,730,601	\$ 7,635	\$ 22,424,802
Additions	-	515,228	69,236	145,382	729,846
Transfers	-	7,635	-	(7,635)	-
Disposals/ retirements	-	(62,900)	(25,793)	-	(88,693)
<b>Balance at December 31, 2022</b>	<b>\$ 1,012,878</b>	<b>\$ 20,133,651</b>	<b>\$ 1,774,044</b>	<b>\$ 145,382</b>	<b>\$ 23,065,955</b>
Balance at January 1, 2021	\$ 1,012,878	\$ 18,978,697	\$ 1,713,434	\$ 18,086	\$ 21,723,095
Additions	-	711,703	18,339	7,635	737,677
Transfers	-	18,086	-	(18,086)	-
Disposals/ retirements	-	(34,798)	(1,172)	-	(35,970)
<b>Balance at December 31, 2021</b>	<b>\$ 1,012,878</b>	<b>\$ 19,673,688</b>	<b>\$ 1,730,601</b>	<b>\$ 7,635</b>	<b>\$ 22,424,802</b>
<i>Accumulated depreciation</i>					
Balance at January 1, 2022	\$ 225,966	\$ 3,696,070	\$ 1,063,072	\$ -	\$ 4,985,108
Depreciation	31,772	528,448	144,992	-	705,212
Disposals	-	(50,827)	(25,793)	-	(76,620)
<b>Balance at December 31, 2022</b>	<b>\$ 257,738</b>	<b>\$ 4,173,691</b>	<b>\$ 1,182,271</b>	<b>\$ -</b>	<b>\$ 5,613,700</b>
Balance at January 1, 2021	\$ 194,194	\$ 3,171,074	\$ 915,068	\$ -	\$ 4,280,336
Depreciation	31,772	524,996	148,004	-	704,772
<b>Balance at December 31, 2021</b>	<b>\$ 225,966</b>	<b>\$ 3,696,070</b>	<b>\$ 1,063,072</b>	<b>\$ -</b>	<b>\$ 4,985,108</b>
<i>Carrying amounts</i>					
At December 31, 2022	\$ 755,140	\$ 15,959,960	\$ 591,773	\$ 145,382	\$ 17,452,255
At December 31, 2021	786,912	15,977,618	667,529	7,635	17,439,694

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 6. Intangible assets:

	Computer software	Land rights	Total
<i>Cost of deemed cost</i>			
Balance at January 1, 2022	\$ 262,157	\$ 68,420	\$ 330,577
Additions	124,708	-	124,708
Disposals	(69,059)	-	(69,059)
<b>Balance at December 31, 2022</b>	<b>\$ 317,806</b>	<b>\$ 68,420</b>	<b>\$ 386,226</b>
Balance at January 1, 2021	\$ 249,907	\$ 68,420	\$ 318,327
Additions	20,815	-	20,815
Disposals	(8,565)	-	(8,565)
<b>Balance at December 31, 2021</b>	<b>\$ 262,157</b>	<b>\$ 68,420</b>	<b>\$ 330,577</b>
<i>Accumulated amortization</i>			
Balance at January 1, 2022	\$ 203,353	\$ 9,389	\$ 212,742
Amortization	45,214	1,610	46,824
Disposals	(69,059)	-	(69,059)
<b>Balance at December 31, 2022</b>	<b>\$ 179,508</b>	<b>\$ 10,999</b>	<b>\$ 190,507</b>
Balance at January 1, 2021	\$ 188,853	\$ 7,779	\$ 196,632
Amortization	23,065	1,610	24,675
Disposals	(8,565)	-	(8,565)
<b>Balance at December 31, 2021</b>	<b>\$ 203,353</b>	<b>\$ 9,389</b>	<b>\$ 212,742</b>
<i>Carrying amounts</i>			
At December 31, 2022	\$ 138,298	\$ 57,421	\$ 195,719
At December 31, 2021	58,804	59,031	117,835

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 7. Income tax expense:

Current tax expense (recovery):

	2022	2021
Deferred tax expense	\$ 160,249	\$ 178,855

Reconciliation of effective tax rate:

	2022	2021
Income before taxes	\$ 343,849	\$ 560,531
Statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	\$ 91,120	\$ 148,541
Increase (decrease) in income taxes resulting from:		
Permanent differences	(4,703)	156
Other	1,804	5,226
Deferred tax associated with net movement in regulatory accounts	72,028	24,932
Income tax expense	\$ 160,249	\$ 178,855

Significant components of the Corporation's deferred tax balances:

	2022	2021
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (833,645)	\$ (658,216)
Post-employment benefits	69,843	69,843
Deferred revenue	275,962	273,655
Regulatory liabilities	(114,108)	(47,742)
Non-capital losses	568,526	507,351
Other	5,581	(12,482)
	\$ (27,841)	\$ 132,409



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 8. Regulatory debit balances:

Reconciliation of the carrying amount for each class of regulatory balances:

<b>Regulatory deferral account debit balances</b>	January 1, 2022	Additions	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Retail settlement variance accounts	\$ 456,165	\$ 585,178	\$ (141,633)	\$ 899,710	1-4
Regulatory variances disposition	8,394	255,898	(252,593)	11,699	1-4
Other	47,904	7,850	-	55,754	1-4
	<b>\$ 512,463</b>	<b>\$ 848,926</b>	<b>\$ (394,226)</b>	<b>\$ 967,163</b>	

<b>Regulatory deferral account debit balances</b>	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021	Remaining recovery/ reversal years
Retail settlement variance accounts	\$ 263,727	\$ 192,438	\$ -	\$ 456,165	1-4
Regulatory variances disposition	43,239	-	(34,845)	8,394	1-4
Other	41,079	6,825	-	47,904	1-4
	<b>\$ 348,045</b>	<b>\$ 199,263</b>	<b>\$ (34,845)</b>	<b>\$ 512,463</b>	

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 8. Regulatory debit balances (continued):

<b>Regulatory deferral account credit balances</b>	January 1, 2022	Additions	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Retail settlement					
variance accounts	\$ 6,350	\$ 260,602	\$ (123,576)	\$ 143,376	1-4
Deferred income tax	122,790	-	(106,367)	16,423	-
Other	172,029	36,616	9,297	217,942	1-4
	<b>\$ 301,169</b>	<b>\$ 297,218</b>	<b>\$ (220,646)</b>	<b>\$ 377,741</b>	

<b>Regulatory deferral account credit balances</b>	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021	Remaining recovery/ reversal years
Retail settlement					
variance accounts	\$ (58,764)	\$ 65,114	\$ -	\$ 6,350	1-4
Change in asset useful lives	268,488	-	(145,698)	122,790	-
Deferred income tax	108,800	63,229	-	172,029	1-4
	<b>\$ 318,524</b>	<b>\$ 128,343</b>	<b>\$ (145,698)</b>	<b>\$ 301,169</b>	

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

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. The most recent IRM application was filed in December 2021 for January 1, 2022 rates. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

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 range was 0.57% to 3.87% (2021 - 0.57%).

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 9. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable - energy purchases	\$ 1,379,057	\$ 1,306,386
Water and sewer charges payable	803,820	838,335
Other	1,843,117	1,868,344
	<u>\$ 4,025,994</u>	<u>\$ 4,013,065</u>

## 10. Long-term debt:

	2022	2021
Demand promissory note payable to the Corporation of the Township of Centre Wellington, interest at 7.25%	\$ 5,046,753	\$ 5,046,753
Ontario Infrastructure loan, interest at 4.48%, payable in monthly instalments, due 2038 secured by a General Security Agreement	1,001,871	1,044,411
Ontario Infrastructure loan, interest at 3.75%, payable in monthly instalments, due 2039 secured by a General Security Agreement	948,909	988,887
Ontario Infrastructure loan, interest at 3.56%, payable in monthly instalments, due 2040 secured by a General Security Agreement	1,520,250	1,581,393
	<u>8,517,783</u>	<u>8,661,444</u>
Less current portion of long-term debt	149,334	133,651
	<u>\$ 8,368,449</u>	<u>\$ 8,527,793</u>

The note payable is due on demand to the Township. The Township has waived its right to demand payment until January 1, 2023.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 10. Long-term debt (continued):

Principal repayments for the next five years and thereafter are as follows:

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2023	\$	149,334
2024		5,202,008
2025		161,401
2026		167,794
2027		174,443
Thereafter		2,662,803
		<hr/>
	\$	8,517,783

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## 11. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2022, the Corporation made employer contributions of \$143,993 to OMERS (2021 - \$145,992), of which \$32,959 (2021 - \$26,059) has been capitalized as part of PP&E and the remaining amount of \$111,034 (2021 - \$119,933) has been recognized in profit or loss. The Corporation estimates that a contribution of \$158,300 (2021 - \$155,860) to OMERS will be made during the next fiscal year.

As at December 31, 2022, OMERS had approximately 540,000 members, of whom 14 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2021, which reported that the plan was 95% funded, with an unfunded liability of \$6.7 billion. This unfunded liability is likely to result in future payments by participating employers and members.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 11. Post-employment benefits (continued):

### (b) Post-employment benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2022	2021
Defined benefit obligation, beginning of year	\$ 263,560	\$ 263,162
Included in profit or loss:		
Current service cost	6,136	6,553
Interest cost	7,729	7,687
	13,865	14,240
Benefits paid	277,425 (11,833)	277,402 (13,842)
	\$ 265,592	\$ 263,560
Actuarial assumptions	2022	2021
Discount (interest) rate	3.00 %	3.00 %
Salary levels	3.30 %	3.30 %
Medical costs	4.00 %	4.00 %
Dental costs	5.10 %	4.70 %

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$43,600. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by \$59,200.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 12. Share capital:

	2022	2021
Authorized:		
Unlimited number of common shares		
Issued:		
1,100 common shares	\$ 5,035,066	\$ 5,035,066

## 13. Revenues:

	2022	2021
Collection and other service charges	115,818	167,713
Water and sewer billing services	20,152	12,500
Rent	89,034	81,583
Loss on disposals	(12,073)	(35,970)
Other	22,749	70,770
Total other revenue	235,680	296,596

In the following table, sale of energy and distribution revenue is disaggregated by type of customer.

	2022	2021
Residential	\$ 8,801,841	\$ 8,649,064
Commercial	4,039,287	3,830,607
Industrial	9,064,639	9,118,841
Other	238,085	239,236
	\$ 22,143,852	\$ 21,837,748

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 14. Employee salaries and benefits:

	2022	2021
Salaries, wages and benefits	\$ 1,574,699	\$ 1,478,114
CPP and EI remittances	72,947	71,123
Contributions to OMERS	155,185	145,992
	<u>\$ 1,802,831</u>	<u>\$ 1,695,229</u>

## 15. Finance income and costs:

	2022	2021
Finance income:		
Interest income on bank deposits	\$ 42,193	\$ 14,555
Finance costs:		
Interest expense on long-term debt	(503,520)	(508,985)
Interest expense on customer deposits	(3,953)	(903)
Other	(2,476)	(2,475)
	<u>(509,949)</u>	<u>(512,363)</u>
Net finance costs recognized in profit or loss	<u>\$ (467,756)</u>	<u>\$ (497,808)</u>

## 16. Commitments and contingencies:

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2022, no assessments have been made.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 17. Related party transactions:

(a) Parents and ultimate controlling party:

The sole shareholder of the Corporation is Centre Wellington Energy Inc. Centre Wellington Energy Inc. is a wholly-owned subsidiary of the Township of Centre Wellington. The Township produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties:

	2022	2021
Township of Centre Wellington - receivable	\$ 117,985	\$ 170,110
Township of Centre Wellington - payable	(803,820)	(838,335)
Township of Centre Wellington - note payable (note 11)	(5,046,753)	(5,046,753)
	<u>\$ (5,732,588)</u>	<u>\$ (5,714,978)</u>

(c) Transactions with ultimate parents (the Township):

The Corporation provides water and sewage billing and collection services to the customers of the former Town of Fergus and the Village of Elora, which are located within the Township, as well as supplying street light energy and street lighting maintenance services to the former Town of Fergus and Village of Elora. Revenue includes \$202,406 (2021 - \$191,337) from the Township for these services.

