

Financial Statements of

**GRIMSBY POWER
INCORPORATED**

And Independent Auditor's Report thereon

Year ended December 31, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Grimsby Power Incorporated

Opinion

We have audited the financial statements of Grimsby Power Incorporated (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- 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 material 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, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.



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- 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

April 24, 2025

GRIMSBY POWER INCORPORATED

Statement of Financial Position

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Current assets			
Cash		\$ 14,501	\$ 56,516
Accounts receivable	5	2,445,889	1,914,433
Due from related parties	19	5,883	—
Unbilled revenue		2,951,259	2,744,233
Inventory	6	2,065,782	1,573,398
Prepaid expenses		403,156	453,139
Total current assets		7,886,470	6,741,719
Non-current assets			
Property, plant and equipment	7	34,511,638	33,084,999
Intangible assets	8	80,482	101,351
Deferred tax assets	10	1,417,034	1,383,366
Other capital assets	7	1,125,054	712,453
Total non-current assets		37,134,208	35,282,169
Total assets		45,020,678	42,023,888
Regulatory balances	11	1,215,598	1,372,104
Regulatory balances - income tax	11	1,999,590	1,943,115
Total regulatory balances		3,215,188	3,315,219
Total assets and regulatory balances			
		\$ 48,235,866	\$ 45,339,107

GRIMSBY POWER INCORPORATED

Statement of Financial Position (continued)

As at December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 5,776,661	\$ 4,967,584
Line of credit	13	2,850,000	1,500,000
Due to related parties	19	40,086	33,821
Customer deposits		93,089	74,567
Long-term debt due within one year	13	269,165	723,751
Long-term debt under renewal	13	1,426,488	—
Total current liabilities		10,455,489	7,299,723
Non-current liabilities			
Developers' deposits		1,457,804	1,110,313
Deferred tax liabilities	10	3,146,638	3,035,013
Deferred revenue	9	5,333,860	5,130,117
Other long-term liabilities		125,242	157,834
Long-term debt	13	11,615,450	13,311,103
Total non-current liabilities		21,678,994	22,744,380
Total liabilities		32,134,483	30,044,103
Equity			
Share capital	14	5,782,747	5,782,747
Contributed capital		70,721	70,721
Retained earnings		9,178,939	8,397,742
Total equity		15,032,407	14,251,210
Total liabilities and shareholders' equity		47,166,890	44,295,313
Regulatory balances	11	648,797	528,870
Regulatory balances - income tax	11	420,179	514,924
Total regulatory balances		1,068,976	1,043,794
Commitments and contingencies	17		
Total liabilities, equity and regulatory balances		\$ 48,235,866	\$ 45,339,107

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

GRIMSBY POWER INCORPORATED

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenue:			
Sale of electricity		\$ 34,820,189	\$ 32,267,565
Distribution revenue		6,693,175	6,410,429
Other		526,271	401,302
	15	42,039,635	39,079,296
Operating expenses:			
Distribution expenses - operations		1,174,767	1,123,101
Distribution expenses - maintenance		427,617	491,500
Billing and collecting		749,096	810,548
Administration and general		1,730,618	1,713,641
Property taxes		42,388	41,246
Depreciation and amortization	7, 8	1,385,517	1,397,944
Other deductions		13,311	11,777
		5,523,314	5,589,757
Cost of power purchased		34,520,044	30,912,452
Total expenses		40,043,358	36,502,209
Income from operating activities		1,996,277	2,577,087
Finance income	16	64,752	100,457
Finance costs	16	(656,423)	(641,447)
Income before income taxes		1,404,606	2,036,097
Income tax expense	10	298,196	204,327
Net income for the year		1,106,410	1,831,770
Net movement in regulatory balances	11	(276,433)	(1,255,851)
Tax recovery on net movement	11	151,220	536,123
		(125,213)	(719,728)
Net income for the year and net movement in regulatory balances		981,197	1,112,042
Total comprehensive income for the year		\$ 981,197	\$ 1,112,042

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023

	Share Capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2023	\$ 5,782,747	\$