The Corporation also delivers electricity to the Township throughout the year for the electricity needs of the Township and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Township, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 17. Related party transactions (continued):

(d) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2022	2021
Directors' fees	\$ 46,399	\$ 49,180
Salaries and other benefits	548,135	545,002
	\$ 594,534	\$ 594,182

## 18. Financial instruments and risk management:

### Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties 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 Township of Centre Wellington 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 \$3,361,311. 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 4.27% to 4.32%.

### Financial risks:

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 18. Financial instruments and risk management (continued):

### (a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Township of Centre Wellington. As at December 31, 2022, one customer accounts for a balance 6.5% of total accounts receivable (2021 - 5.9%).

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2022 is \$18,600 (2021 - \$18,600). An impairment loss of \$6,243 (2021 - \$5,188) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2022, approximately \$25,781 (2021 - \$15,403) is considered 60 days past due. The Corporation has over 6,900 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2022, the Corporation holds security deposits in the amount of \$171,643 (2021 - \$180,797).

### (b) Market risk:

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

A 1% increase in the interest rate at December 31, 2022 would have increased interest expense on the long-term debt by \$85,896 (2021 - \$87,305), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 18. Financial instruments and risk management (continued):

### (c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$2,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2022, no amounts had been drawn under the Corporation's credit facility.

The Corporation also has a facility for \$450,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the 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 Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2022, shareholder's equity amounts to \$10,661,894 (2021 - \$10,108,809) and long-term debt amounts to \$8,517,783 (2021 - \$8,661,444).

## 19. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2022 financial statements.

Centre Wellington Hydro Ltd.

Exhibit 1

Appendix D

CWH Financial Statements for year  
ended December 31, 2023

Financial Statements of

**CENTRE WELLINGTON  
HYDRO LTD.**

And Independent Auditor's Report thereon

Year ended December 31, 2023



**KPMG LLP**  
120 Victoria Street South  
Suite 600  
Kitchener, ON N2G 0E1  
Canada  
Telephone 519 747 8800  
Fax 519 747 8811

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of Centre Wellington Hydro Ltd.

### ***Opinion***

We have audited the financial statements of Centre Wellington Hydro Ltd. (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- 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, 2023 and its results of operations and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### ***Basis for Opinion***

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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 4, 2024



# CENTRE WELLINGTON HYDRO LTD.

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 842,103	\$ 1,442,973
Accounts receivable (note 4)	2,835,739	2,483,851
Unbilled revenue	1,802,163	1,773,840
Materials and supplies	499,422	553,404
Prepaid expenses	272,660	220,649
Total current assets	6,252,087	6,474,717
Non-current assets:		
Property, plant and equipment (note 5)	17,983,695	17,452,255
Intangible assets (note 6)	136,742	195,719
Total non-current assets	18,120,437	17,647,974
Total assets	24,372,524	24,122,691
Regulatory debit balances (note 8)	1,064,071	967,163
Total assets and regulatory balances	\$ 25,436,595	\$ 25,089,854

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

Statement of Financial Position (continued)

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 9)	\$ 3,743,655	\$ 4,025,994
Long-term debt due within one year (note 10)	155,244	149,334
Customer deposits	211,494	171,643
<b>Total current liabilities</b>	<b>4,110,393</b>	<b>4,346,971</b>
<b>Non-current liabilities:</b>		
Long-term debt (note 10)	8,213,195	8,368,449
Post-employment benefits (note 11)	202,623	265,592
Deferred revenue	1,068,420	1,041,366
Deferred tax liability (note 7)	267,924	27,841
<b>Total non-current liabilities</b>	<b>9,752,162</b>	<b>9,703,248</b>
<b>Total liabilities</b>	<b>13,862,555</b>	<b>14,050,219</b>
<b>Equity:</b>		
Share capital (note 12)	5,035,066	5,035,066
Accumulated other comprehensive loss	49,058	-
Retained earnings	6,399,989	5,626,828
	11,484,113	10,661,894
Regulatory credit balances (note 8)	89,927	377,741
<b>Total liabilities, equity and regulatory balances</b>	<b>\$ 25,436,595</b>	<b>\$ 25,089,854</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Comprehensive Income

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

	2023	2022
Revenue:		
Sale of energy (note 13)	\$ 17,985,759	\$ 17,894,686
Distribution revenue (note 13)	4,394,307	4,249,166
Other (note 13)	308,027	235,680
	<u>4,702,334</u>	<u>4,484,846</u>
	22,688,093	22,379,532
Operating expenses:		
Cost of power	18,163,160	18,182,813
General and administrative	1,230,694	1,153,709
Billing and collection	627,569	644,210
Operations and maintenance	943,470	933,055
Depreciation and amortization	653,123	654,140
	<u>3,454,856</u>	<u>3,385,114</u>
	21,618,016	21,567,927
Income from operating activities	1,070,077	811,605
Finance income (note 15)	74,640	42,193
Finance cost (note 15)	(510,874)	(509,949)
Income before income taxes and undernoted items	633,843	343,849
Income tax expense (note 7)	222,398	160,249
Earnings before the undernoted item	411,445	183,600
Net movement in regulatory balances	361,716	378,172
Net income for the year and net movement in regulatory balances	773,161	561,772
Other comprehensive income:		
Actuarial gain (loss)	49,058	(8,687)
Other comprehensive income for the year	49,058	(8,687)
Total comprehensive income for the year	<u>\$ 822,219</u>	<u>\$ 553,085</u>

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2022	\$ 5,035,066	\$ 5,102,778	\$(29,035)	\$ 10,108,809
Net income and net movement in regulatory balances	-	561,772	-	561,772
Other comprehensive loss	-	-	(8,687)	(8,687)
Reclassification of gains on investment	-	(37,722)	37,722	-
Balance at December 31, 2022	\$ 5,035,066	\$ 5,626,828	\$ -	\$ 10,661,894
Balance at January 1, 2023	\$ 5,035,066	\$ 5,626,828	\$ -	\$ 10,661,894
Net income and net movement in regulatory balances	-	773,161	-	773,161
Other comprehensive loss	-	-	49,058	49,058
Balance at December 31, 2023	\$ 5,035,066	\$ 6,399,989	\$ 49,058	\$ 11,484,113

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

## Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net Income and net movement in regulatory balances	\$ 773,161	\$ 561,772
Items not involving cash:		
Depreciation and amortization	755,122	752,036
Amortization of deferred revenue	(24,902)	(22,709)
Post-employment benefits	3,774	2,032
Loss on disposal of property, plant and equipment	13,592	12,073
Net finance costs	436,069	467,755
Income tax expense	222,398	160,249
	2,179,214	1,933,208
Changes in non-cash operating working capital:		
Accounts receivable	(351,888)	(55,331)
Unbilled revenue	(28,323)	(174,780)
Materials and supplies	53,982	(72,806)
Prepaid expenses	(52,011)	3,655
Accounts payable and accrued liabilities	(282,339)	12,929
Customer deposits	39,851	(9,154)
	(620,728)	(295,487)
Regulatory balances	(384,722)	(378,129)
Interest paid	(510,874)	(509,948)
Interest received	74,805	42,193
	737,695	791,837
Financing activities:		
Repayment of long-term debt	(149,344)	(143,663)
Investing activities:		
Purchase of property, plant and equipment	(1,249,545)	(729,846)
Proceeds on disposal of long term investment	12,368	38,421
Purchase of intangible assets	(4,000)	(124,708)
Capital contributions received from customers	51,956	31,414
	(1,189,221)	(784,719)
Decrease in cash	(600,870)	(136,545)
Cash, beginning of year	1,442,973	1,579,518
Cash, end of year	\$ 842,103	\$ 1,442,973

See accompanying notes to financial statements.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements

Year ended December 31, 2023

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## Reporting entity:

Centre Wellington Hydro Ltd. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Township of Centre Wellington (the "Township"). The address of the Corporation's registered office is 730 Gartshore Street, Fergus, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the Township. The Corporation is wholly owned by Centre Wellington Energy Inc. and the ultimate parent company is the Township of Centre Wellington.

The financial statements are for the Corporation as at and for the year ended December 31, 2023.

## 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 March 27, 2024.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

### (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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Basis of presentation (continued):

### (d) Use of estimates and judgments (continued):

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) - measurement of unbilled revenue
- (ii) Notes 5, 6 - estimation of useful lives of its property, plant and equipment and intangible assets
- (iii) Note 8 - recognition and measurement of regulatory balances
- (iv) Note 11 - measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 16 - recognition and measurement of provisions and contingencies

### (e) Rate regulation:

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

#### Rate setting

#### *Distribution revenue*

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Basis of presentation (continued):

### (e) Rate regulation (continued):

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.

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

The Corporation last filed a COS application in May 2017 for rates effective January 1, 2018 to December 31, 2023. The GDP IPI-FDD for 2023 is 3.70%, the Corporation’s productivity factor is nil% and the stretch factor is 0.15%, resulting in a net adjustment of 3.40% to the previous year’s rates.

#### *Electricity rates*

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

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



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 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 customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation 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 Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

### (c) Materials and supplies:

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and includes expenditures incurred in acquiring the 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 Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 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 Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in 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 Corporation 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.

The estimated useful lives are as follows:

Asset	Rate
Buildings	25-50 years
Distribution equipment	15-70 years
Solar assets	20%
Vehicles	7-12 years
Other tools and equipment	8-15 years
Computer equipment	3-6 years

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# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (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 Corporation 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.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are 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	5 years
Land rights	0-50 years

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### (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 Corporation'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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets (continued):

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 Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(h) Provisions:

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

(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 Corporation.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (i) Regulatory balances (continued):

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 deferral account 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.

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 Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income. The amounts returned to the customers are recognized as a reduction of revenue. The regulatory deferral account 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 other comprehensive income.

### (j) Post-employment benefits:

#### (i) Pension plan:

The Corporation 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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

(j) Post-employment benefits (continued):

(i) Pension plan (continued):

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation 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.

(ii) Post-employment benefits, other than pension:

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

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(k) Leased assets:

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

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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

### (k) Leased assets (continued):

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 Corporation 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 Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (l) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and dividend income.

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.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Significant accounting policies (continued):

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

## 3. Standards issued but not yet adopted:

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Corporation.

New standards, amendments and interpretations not adopted in the current year include the following:

- (i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- (ii) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- (iii) Definition of Accounting Estimate (Amendments to IAS 8).
- (iv) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes.

The Corporation is currently assessing the impact of these standards.



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Accounts receivable:

	2023	2022
Trade customer accounts receivable	\$ 2,561,595	\$ 2,374,010
Other receivables	274,144	109,841
	<u>\$ 2,835,739</u>	<u>\$ 2,483,851</u>

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 5. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Solar assets	Construction- in-progress	Total
<i>Cost or deemed cost</i>						
Balance at January 1,						
2023	\$ 1,012,878	\$ 20,133,651	\$ 1,774,044	\$ -	\$ 145,382	\$ 23,065,955
Additions	16,954	964,928	104,538	100,605	207,902	1,394,927
Transfers	-	-	-	-	(145,382)	(145,382)
Disposals/ retirements	-	(233,614)	(125,208)	-	-	(358,822)
Balance at December						
31, 2023	\$ 1,029,832	\$ 20,864,965	\$ 1,753,374	\$ 100,605	\$ 207,902	\$ 23,956,678
Balance at January 1,						
2022	\$ 1,012,878	\$ 19,673,688	\$ 1,730,601	\$ -	\$ 7,635	\$ 22,424,802
Additions	-	515,228	69,236	-	145,382	729,846
Transfers	-	7,635	-	-	(7,635)	-
Disposals/ retirements	-	(62,900)	(25,793)	-	-	(88,693)
Balance at December						
31, 2022	\$ 1,012,878	\$ 20,133,651	\$ 1,774,044	\$ -	\$ 145,382	\$ 23,065,955
<i>Accumulated depreciation</i>						
Balance at January 1,						
2023	\$ 257,738	\$ 4,173,691	\$ 1,182,271	\$ -	\$ -	\$ 5,613,700
Depreciation	32,111	509,273	150,761	-	-	692,145
Disposals	-	(207,868)	(124,994)	-	-	(332,862)
Balance at December						
31, 2023	\$ 289,849	\$ 4,475,096	\$ 1,208,038	\$ -	\$ -	\$ 5,972,983
Balance at January 1,						
2022	\$ 225,966	\$ 3,696,070	\$ 1,063,072	\$ -	\$ -	\$ 4,985,108
Depreciation	31,772	528,448	144,992	-	-	705,212
Disposals	-	(50,827)	(25,793)	-	-	(76,620)
Balance at December						
31, 2022	\$ 257,738	\$ 4,173,691	\$ 1,182,271	\$ -	\$ -	\$ 5,613,700
<i>Carrying amounts</i>						
At December 31, 2023	\$ 739,983	\$ 16,389,869	\$ 545,336	\$ 100,605	\$ 207,902	\$ 17,983,695
At December 31, 2022	755,140	15,959,960	591,773	-	145,382	17,452,255

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 6. Intangible assets:

	Computer software	Land rights	Total
<i>Cost of deemed cost</i>			
Balance at January 1, 2023	\$ 317,806	\$ 68,420	\$ 386,226
Additions	4,000	-	4,000
<b>Balance at December 31, 2023</b>	<b>\$ 321,806</b>	<b>\$ 68,420</b>	<b>\$ 390,226</b>
Balance at January 1, 2022	\$ 262,157	\$ 68,420	\$ 330,577
Additions	124,708	-	124,708
Disposals	(69,059)	-	(69,059)
<b>Balance at December 31, 2022</b>	<b>\$ 317,806</b>	<b>\$ 68,420</b>	<b>\$ 386,226</b>
<i>Accumulated amortization</i>			
Balance at January 1, 2023	\$ 179,508	\$ 10,999	\$ 190,507
Amortization	61,367	1,610	62,977
<b>Balance at December 31, 2023</b>	<b>\$ 240,875</b>	<b>\$ 12,609</b>	<b>\$ 253,484</b>
Balance at January 1, 2022	\$ 203,353	\$ 9,389	\$ 212,742
Amortization	45,214	1,610	46,824
Disposals	(69,059)	-	(69,059)
<b>Balance at December 31, 2022</b>	<b>\$ 179,508</b>	<b>\$ 10,999</b>	<b>\$ 190,507</b>
<i>Carrying amounts</i>			
At December 31, 2023	\$ 80,931	\$ 55,811	\$ 136,742
At December 31, 2022	138,298	57,421	195,719

## 7. Income tax expense:

Current tax expense (recovery):

	2023	2022
Deferred tax expense	\$ 222,398	\$ 160,249

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 7. Income tax expense (continued):

Reconciliation of effective tax rate:

	2023	2022
Income before taxes	\$ 633,843	\$ 343,849
Statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	\$ 167,968	\$ 91,120
Increase (decrease) in income taxes resulting from:		
Permanent differences	281	(4,703)
Other	4,943	1,804
Deferred tax associated with net movement in regulatory accounts	64,061	72,028
Income tax expense	\$ 237,253	\$ 160,249

Significant components of the Corporation's deferred tax balances:

	2023	2022
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (966,262)	\$ (833,645)
Post-employment benefits	53,695	69,843
Deferred revenue	283,131	275,962
Regulatory liabilities	(161,940)	(114,108)
Non-capital losses	523,452	568,526
Other	-	5,581
	\$ (267,924)	\$ (27,841)

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 8. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances:

<b>Regulatory deferral account debit balances</b>	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Retail settlement variance accounts	\$ 899,710	\$ 274,426	\$ (189,761)	\$ 984,375	1-4
Regulatory variances disposition	11,699	185,148	(181,513)	15,334	1-4
Other	55,754	8,608	-	64,362	1-4
	<b>\$ 967,163</b>	<b>\$ 468,182</b>	<b>\$ (371,274)</b>	<b>\$ 1,064,071</b>	

<b>Regulatory deferral account debit balances</b>	January 1, 2022	Additions	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Retail settlement variance accounts	\$ 456,165	\$ 585,178	\$ (141,633)	\$ 899,710	1-4
Regulatory variances disposition	8,394	255,898	(252,593)	11,699	1-4
Other	47,904	7,850	-	55,754	1-4
	<b>\$ 512,463</b>	<b>\$ 848,926</b>	<b>\$ (394,226)</b>	<b>\$ 967,163</b>	

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 8. Regulatory balances (continued):

<b>Regulatory deferral account credit balances</b>	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Retail settlement					
variance accounts	\$ 143,376	\$ (143,376)	-	\$ -	1-4
Deferred income tax	16,423	-	-	16,423	-
Other	217,942	31,665	-	249,607	1-4
	<b>\$ 377,741</b>	<b>\$ (111,711)</b>	<b>-</b>	<b>\$ 266,030</b>	

<b>Regulatory deferral account credit balances</b>	January 1, 2022	Additions	Recovery/ reversal	December 31, 2022	Remaining recovery/ reversal years
Retail settlement					
variance accounts	\$ 6,350	\$ 260,602	\$(123,576)	143,376	1-4
Deferred income tax	122,790	-	(106,367)	16,423	-
Other	172,029	36,616	9,297	217,942	1-4
	<b>\$ 301,169</b>	<b>\$ 297,218</b>	<b>\$(220,646)</b>	<b>\$ 377,741</b>	

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

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. The most recent IRM application was approved in December 2022 for January 1, 2023 rates. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

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 2023, the rate range was 4.73% to 5.39% (2022 - 0.57% to 3.87%).

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 9. Accounts payable and accrued liabilities:

	2023	2022
Accounts payable - energy purchases	\$ 1,343,240	\$ 1,379,057
Water and sewer charges payable	889,167	803,820
Other	1,511,248	1,843,117
	<u>\$ 3,743,655</u>	<u>\$ 4,025,994</u>

## 10. Long-term debt:

	2023	2022
Demand promissory note payable to the Corporation of the Township of Centre Wellington, interest at 7.25%	\$ 5,046,753	\$ 5,046,753
Ontario Infrastructure loan, interest at 4.48%, payable in monthly instalments, due 2038 secured by a General Security Agreement	957,386	1,001,871
Ontario Infrastructure loan, interest at 3.75%, payable in monthly instalments, due 2039 secured by a General Security Agreement	907,405	948,909
Ontario Infrastructure loan, interest at 3.56%, payable in monthly instalments, due 2040 secured by a General Security Agreement	1,456,895	1,520,250
	<u>8,368,439</u>	<u>8,517,783</u>
Less current portion of long-term debt	155,244	149,334
	<u>\$ 8,213,195</u>	<u>\$ 8,368,449</u>

The note payable is due on demand to the Township. The Township has waived its right to demand payment until January 1, 2025.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 10. Long-term debt (continued):

Principal repayments for the next five years and thereafter are as follows:

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2024	\$	155,255
2025		5,208,154
2026		167,794
2027		174,443
2028		174,443
Thereafter		2,488,350
	\$	8,368,439

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## 11. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2023, the Corporation made employer contributions of \$172,199 to OMERS (2022 - \$143,993), of which \$24,184 (2022 - \$32,959) has been capitalized as part of PP&E and the remaining amount of \$148,015 (2022 - \$111,034) has been recognized in profit or loss. The Corporation estimates that a contribution of \$150,316 (2022 - \$158,300) to OMERS will be made during the next fiscal year.

As at December 31, 2022, OMERS had approximately 540,000 members, of whom 14 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2022, which reported that the plan was 97% funded, with an unfunded liability of \$4.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.



# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 11. Post-employment benefits (continued):

### (b) Post-employment benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2023	2022
Defined benefit obligation, beginning of year	\$ 265,592	\$ 263,560
Included in profit or loss:		
Current service cost	4,102	6,136
Interest cost	9,788	7,729
	13,890	13,865
Included in OCI		
Actuarial losses arising from:		
Changes in financial assumptions	(66,745)	-
	212,737	277,425
Benefits paid	(10,114)	(11,833)
	\$ 202,623	\$ 265,592
Actuarial assumptions	2023	2022
Discount (interest) rate	5.05 %	3.00 %
Salary levels	3.30 %	3.30 %
Medical costs	4.90 %	4.00 %
Dental costs	5.10 %	5.10 %

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by \$28,100. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by \$36,700.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 12. Share capital:

	2023	2022
Authorized:		
Unlimited number of common shares		
Issued:		
1,100 common shares	\$ 5,035,066	\$ 5,035,066

## 13. Revenues:

	2023	2022
Collection and other service charges	\$ 147,191	\$ 115,818
Water and sewer billing services	54,320	20,152
Rent	89,334	89,034
Loss on disposals	(13,592)	(12,073)
Other	30,775	22,749
Total other revenue	\$ 308,028	\$ 235,680

In the following table, sale of energy and distribution revenue is disaggregated by type of customer.

	2023	2022
Residential	\$ 8,709,117	\$ 8,801,841
Commercial	4,028,246	4,039,287
Industrial	9,365,804	9,064,639
Other	217,413	238,085
	\$ 22,320,580	\$ 22,143,852

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 14. Employee salaries and benefits:

	2023	2022
Salaries, wages and benefits	\$ 1,637,228	\$ 1,574,699
CPP and EI remittances	84,378	72,947
Contributions to OMERS	172,199	155,185
	<u>\$ 1,893,805</u>	<u>\$ 1,802,831</u>

## 15. Finance income and costs:

	2023	2022
Finance income:		
Interest income on bank deposits	\$ 74,640	\$ 42,193
Finance costs:		
Interest expense on long-term debt	(497,837)	(503,520)
Interest expense on customer deposits	(10,449)	(3,953)
Other	(2,588)	(2,476)
	<u>(510,874)</u>	<u>(509,949)</u>
Net finance costs recognized in profit or loss	<u>\$ (436,234)</u>	<u>\$ (467,756)</u>

## 16. Commitments and contingencies:

General Liability Insurance:

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 17. Related party transactions:

(a) Parents and ultimate controlling party:

The sole shareholder of the Corporation is Centre Wellington Energy Inc. Centre Wellington Energy Inc. is a wholly-owned subsidiary of the Township of Centre Wellington. The Township produces consolidated financial statements that are available for public use.

(b) Outstanding balances with related parties:

	2023	2022
Township of Centre Wellington - receivable	\$ 133,994	\$ 117,985
Township of Centre Wellington - payable	(889,167)	(803,820)
Township of Centre Wellington - note payable (note 10)	(5,046,753)	(5,046,753)
	<u>\$ (5,801,926)</u>	<u>\$ (5,732,588)</u>

(c) Transactions with ultimate parents (the Township):

The Corporation provides water and sewage billing and collection services to the customers of the former Town of Fergus and the Village of Elora, which are located within the Township, as well as supplying street light energy and street lighting maintenance services to the former Town of Fergus and Village of Elora. Revenue includes \$223,613 (2022 - \$202,406) from the Township for these services.

The Corporation also delivers electricity to the Township throughout the year for the electricity needs of the Township and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Township, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 17. Related party transactions (continued):

(d) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2023	2022
Directors' fees	\$ 44,415	\$ 46,399
Salaries and other benefits	581,567	548,135
	\$ 625,982	\$ 594,534

## 18. Financial instruments and risk management:

### Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties 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 Township of Centre Wellington 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, 2023 is \$3,176,221. 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 rates used to calculate fair value at December 31, 2023 ranged from 4.48% to 4.51%.

### Financial risks:

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

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 18. Financial instruments and risk management (continued):

### (a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Township of Centre Wellington. As at December 31, 2023, one customer accounts for a balance 6.5% of total accounts receivable (2022 - 6.5%).

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2023 is \$18,600 (2022 - \$18,600). An impairment loss of \$6,878 (2022 - \$6,243) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2023, approximately \$30,830 (2022 - \$25,781) is considered 60 days past due. The Corporation has over 6,900 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2023, the Corporation holds security deposits in the amount of \$211,494 (2022 - \$171,643).

### (b) Market risk:

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

A 1% increase in the interest rate at December 31, 2023 would have increased interest expense on the long-term debt by \$84,431 (2022 - \$85,896), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

# CENTRE WELLINGTON HYDRO LTD.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 18. Financial instruments and risk management (continued):

### (c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$2,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2023, no amounts had been drawn under the Corporation's credit facility.

The Corporation also has a facility for \$450,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$nil has been drawn and posted with the IESO (2022 - \$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 Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2023, shareholder's equity amounts to \$11,484,113 (2022 - \$10,661,894) and long-term debt amounts to \$8,368,439 (2022 - \$8,517,783).

Centre Wellington Hydro Ltd.

Exhibit 1

Appendix E

CWH RRR Mapping 2.1.13 to Audited  
Financial Statements 2022



**Centre Wellington Hydro Ltd**  
**OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Audited Financial Statements**  
**For the Year 2022**

Account Number	RRR 2.1.7 Section	Financial Statement Line	G/L Account Description	Ending Balance GL Balances as reported in 2.1.7	Total Balance Sheet Grouped as per 2.1.7	Balances as per Audited Financial Statements	Difference Between GL Balances on 2.1.7 and Financial Statements	Explanation of Difference
Balance Sheet								
<b>ASSETS</b>								
1005	Current Assets	Cash	Cash	\$ 1,442,570.02				
1010	Current Assets	Cash	Working Funds	\$ 403.34	\$ 1,442,973.36	\$ 1,442,973.00	\$ 0.36	
1100	Current Assets	Accounts Receivable	Customer AR	\$ 2,398,812.76				
1102	Current Assets	Accounts Receivable	Accounts Receivable - Services	\$ 6,202.34				
1104	Current Assets	Accounts Receivable	A/R Recoverable	\$ 20,827.80				
1105	Current Assets	Accounts Receivable	AR-Merchand/Jobbing Etc	\$ 76,449.60				
1110	Current Assets	Accounts Receivable	Other AR	\$ 690.21				
1115	Current Assets	Accounts Receivable	AR Financial Assistance	\$ 11,872.63				
1130	Current Assets	Accounts Receivable	Accum Prov for Uncoll Accts	\$ 18,600.00	\$ 2,483,850.66	\$ 2,483,851.00	\$ -0.34	
1120	Current Assets	Unbilled revenue	Accrued Utility Revenue	\$ 1,773,840.08	\$ 1,773,840.08	\$ 1,773,840.00	\$ 0.08	
1190	Current Assets	Inventory/Materials and Supplies	Misc Curr and Accrued Assets	\$ 17,760.03				
1330	Inventory	Inventory/Materials and Supplies	Plant Materials and Oper Supp	\$ 535,643.55	\$ 553,403.58	\$ 553,404.00	\$ -0.42	
1180	Current Assets	Prepaid expenses	Prepaid Expenses	\$ 220,649.17	\$ 220,649.17	\$ 220,649.00	\$ 0.17	
<b>Total Current Assets</b>				<b>\$ 6,474,716.85</b>	<b>\$ 6,474,716.85</b>	<b>\$ 6,474,717.00</b>	<b>\$ -0.15</b>	
1609	Intangible Plant	Intangible Assets	Cap Contributions Pd-Contracts	\$ 38,995.20				
1611	General Plant	Intangible Assets	Computer Software	\$ 514,592.68				
1612	Distribution Plant	Intangible Assets	Land Rights	\$ 37,132.16				
1805	Distribution Plant	Property, plant and equipment	Land	\$ 46,065.54				
1806	Distribution Plant	Property, plant and equipment	Land Rights	\$ -				
1808	Distribution Plant	Property, plant and equipment	Building & Fixtures	\$ -				
1820	Distribution Plant	Property, plant and equipment	Distribution Station Equipment	\$ 7,471,727.37				
1825	Distribution Plant	Property, plant and equipment	Storage Battery Equipment	\$ -				
1830	Distribution Plant	Property, plant and equipment	Poles, Towers and Fixtures	\$ 3,989,518.85				
1835	Distribution Plant	Property, plant and equipment	OH Conductors and Devices	\$ 2,600,546.12				
1840	Distribution Plant	Property, plant and equipment	Underground Conduit	\$ 2,232,293.58				
1845	Distribution Plant	Property, plant and equipment	UG Conductors & Devices	\$ 2,994,918.20				
1850	Distribution Plant	Property, plant and equipment	Line Transformers	\$ 3,867,685.42				
1855	Distribution Plant	Property, plant and equipment	Services	\$ 4,260,146.98				
1860	Distribution Plant	Property, plant and equipment	Meters	\$ 1,570,210.56				
1905	General Plant	Property, plant and equipment	Land	\$ 8,639.65				
1908	General Plant	Property, plant and equipment	Building & Fixtures	\$ 1,304,897.51				
1915	General Plant	Property, plant and equipment	Office Furniture & Equip	\$ 87,558.51				
1920	General Plant	Property, plant and equipment	Computer Equipment-Hardware	\$ 265,763.26				
1925	General Plant	Property, plant and equipment	Computer Software	\$ -				
1930	General Plant	Property, plant and equipment	Transportation Equipment	\$ 1,379,630.89				
1935	General Plant	Property, plant and equipment	Stores Equipment	\$ 17,053.47				
1940	General Plant	Property, plant and equipment	Tools, Shop & Garage Equip	\$ 115,742.48				
1945	General Plant	Property, plant and equipment	Measurement & Testing Equip	\$ 55,257.27				
1950	General Plant	Property, plant and equipment	Power Operated Equipment	\$ 61,865.55				
1955	General Plant	Property, plant and equipment	Communication Equipment	\$ 31,621.96				
1960	General Plant	Property, plant and equipment	Miscellaneous Equipment	\$ 24,197.12				
1980	General Plant	Property, plant and equipment	System Supervisory Equipment	\$ 246,714.55				
1985	General Plant	Property, plant and equipment	Sentinel Ltg Rental Units	\$ 2,516.21				
1995	General Plant	Property, plant and equipment	Conts & Grants - Credit	\$ 1,738,113.80				
2055	Other capital Assets	Property, plant and equipment	Construction Work in Progress	\$ 145,381.99				
Other Capital Assets					\$ 31,632,559.28			
2105	Accumulated Amortization	Property, plant and equipment	Acc Amort of Elec Ut Plant	\$ 13,589,584.26				
2120	Accumulated Amortization	Intangible Assets	AccDep-Intang Assets	\$ 395,001.55				
Total Accumulated Amortization					\$ 13,984,585.81			
Net Other Capital Assets						\$ 17,452,255.00		
Net Intangible Assets						\$ 195,719.00		
					\$ 17,647,973.47	\$ 17,647,974.00	\$ -0.53	
1405	Non-Current Assets	Long-term investment	LT Inv in Non-Assoc Co.s	\$ -	\$ -	\$ -	\$ -	

<b>Total Non-current Assets</b>			\$	17,647,973.47	\$	17,647,974.00	-\$	0.53	
<b>Total Assets prior to Regulatory adjustment</b>			\$	24,122,690.32	\$	24,122,691.00	-\$	0.68	
1508 Other Assets & Deferred Charges	Regulatory balances	Other Regulatory Assets							
1518 Other Assets & Deferred Charges	Regulatory balances	RCVA - Retail	\$	53,397.02					
1532 Other Assets & Deferred Charges	Regulatory balances	Renewable Connection OM&A Def Acct							
1548 Other Assets & Deferred Charges	Regulatory balances	RCVA-STR	\$	326.92					
1550 Other Assets & Deferred Charges	Regulatory balances	LV Variance Account	\$	318,145.12					
1555 Other Assets & Deferred Charges	Regulatory balances	Smart Meter	\$	2,030.66					
1568 Other Assets & Deferred Charges	Regulatory balances	LRAM Variance Account							
1580 Other Assets & Deferred Charges	Regulatory balances	WMS	\$	114,753.27					
1584 Other Assets & Deferred Charges	Regulatory balances	RSVA-NW	\$	339,358.22					
1586 Other Assets & Deferred Charges	Regulatory balances	RSVA-CN	\$	87,431.31					
1588 Other Assets & Deferred Charges	Regulatory balances	RSVA-Power	\$	40,021.61					
1589 Other Assets & Deferred Charges	Regulatory balances	RSVA-Global Adjustment	\$	-					
1595 Other Assets & Deferred Charges	Regulatory balances	Recoveries Regulatory Assets	\$	11,698.90					
					\$	967,163.00			
<b>Regulatory balance</b>			\$	967,163.03	\$	967,163.00	\$	0.03	
<b>Total Assets</b>			\$	25,089,853.35	\$	25,089,854.00	-\$	0.65	
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>									
2205 Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable	-\$	2,152,860.91					
2208 Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	-\$	95,389.88					
2220 Current Liabilities	Accounts payable and accrued liabilities	Misc Curr & Acct Liab	-\$	1,342,746.12					
2250 Current Liabilities	Accounts payable and accrued liabilities	DRC Payable	\$	-					
2256 Current Liabilities	Accounts payable and accrued liabilities	IESO Fees Payable	-\$	313,712.60					
2290 Current Liabilities	Accounts payable and accrued liabilities	Commodity Taxes	-\$	30,093.51					
2292 Current Liabilities	Accounts payable and accrued liabilities	PR Deductions	-\$	91,191.39					
2294 Current Liabilities	Income taxes payable	Accrual for Taxes Payment in Lieu of Taxes							
2320 Non-Current Liabilities	Accounts payable and accrued liabilities	Other Misc Non-Current Liab:Cont Cap	\$	-	-\$	4,025,994.41	-\$	4,025,993.00	1.41
2210 Current Liabilities	Current portion of customers deposits	Curr Portion of Cust Deposits	-\$	70,000.00					
2335 Non-Current Liabilities	Current portion of customers deposits	Long Term Customer Deposits	-\$	101,642.87	-\$	171,642.87	-\$	171,643.00	0.13
2260 Current Liabilities	Current portion of long-term debt	Curr portion-Loan 2013 OILC	-\$	149,333.77	-\$	149,333.77	-\$	149,334.00	0.23
<b>Total Current Liabilities</b>			\$	(4,346,971.05)	\$	(4,346,970.00)	-\$	1.05	
2550 Long Term Debt	Note payable	Advances from Associated Companies	-\$	5,046,753.21			\$	-	
2525 Long Term Debt	Note payable	Term Loans-L/T Port-2013 OILC	-\$	3,321,695.95	-\$	8,368,449.16	-\$	8,368,449.00	0.16
2306 Non-Current Liabilities	Post employment benefits	Employee Future Benefits	-\$	265,592.00	-\$	265,592.00	-\$	265,592.00	-
2440	Deferred Revenues	Deferred Revenues	-\$	1,041,365.54	-\$	1,041,365.54	-\$	1,041,366.00	0.46
2350 Non-Current Liabilities	Deferred tax assets	Future Income Tax-Non-Curr	-\$	27,840.77	-\$	27,840.77	-\$	27,841.00	0.23
<b>Total Non-Current Liabilities</b>			-\$	9,703,247.47	-\$	9,703,248.00	\$	0.53	
<b>Total Liabilities</b>			-\$	14,050,218.52	-\$	14,050,218.00	-\$	0.52	
3035 Shareholders' Equity	Share capital	InstallsRecOnCapital Stk	-\$	5,035,065.66	-\$	5,035,065.66	-\$	5,035,066.00	0.34
3045 Shareholders' Equity	Retained earnings	Unapprop Retained Earnings	-\$	5,065,056.17	-\$	5,065,056.17	-\$	5,626,828.00	561,771.83
7005 Shareholders' Equity	OCI								
3046 Shareholders Equity Acct 3046	Retained earnings	Balanced Transferred from Income	\$	-	\$	-	\$	-	
3090 Shareholders' Equity	Accumulated other comprehensive income	Unapprop Retained Earnings	\$	-	\$	-	\$	-	
<b>Total Equity</b>			-\$	10,100,121.83	-\$	10,661,894.00	\$	561,772.17	
<b>Total Liabilities and equity</b>			-\$	24,150,340.35	-\$	24,712,112.00	\$	561,771.65	See above
1508 Other Assets & Deferred Charges	Regulatory balances	Cost Assmt & Joint Pole	-\$	194,474.99					
1551 Other Assets & Deferred Charges	Regulatory balances	SME Variance	-\$	23,466.95					
1563 Other Assets & Deferred Charges	Regulatory balances	Contra-Def Pyts In Lieu of Tax							

Difference \$561,772 is the Net Income and net movement in reg balances for 2022

1580 Other Assets & Deferred Charges	Regulatory balances	RSVA-WMS	\$	-						
1582 Other Assets & Deferred Charges	Regulatory balances	RSVA-One Time								
1584 Other Assets & Deferred Charges	Regulatory balances	RSVA-NW	\$	-						
1586 Other Assets & Deferred Charges	Regulatory balances	RSVA-CN	\$	-						
1588 Other Assets & Deferred Charges	Regulatory balances	RSVA-Power	\$	-						
1589 Other Assets & Deferred Charges	Regulatory balances	RSVA-Global Adjustment	-\$	143,376.17						
1595 Other Assets & Deferred Charges	Regulatory balances	Recoveries Regulatory Assets	\$	-						
1592 Other Assets & Deferred Charges	Regulatory balances	PILS and Taxes Variance								
2320	OthNonCur	OthNonCurLiabs: Future Taxes	-\$	16,423.00		-\$	377,741.00	-\$	0.11	
	<b>Regulatory balances</b>	<b>Deferred Income Taxes</b>					<b>377,741.11</b>	<b>-\$</b>	<b>377,741.00</b>	
									<b>-\$</b>	
									<b>0.11</b>	
<b>Total Liabilities, equity and regulatory balances</b>										
							<b>24,528,081.46</b>	<b>-\$</b>	<b>25,089,853.00</b>	<b>\$</b>
									<b>561,771.54</b>	<b>See above</b>

Income Statement										
4006 Sales of Electricity	Sale of energy	Residential Energy Sales	-\$	5,216,898.29						
4025 Sales of Electricity	Sale of energy	Street Lighting Energy Sales	-\$	55,892.93						
4030 Sales of Electricity	Sale of energy	Sentinel Lighting Energy Sales	-\$	2,397.56						
4035 Sales of Electricity	Sale of energy	General Energy Sales	-\$	7,404,432.87						
4040 Sales of Electricity	Sale of energy	OES/PA-Embed Dist-H1-Engy	\$	-						
4050 Sales of Electricity	Sale of energy	Revenue Adjustment	-\$	64,134.82						
4055 Sales of Electricity	Sale of energy	Energy Sales for Resale	-\$	1,941,955.52						
4062 Sales of Electricity	Sale of energy	Billed WMS	-\$	581,693.98						
4066 Sales of Electricity	Sale of energy	Billed NW	-\$	1,035,348.93						
4068 Sales of Electricity	Sale of energy	Billed CN	-\$	859,989.86						
4075 Sales of Electricity	Sale of energy	Billed LV	-\$	423,138.14						
										\$286,301 Regulatory Adjustment (RSVA GA Adjustment = \$32,319 DR, Rate Riders on variance accounts \$253,982)
4076 Sales of Electricity	Sale of energy	Billed SME	-\$	22,501.99	-\$	17,608,384.89	-\$	17,894,686.00	\$	286,301.11
4082 Revenue from Services-Distribution	Distribution revenue	Retailer Services Revenues	-\$	10,657.28						
4084 Revenue from Services-Distribution	Distribution revenue	STR Revenues	-\$	38.65						
4086 Revenue from Services-Distribution	Distribution revenue	SSS Administration Revenue	-\$	21,818.00						
4080 Revenue from Services-Distribution	Distribution revenue	Distribution Services Revenue	-\$	4,216,652.12	-\$	4,249,166.05	-\$	4,249,166.00	-\$	0.05
										No LRAM Rate rider in 2022
4210 Other Operating Revenues	Other	Rent from Electric Property	-\$	89,034.28						
4225 Other Operating Revenues	Other	Late Payment Charges	-\$	8,680.56						
4235 Other Operating Revenues	Other	Misc Service Revenues	-\$	74,561.02						
4245 Other Operating Revenues	Other	Cust Cont Amortized to Income	-\$	24,022.50						
4324	Other	SPC Recovery	\$	-						
4325	Other	RevFromMerchJobbing Etc.	\$	-						
4330	Other	Csts&ExpOfMerch, Jobbing Etc.	\$	-						
4355 Other Income / Deductions	Other	Gain Disp of Util and Oth Prop	\$	-						
4360 Other Income / Deductions	Other	Loss on Disposal	\$	12,072.90						
4375 Other Income / Deductions	Other	Revenues from non-Utility oper	-\$	234,202.97						
4380 Other Income / Deductions	Other	Expenses of Non-Utility Oper	\$	211,044.90						
										Remove regulatory portion of \$32,576 due to increase in charge for access to poles
4390 Other Income / Deductions	Other	Misc Non-Oper Income	\$	4,280.19	-\$	203,103.34	-\$	235,680.00	\$	32,576.66
<b>Total Revenue</b>										
							<b>22,060,654.28</b>	<b>-\$</b>	<b>22,379,532.00</b>	<b>\$</b>
										<b>318,877.72</b>
										<b>See above</b>

4708 Other Power Supply Expenses	Cost of power purchased	Charges WMS	\$	581,693.98						
4714 Other Power Supply Expenses	Cost of power purchased	Charges - NW	\$	1,035,348.93						
4716 Other Power Supply Expenses	Cost of power purchased	Charges - CN	\$	859,989.86						
4730 Other Power Supply Expenses	Cost of power purchased	Rural Rate Assistance Expense	\$	-						
4750 Other Power Supply Expenses	Cost of power purchased	Charges-LV	\$	423,138.14						
4751 Other Power Supply Expenses	Cost of power purchased	Charges- SME	\$	22,501.99						
4705 Other Power Supply Expenses	Cost of power purchased	Power Purchased	\$	11,232,528.90						
4707 Other Power Supply Expenses	Cost of power purchased	Power Purchased GA	\$	3,453,183.09	\$	17,608,384.89	\$	18,182,813.00	-\$	574,428.11
										Regulatory adjustment of \$574,428 in purchases
5610 Administration & General Expenses	General and administrative	Management Salaries and Exp	\$	397,204.92						
5615 Administration & General Expenses	General and administrative	General Admin Salaries and Exp	\$	243,273.72						
5620 Administration & General Expenses	General and administrative	Office Supplies & Expenses	\$	91,404.41						
5630 Administration & General Expenses	General and administrative	Outside Services Employed	\$	58,860.81						
5635 Administration & General Expenses	General and administrative	Property Insurance	\$	3,176.10						
5640 Administration & General Expenses	General and administrative	Injuries and Damages	\$	35,038.92						
5645 Administration & General Expenses	General and administrative	Employee Pensions and Benefits	\$	-						
5646 Administration & General Expenses	General and administrative	OPEB	\$	14,865.93						
5655 Administration & General Expenses	General and administrative	Regulatory Expenses	\$	141,969.44						
5660 Administration & General Expenses	General and administrative	General Advertising Expenses	\$	-						
5665 Administration & General Expenses	General and administrative	Miscellaneous General Expenses	\$	97,324.06						
5675 Administration & General Expenses	General and administrative	Maintenance of General Plant	\$	22,558.52						

5680 Administration & General Expenses	General and administrative	ESA Fees	\$	10,270.00						
6105 Taxes	General and administrative	Taxes Other Than Income Taxes	\$	8,619.36						
6205 Other Deductions	General and administrative	Donations	\$	27,807.60						
6215 Other Deductions	General and administrative	Penalties - Late Payment-Class Action	\$	-						
6225 Other Deductions	General and administrative	Other Deductions	\$	1,334.71	\$	1,153,708.50	\$	1,153,709.00	-\$ 0.50	
5305 Billing and Collecting	Billing and collecting	Supervision	\$	77,156.33						
5310 Billing and Collecting	Billing and collecting	Meter Reading Exp	\$	116,587.56						
5315 Billing and Collecting	Billing and collecting	Customer Billing	\$	336,890.40						
5320 Billing and Collecting	Billing and collecting	Collecting	\$	100,434.53						
5325 Billing and Collecting	Billing and collecting	Collect-Cash Over & Short	\$	-						
5335 Billing and Collecting	Billing and collecting	Bad Debt Expense	\$	6,242.66						
5340 Billing and Collecting	Billing and collecting	Misc Customer Accounts Exp	\$	-	\$	637,311.48	\$	644,210.00	-\$ 6,898.52	
									Remove \$6,899 regulatory movement for RCVA in 5315	
5005 Distribution Expenses-Operation	Operating and maintenance	Operation Super & Eng	\$	102,980.80						
5010 Distribution Expenses-Operation	Operating and maintenance	Load Dispatching	\$	22,662.62						
5012 Distribution Expenses-Operation	Operating and maintenance	Stn Bldgs & Fixtures Exp	\$	74,342.82						
5016 Distribution Expenses-Operation	Operating and maintenance	Dist Stn Eq MS	\$	-						
5017 Distribution Expenses-Operation	Operating and maintenance	Dist Stn Eq - Oper Supplies	\$	23,563.00						
5020 Distribution Expenses-Operation	Operating and maintenance	OH DistLines&Fdrs	\$	889.93						
5025 Distribution Expenses-Operation	Operating and maintenance	OH Dist Lines - Oper Supplies	\$	12,992.27						
5030 Distribution Expenses-Operation	Operating and maintenance	OH Subtrans Feeders-Oper	\$	-						
5035 Distribution Expenses-Operation	Operating and maintenance	OH DistTrans-Op	\$	-						
5040 Distribution Expenses-Operation	Operating and maintenance	UG DistLn& Feeder-Labour	\$	-						
5045 Distribution Expenses-Operation	Operating and maintenance	UG Lines & Feeders-Op Supplies & Exp	\$	-						
5055 Distribution Expenses-Operation	Operating and maintenance	UG Dist Trans - Oper	\$	-						
5065 Distribution Expenses-Operation	Operating and maintenance	Meter Expenses	\$	75,069.26						
5070 Distribution Expenses-Operation	Operating and maintenance	Customer Premises - Op Labour	\$	-						
5085 Distribution Expenses-Operation	Operating and maintenance	Misc Distribution Exp	\$	110,924.99						
5095 Distribution Expenses-Operation	Operating and maintenance	OH DLns&Fdrs-Rental Pd	\$	11,705.62						
5105 Distribution Expenses-Mtce	Operating and maintenance	Maint Super & Eng	\$	21,706.14						
5110 Distribution Expenses-Mtce	Operating and maintenance	Maint Bldgs & Fixt-Dist Stns	\$	-						
5114 Distribution Expenses-Mtce	Operating and maintenance	Maint of Dist Stn Equip	\$	31,337.27						
5120 Distribution Expenses-Mtce	Operating and maintenance	Maint Poles Towers & Fixtures	\$	44,284.83						
5125 Distribution Expenses-Mtce	Operating and maintenance	Maint OH Conductors & Devices	\$	16,906.71						
5130 Distribution Expenses-Mtce	Operating and maintenance	Maint OH Services	\$	106,332.72						
5135 Distribution Expenses-Mtce	Operating and maintenance	OH Lines & Feeds-Right of Way	\$	64,445.10						
5145 Distribution Expenses-Mtce	Operating and maintenance	Main of UG Conduit	\$	3,060.00						
5150 Distribution Expenses-Mtce	Operating and maintenance	Maint of UG Conductors & Dev	\$	403.95						
5155 Distribution Expenses-Mtce	Operating and maintenance	Maint of UG Services	\$	116,558.56						
5160 Distribution Expenses-Mtce	Operating and maintenance	Maint of Line Transformers	\$	48,105.33						
5175 Distribution Expenses-Mtce	Operating and maintenance	Maint of Meters	\$	-						
5195 Distribution Expenses-Mtce	Operating and maintenance	Mtc-OthInstOnCustPrem	\$	-						
5410 Community Relations	Operating and maintenance	Community Relations - Sundry	\$	35,460.74						
5415 Community Relations	Operating and maintenance	Energy Conservation	\$	-						
5420 Community Relations	Operating and maintenance	Community Safety Program	\$	1,015.32						
5425 Community Relations	Operating and maintenance	Misc Customer Serv & Info Exp	\$	8,306.69	\$	933,054.67	\$	933,055.00	-\$ 0.33	
5705 Amortization Expenses	Depreciation and amortization	Amort Exp Prop Plant Equip	\$	607,315.84						
5715 Amortization Expenses	Depreciation and amortization	Amort Exp Intangible	\$	46,824.15	\$	654,139.99	\$	654,140.00	-\$ 0.01	
<b>Total Operating Expenses</b>			\$		\$	<b>20,986,599.53</b>	\$	<b>21,567,927.00</b>	<b>-\$ 581,327.47</b>	See above
<b>Income from operating activities</b>						<b>1,074,054.75</b>		<b>811,605.00</b>	<b>-\$ 262,449.75</b>	See above
4405 Investment Income	Finance Income	Interest and Dividend Income	-\$	59,612.15	-\$	59,612.15	-\$	42,193.00	-\$ 17,419.15	\$17,419 interest earned on regulatory balances
6005 Interest Expenses	Finance costs	Interest on Long Term Debt	\$	137,630.88						
6030 Interest Expenses	Finance costs	Int Debt AssocCo-CWTwp	\$	365,889.60						
6035 Interest Expenses	Finance costs	Other Interest Expense	\$	14,491.53	\$	518,012.01	\$	509,949.00	\$ 8,063.01	\$8,063 interest expense on regulatory balances
<b>Income before income taxes</b>						<b>615,654.89</b>		<b>343,849.00</b>	<b>-\$ 271,805.89</b>	See above
6110 Taxes	Income Tax Expense (Recovery)	Income Taxes	\$	-	\$	-		\$	-	
6115 Taxes	Income Tax Expense (Recovery)	Prov For Future Income taxes	\$	116,587.56	\$	116,587.56	\$	160,250.00	-\$ 43,662.44	Movement in Regulatory Balances -\$160,367
<b>Income tax expense (recovery)</b>								<b>160,250.00</b>	<b>-\$ 43,662.44</b>	
<b>Net Income for the Year</b>								<b>-\$ 183,599.00</b>		
	Net Movement in Regulatory balances, net of taxes		\$	-	\$	-	-\$	378,172.00	\$ 378,172.00	Regulatory adjustments
<b>Net Income for the year and next movement in regulatory balances</b>								<b>-\$ 561,771.00</b>		

Centre Wellington Hydro Ltd.

Exhibit 1

Appendix F

CWH RRR Mapping 2.1.13 to Audited  
Financial Statements 2023

Centre Wellington Hydro Ltd  
OEB RRR: 2.1.13 General Ledger Trial Balance Mapped to Audited Financial Statements  
For the Year 2023

Account Number	RRR 2.1.7 Section	Financial Statement Line	G/L Account Description	Ending Balance GL Balances as reported in 2.1.7	Total Balance Sheet Grouped as per 2.1.7	Balances as per Audited Financial Statements	Difference Between GL Balances on 2.1.7 and Financial Statements	Explanation of Difference
Balance Sheet								
<b>ASSETS</b>								
1005	Current Assets	Cash	Cash	\$ 841,708.51				
1010	Current Assets	Cash	Working Funds	\$ 394.44	\$ 842,102.95	\$ 842,103.00	\$ (0.05)	
1100	Current Assets	Accounts Receivable	Customer AR	\$ 2,587,320.51				
1102	Current Assets	Accounts Receivable	Accounts Receivable - Services	\$ (7,125.56)				
1104	Current Assets	Accounts Receivable	A/R Recoverable	\$ 88,994.96				
1105	Current Assets	Accounts Receivable	AR-Merchand/Jobbing Etc	\$ 122,988.30				
1110	Current Assets	Accounts Receivable	Other AR	\$ 50,254.56				
1115	Current Assets	Accounts Receivable	AR Financial Assistance	\$ 11,905.77				
1130	Current Assets	Accounts Receivable	Accum Prov for Uncoll Accts	\$ (18,600.00)	\$ 2,835,738.54	\$ 2,835,738.77	\$ (0.23)	KPMG needs to change amount on FS
1120	Current Assets	Unbilled revenue	Accrued Utility Revenue	\$ 1,802,163.07	\$ 1,802,163.07	\$ 1,802,163.23	\$ (0.16)	KPMG needs to change amount on FS
1190	Current Assets	Inventory/Materials and Supplies	Misc Curr and Accrued Assets	\$ 5,437.00				
1330	Inventory	Inventory/Materials and Supplies	Plant Materials and Oper Supp	\$ 493,984.81	\$ 499,421.81	\$ 499,422.00	\$ (0.19)	
1180	Current Assets	Prepaid expenses	Prepaid Expenses	\$ 272,659.96	\$ 272,659.96	\$ 272,660.00	\$ (0.04)	
<b>Total Current Assets</b>					<b>\$ 6,252,086.33</b>	<b>\$ 6,252,087.00</b>	<b>\$ (0.67)</b>	
1609	Intangible Plant	Intangible Assets	Cap Contributions Pd-Contracts	\$ 38,995.20				
1611	General Plant	Intangible Assets	Computer Software	\$ 518,592.68				
1612	Distribution Plant	Intangible Assets	Land Rights	\$ 37,132.16				
1805	Distribution Plant	Property, plant and equipment	Land	\$ 46,065.54				
1806	Distribution Plant	Property, plant and equipment	Land Rights	\$ -				
1808	Distribution Plant	Property, plant and equipment	Building & Fixtures	\$ -				
1820	Distribution Plant	Property, plant and equipment	Distribution Station Equipment	\$ 7,575,002.52				
1825	Distribution Plant	Property, plant and equipment	Storage Battery Equipment	\$ -				
1830	Distribution Plant	Property, plant and equipment	Poles, Towers and Fixtures	\$ 4,311,089.71				
1835	Distribution Plant	Property, plant and equipment	OH Conductors and Devices	\$ 2,775,998.87				
1840	Distribution Plant	Property, plant and equipment	Underground Conduit	\$ 2,232,293.58				
1845	Distribution Plant	Property, plant and equipment	UG Conductors & Devices	\$ 3,010,559.51				
1850	Distribution Plant	Property, plant and equipment	Line Transformers	\$ 3,894,257.96				
1855	Distribution Plant	Property, plant and equipment	Services	\$ 4,343,658.90				
1860	Distribution Plant	Property, plant and equipment	Meters	\$ 1,575,500.31				
1905	General Plant	Property, plant and equipment	Land	\$ 8,639.65				
1908	General Plant	Property, plant and equipment	Building & Fixtures	\$ 1,422,457.24				
1915	General Plant	Property, plant and equipment	Office Furniture & Equip	\$ 81,567.96				
1920	General Plant	Property, plant and equipment	Computer Equipment-Hardware	\$ 203,653.07				
1925	General Plant	Property, plant and equipment	Computer Software	\$ -				
1930	General Plant	Property, plant and equipment	Transportation Equipment	\$ 1,419,084.17				
1935	General Plant	Property, plant and equipment	Stores Equipment	\$ 23,391.77				
1940	General Plant	Property, plant and equipment	Tools, Shop & Garage Equip	\$ 118,878.93				
1945	General Plant	Property, plant and equipment	Measurement & Testing Equip	\$ 55,257.27				
1950	General Plant	Property, plant and equipment	Power Operated Equipment	\$ 61,865.55				
1955	General Plant	Property, plant and equipment	Communication Equipment	\$ 31,621.96				
1960	General Plant	Property, plant and equipment	Miscellaneous Equipment	\$ 25,216.09				
1980	General Plant	Property, plant and equipment	System Supervisory Equipment	\$ 246,714.55				
1985	General Plant	Property, plant and equipment	Sentinel Ltg Rental Units	\$ -				
1995	General Plant	Property, plant and equipment	Conts & Grants - Credit	\$ (1,738,113.80)				
2055	Other capital Assets	Property, plant and equipment	Construction Work in Progress	\$ 207,901.53	\$ 32,527,282.88			
2105	Accumulated Amortization	Property, plant and equipment	Acc Amort of Elec Ut Plant	\$ (13,948,867.58)				
2120	Accumulated Amortization	Intangible Assets	AccDep-Intang Assets	\$ (457,978.38)				
Total Accumulated Amortization					\$ (14,406,845.96)			
Net Other Capital Assets						\$ 17,983,695.00		
Net Intangible Assets						\$ 136,742.00		
					\$ 18,120,436.92	\$ 18,120,437.00	\$ (0.08)	
1405	Non-Current Assets	Long-term investment	LT Inv in Non-Assoc Co.s	\$ -	\$ -	\$ -	\$ -	
<b>Total Non-current Assets</b>					<b>\$ 18,120,436.92</b>	<b>\$ 18,120,437.00</b>	<b>\$ (0.08)</b>	
<b>Total Assets prior to Regulatory adjustment</b>					<b>\$ 24,372,523.25</b>	<b>\$ 24,372,524.00</b>	<b>\$ (0.75)</b>	
1508	Other Assets & Deferred Charges	Regulatory balances	Other Regulatory Assets					
1518	Other Assets & Deferred Charges	Regulatory balances	RCVA - Retail	\$ 61,973.80				
1532	Other Assets & Deferred Charges	Regulatory balances	Renewable Connection OM&A Def Acct					
1548	Other Assets & Deferred Charges	Regulatory balances	RCVA-STR	\$ 357.68				

Account Number	RRR 2.1.7 Section	Financial Statement Line	G/L Account Description	Ending Balance GL Balances as reported in 2.1.7	Total Balance Sheet Grouped as per 2.1.7	Balances as per Audited Financial Statements	Difference Between GL Balances on 2.1.7 and Financial Statements	Explanation of Difference
1550	Other Assets & Deferred Charges	Regulatory balances	LV Variance Account	\$ 188,747.50				
1555	Other Assets & Deferred Charges	Regulatory balances	Smart Meter	\$ 2,030.66				
1568	Other Assets & Deferred Charges	Regulatory balances	LRAM Variance Account					
1580	Other Assets & Deferred Charges	Regulatory balances	WMS	\$ 41,432.29				
1584	Other Assets & Deferred Charges	Regulatory balances	RSVA-NW	\$ 369,709.17				
1586	Other Assets & Deferred Charges	Regulatory balances	RSVA-CN	\$ 189,762.02				
1588	Other Assets & Deferred Charges	Regulatory balances	RSVA-Power	\$ 51,657.43				
1589	Other Assets & Deferred Charges	Regulatory balances	RSVA-Global Adjustment	\$ 143,067.02				
1595	Other Assets & Deferred Charges	Regulatory balances	Recoveries Regulatory Assets	\$ 15,333.71				
						\$ 1,064,071.00		
<b>Regulatory balance</b>					\$ 1,064,071.28	\$ 1,064,071.00	\$ 0.28	
<b>Total Assets</b>					\$ 25,436,594.53	\$ 25,436,595.00	\$ (0.47)	
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>								
2205	Current Liabilities	Accounts payable and accrued liabilities	Accounts Payable	\$ (2,058,466.39)				
2208	Current Liabilities	Accounts payable and accrued liabilities	Customer Credit Balances	\$ (92,071.48)				
2220	Current Liabilities	Accounts payable and accrued liabilities	Misc Curr & Accd Liab	\$ (1,286,201.06)				
2250	Current Liabilities	Accounts payable and accrued liabilities	DRC Payable	\$ -				
2256	Current Liabilities	Accounts payable and accrued liabilities	IESO Fees Payable	\$ (189,518.78)				
2290	Current Liabilities	Accounts payable and accrued liabilities	Commodity Taxes	\$ (23,419.76)				
2292	Current Liabilities	Accounts payable and accrued liabilities	PR Deductions	\$ (93,976.93)				
2294	Current Liabilities	Income taxes payable	Accrual for Taxes Payment in Lieu of Taxes					
2320	Non-Current Liabilities	Accounts payable and accrued liabilities	Other Misc Non-Current Liab:Cont Cap	\$ -	\$ (3,743,654.40)	\$ (3,743,655.00)	\$ 0.60	
2210	Current Liabilities	Current portion of customers deposits	Curr Portion of Cust Deposits	\$ (70,000.00)				
2335	Non-Current Liabilities	Current portion of customers deposits	Long Term Customer Deposits	\$ (141,494.38)	\$ (211,494.38)	\$ (211,494.00)	\$ (0.38)	
2260	Current Liabilities	Current portion of long-term debt	Curr portion-Loan 2013 OILC	\$ (155,244.14)	\$ (155,244.14)	\$ (155,244.00)	\$ (0.14)	
<b>Total Current Liabilities</b>					\$ (4,110,392.92)	\$ (4,110,393.00)	\$ 0.08	
2550	Long Term Debt	Note payable	Advances from Associated Companies	\$ (5,046,753.21)			\$ -	
2525	Long Term Debt	Note payable	Term Loans-L/T Port-2013 OILC	\$ (3,166,441.51)	\$ (8,213,194.72)	\$ (8,213,195.00)	\$ 0.28	
2306	Non-Current Liabilities	Post employment benefits	Employee Future Benefits	\$ (202,623.00)	\$ (202,623.00)	\$ (202,623.00)	\$ -	
2440		Deferred Revenues	Deferred Revenues	\$ (1,068,420.25)	\$ (1,068,420.25)	\$ (1,068,420.00)	\$ (0.25)	
2350	Non-Current Liabilities	Deferred tax assets	Future Income Tax-Non-Curr	\$ (267,923.77)	\$ (267,923.77)	\$ (267,924.00)	\$ 0.23	
<b>Total Non-Current Liabilities</b>					\$ (9,752,161.74)	\$ (9,752,162.00)	\$ 0.26	
<b>Total Liabilities</b>					\$ (13,862,554.66)	\$ (13,862,555.00)	\$ 0.34	
3035	Shareholders' Equity	Share capital	InstallsRecOnCapital Stk	\$ (5,035,065.66)	\$ (5,035,065.66)	\$ (5,035,066.00)	\$ 0.34	
3045	Shareholders' Equity	Retained earnings	Unapprop Retained Earnings	\$ (5,655,863.03)	\$ (5,655,863.03)	\$ (6,399,989.00)	\$ 773,160.94	Difference \$773,161 is the Net Income and net movement in reg balances for 2023
7005	Shareholders' Equity	OCI		\$ -	\$ -	\$ (49,058.00)		
3046	Shareholders Equity Acct 3046	Retained earnings	Balanced Transferred from Income	\$ -	\$ -	\$ -	\$ -	
3090	Shareholders' Equity	Accumulated other comprehensive income	Unapprop Retained Earnings	\$ (20,023.03)	\$ (20,023.03)	\$ -		Recorded in 7005 on F/S
<b>Total Equity</b>					\$ (10,710,951.72)	\$ (11,484,113.00)	\$ 773,161.28	
<b>Total Liabilities and equity</b>					\$ (24,573,506.38)	\$ (25,346,668.00)	\$ 773,161.62	See above
1508	Other Assets & Deferred Charges	Regulatory balances	Cost Assmt & Joint Pole	\$ (217,921.76)				
1551	Other Assets & Deferred Charges	Regulatory balances	SME Variance	\$ (31,684.99)				
1563	Other Assets & Deferred Charges	Regulatory balances	Contra-Def Pyts In Lieu of Tax					
1580	Other Assets & Deferred Charges	Regulatory balances	RSVA-WMS	\$ -				
1582	Other Assets & Deferred Charges	Regulatory balances	RSVA-One Time	\$ -				
1584	Other Assets & Deferred Charges	Regulatory balances	RSVA-NW	\$ -				
1586	Other Assets & Deferred Charges	Regulatory balances	RSVA-CN	\$ -				
1588	Other Assets & Deferred Charges	Regulatory balances	RSVA-Power	\$ -				
1589	Other Assets & Deferred Charges	Regulatory balances	RSVA-Global Adjustment	\$ -				
1595	Other Assets & Deferred Charges	Regulatory balances	Recoveries Regulatory Assets	\$ -				
1592	Other Assets & Deferred Charges	Regulatory balances	PILS and Taxes Variance	\$ -				
2320		OthNonCur	OthNonCurLiabs: Future Taxes	\$ 159,680.00		\$ (89,927.00)	\$ 0.25	

Account Number	RRR 2.1.7 Section	Financial Statement Line	G/L Account Description	Ending Balance GL Balances as reported in 2.1.7	Total Balance Sheet Grouped as per 2.1.7	Balances as per Audited Financial Statements	Difference Between GL Balances on 2.1.7 and Financial Statements	Explanation of Difference
<b>Regulatory balances</b>					\$ (89,926.75)	\$ (89,927.00)	\$ 0.25	
<b>Total Liabilities, equity and regulatory balances</b>					\$ (24,663,433.13)	\$ (25,436,595.00)	\$ 773,161.87	See above
4006	Sales of Electricity	Sale of energy	Residential Energy Sales	\$ (4,777,591.37)				
4025	Sales of Electricity	Sale of energy	Street Lighting Energy Sales	\$ (40,333.11)				
4030	Sales of Electricity	Sale of energy	Sentinel Lighting Energy Sales	\$ (2,195.73)				
4035	Sales of Electricity	Sale of energy	General Energy Sales	\$ (7,147,011.21)				
4040	Sales of Electricity	Sale of energy	OES/PA-Embed Dist-H1-Engy	\$ -				
4050	Sales of Electricity	Sale of energy	Revenue Adjustment	\$ (106,491.54)				
4055	Sales of Electricity	Sale of energy	Energy Sales for Resale	\$ (2,331,947.92)				
4062	Sales of Electricity	Sale of energy	Billed WMS	\$ (713,580.85)				
4066	Sales of Electricity	Sale of energy	Billed NW	\$ (1,279,078.62)				
4068	Sales of Electricity	Sale of energy	Billed CN	\$ (889,403.49)				
4075	Sales of Electricity	Sale of energy	Billed LV	\$ (414,810.89)				
								\$70,509.30 Regulatory Adjustment (RSVA WMS Adjustment = \$59,486.51, Rate Riders on variance accounts \$186,705)
4076	Sales of Electricity	Sale of energy	Billed SME	\$ (26,099.72)	\$ (17,728,544.45)	\$ (17,985,759.51)	\$ 257,215.06	
4082	Revenue from Services-Distribution	Distribution revenue	Retailer Services Revenues	\$ (10,639.98)				
4084	Revenue from Services-Distribution	Distribution revenue	STR Revenues	\$ (33.66)				
4086	Revenue from Services-Distribution	Distribution revenue	SSS Administration Revenue	\$ (21,938.51)				
4080	Revenue from Services-Distribution	Distribution revenue	Distribution Services Revenue	\$ (4,361,695.07)	\$ (4,394,307.22)	\$ (4,394,307.00)	\$ (0.22)	
4210	Other Operating Revenues	Other	Rent from Electric Property	\$ (89,333.52)				
4225	Other Operating Revenues	Other	Late Payment Charges	\$ (8,068.34)				
4235	Other Operating Revenues	Other	Misc Service Revenues	\$ (103,037.02)				
4245	Other Operating Revenues	Other	Cust Cont Amortized to Income	\$ (24,902.31)				
4355	Other Income / Deductions	Other	Gain Disp of Util and Oth Prop	\$ (12,000.00)				
4360	Other Income / Deductions	Other	Loss on Disposal	\$ 25,592.36				
4375	Other Income / Deductions	Other	Revenues from non-Utility oper	\$ (261,906.70)				
4380	Other Income / Deductions	Other	Expenses of Non-Utility Oper	\$ 217,861.24				
4390	Other Income / Deductions	Other	Misc Non-Oper Income	\$ (14,474.70)	\$ (271,941.33)	\$ (308,027.00)	\$ 36,085.67	Remove regulatory portion of \$36,086 due to increase in charge for access to poles
<b>Total Revenue</b>					\$ (22,394,793.00)	\$ (22,688,093.51)	\$ 293,300.51	See above
4708	Other Power Supply Expenses	Cost of power purchased	Charges WMS	\$ 713,580.85				
4714	Other Power Supply Expenses	Cost of power purchased	Charges - NW	\$ 1,279,078.62				
4716	Other Power Supply Expenses	Cost of power purchased	Charges - CN	\$ 889,403.49				
4730	Other Power Supply Expenses	Cost of power purchased	Rural Rate Assistance Expense	\$ -				
4750	Other Power Supply Expenses	Cost of power purchased	Charges-LV	\$ 414,810.89				
4751	Other Power Supply Expenses	Cost of power purchased	Charges- SME	\$ 26,099.72				
4705	Other Power Supply Expenses	Cost of power purchased	Power Purchased	\$ 9,481,828.47				
4707	Other Power Supply Expenses	Cost of power purchased	Power Purchased GA	\$ 4,923,742.41	\$ 17,728,544.45	\$ 18,163,160.22	\$ (434,615.77)	Regulatory adjustment of \$434,616 in purchases
5610	Administration & General Expenses	General and administrative	Management Salaries and Exp	\$ 412,447.95				
5615	Administration & General Expenses	General and administrative	General Admin Salaries and Exp	\$ 263,744.33				
5620	Administration & General Expenses	General and administrative	Office Supplies & Expenses	\$ 131,311.05				
5630	Administration & General Expenses	General and administrative	Outside Services Employed	\$ 67,956.21				
5635	Administration & General Expenses	General and administrative	Property Insurance	\$ 3,090.35				
5640	Administration & General Expenses	General and administrative	Injuries and Damages	\$ 47,699.30				
5645	Administration & General Expenses	General and administrative	Employee Pensions and Benefits	\$ -				
5646	Administration & General Expenses	General and administrative	OPEB	\$ 25,093.06				
5655	Administration & General Expenses	General and administrative	Regulatory Expenses	\$ 109,502.07				
5660	Administration & General Expenses	General and administrative	General Advertising Expenses	\$ -				
5665	Administration & General Expenses	General and administrative	Miscellaneous General Expenses	\$ 102,689.88				
5675	Administration & General Expenses	General and administrative	Maintenance of General Plant	\$ 23,907.55				
5680	Administration & General Expenses	General and administrative	ESA Fees	\$ 10,461.79				
6105	Taxes	General and administrative	Taxes Other Than Income Taxes	\$ 11,588.29				
6205	Other Deductions	General and administrative	Donations	\$ 19,800.00				
6215	Other Deductions	General and administrative	Penalties - Late Payment-Class Action	\$ -				
6225	Other Deductions	General and administrative	Other Deductions	\$ 1,402.66	\$ 1,230,694.49	\$ 1,230,694.00	\$ 0.49	
5305	Billing and Collecting	Billing and collecting	Supervision	\$ 67,894.11				
5310	Billing and Collecting	Billing and collecting	Meter Reading Exp	\$ 119,705.85				
5315	Billing and Collecting	Billing and collecting	Customer Billing	\$ 333,437.48				
5320	Billing and Collecting	Billing and collecting	Collecting	\$ 93,513.83				
5325	Billing and Collecting	Billing and collecting	Collect-Cash Over & Short	\$ 1.02				



Account Number	RRR 2.1.7 Section	Financial Statement Line	G/L Account Description	Ending Balance GL Balances as reported in 2.1.7	Total Balance Sheet Grouped as per 2.1.7	Balances as per Audited Financial Statements	Difference Between GL Balances on 2.1.7 and Financial Statements	Explanation of Difference
5335	Billing and Collecting	Billing and collecting	Bad Debt Expense	\$ 6,878.05				
5340	Billing and Collecting	Billing and collecting	Misc Customer Accounts Exp	\$ -	\$ 621,430.34	\$ 627,569.00	\$ (6,138.66)	Remove \$6,139 regulatory movement for RCVA in 5315
5005	Distribution Expenses-Operation	Operating and maintenance	Operation Super & Eng	\$ 137,361.92				
5010	Distribution Expenses-Operation	Operating and maintenance	Load Dispatching	\$ 13,507.73				
5012	Distribution Expenses-Operation	Operating and maintenance	Stn Bldgs & Fixtures Exp	\$ 63,905.69				
5016	Distribution Expenses-Operation	Operating and maintenance	Dist Stn Eq MS	\$ -				
5017	Distribution Expenses-Operation	Operating and maintenance	Dist Stn Eq - Oper Supplies	\$ 25,874.91				
5020	Distribution Expenses-Operation	Operating and maintenance	OH DistLines&Fdrs	\$ 207.85				
5025	Distribution Expenses-Operation	Operating and maintenance	OH Dist Lines - Oper Supplies	\$ 9,231.42				
5030	Distribution Expenses-Operation	Operating and maintenance	OH Subtrans Feeders-Oper	\$ -				
5035	Distribution Expenses-Operation	Operating and maintenance	OH DistTrans-Op	\$ -				
5040	Distribution Expenses-Operation	Operating and maintenance	UG DistLn& Feeder-Labour	\$ -				
5045	Distribution Expenses-Operation	Operating and maintenance	UG Lines & Feeders-Op Supplies & Exp	\$ -				
5055	Distribution Expenses-Operation	Operating and maintenance	UG Dist Trans - Oper	\$ 5,210.21				
5065	Distribution Expenses-Operation	Operating and maintenance	Meter Expenses	\$ 68,365.00				
5070	Distribution Expenses-Operation	Operating and maintenance	Customer Premises - Op Labour	\$ -				
5085	Distribution Expenses-Operation	Operating and maintenance	Misc Distribution Exp	\$ 90,645.84				
5095	Distribution Expenses-Operation	Operating and maintenance	OH DLns&Fdrs-Rental Pd	\$ 11,002.80				
5105	Distribution Expenses-Mtce	Operating and maintenance	Maint Super & Eng	\$ 33,882.05				
5110	Distribution Expenses-Mtce	Operating and maintenance	Maint Bldgs & Fixt-Dist Stns	\$ -				
5114	Distribution Expenses-Mtce	Operating and maintenance	Maint of Dist Stn Equip	\$ 36,958.89				
5120	Distribution Expenses-Mtce	Operating and maintenance	Maint Poles Towers & Fixtures	\$ 30,150.49				
5125	Distribution Expenses-Mtce	Operating and maintenance	Maint OH Conductors & Devices	\$ 44,489.99				
5130	Distribution Expenses-Mtce	Operating and maintenance	Maint OH Services	\$ 85,578.01				
5135	Distribution Expenses-Mtce	Operating and maintenance	OH Lines & Feeds-Right of Way	\$ 90,182.15				
5145	Distribution Expenses-Mtce	Operating and maintenance	Main of UG Conduit	\$ 1,934.87				
5150	Distribution Expenses-Mtce	Operating and maintenance	Maint of UG Conductors & Dev	\$ 1,877.97				
5155	Distribution Expenses-Mtce	Operating and maintenance	Maint of UG Services	\$ 97,848.26				
5160	Distribution Expenses-Mtce	Operating and maintenance	Maint of Line Transformers	\$ 51,234.02				
5175	Distribution Expenses-Mtce	Operating and maintenance	Maint of Meters	\$ -				
5195	Distribution Expenses-Mtce	Operating and maintenance	Mtc-OthInstOnCustPrem	\$ -				
5410	Community Relations	Operating and maintenance	Community Relations - Sundry	\$ 27,581.30				
5415	Community Relations	Operating and maintenance	Energy Conservation	\$ -				
5420	Community Relations	Operating and maintenance	Community Safety Program	\$ 975.00				
5425	Community Relations	Operating and maintenance	Misc Customer Serv & Info Exp	\$ 15,463.94	\$ 943,470.31	\$ 943,470.00	\$ 0.31	
5705	Amortization Expenses	Depreciation and amortization	Amort Exp Prop Plant Equip	\$ 590,146.25				
5715	Amortization Expenses	Depreciation and amortization	Amort Exp Intangible	\$ 62,976.83	\$ 653,123.08	\$ 653,123.00	\$ 0.08	
<b>Total Operating Expenses</b>					<b>\$ 21,177,262.67</b>	<b>\$ 21,618,016.22</b>	<b>\$ (440,753.55)</b>	<b>See above</b>
<b>Income from operating activities</b>					<b>\$ (1,217,530.33)</b>	<b>\$ (1,070,077.29)</b>	<b>\$ (147,453.04)</b>	<b>See above</b>
4405	Investment Income	Finance Income	Interest and Dividend Income	\$ (134,878.91)	\$ (134,878.91)	\$ (74,640.05)	\$ (60,238.86)	\$60,239.26 interest earned on regulatory balances
6005	Interest Expenses	Finance costs	Interest on Long Term Debt	\$ 131,947.69				
6030	Interest Expenses	Finance costs	Int Debt AssocCo-CWTwp	\$ 365,889.60				
6035	Interest Expenses	Finance costs	Other Interest Expense	\$ 35,117.55	\$ 532,954.84	\$ 510,874.00	\$ 22,080.84	\$22,080.60 interest expense on regulatory balances
<b>Income before income taxes</b>					<b>\$ (819,454.40)</b>	<b>\$ (633,843.34)</b>	<b>\$ (185,611.06)</b>	<b>See above</b>
6110	Taxes	Income Tax Expense (Recovery)	Income Taxes	\$ -	\$ -	\$ -	\$ -	
6115	Taxes	Income Tax Expense (Recovery)	Prov For Future Income taxes	\$ 46,293.00	\$ 46,293.00	\$ 222,398.00	\$ (176,105.00)	Movement in Regulatory Balances -\$160,367
<b>Income tax expense (recovery)</b>						<b>\$ 222,398.00</b>	<b>\$ (176,105.00)</b>	
<b>Net Income for the Year</b>						<b>\$ (411,445.34)</b>		
		Net Movement in Regulatory balances, net of taxes		\$ -	\$ -	\$ (415,737.00)	\$ 415,737.00	Regulatory adjustments
<b>Net Income for the year and next movement in regulatory balances</b>						<b>\$ (827,182.34)</b>		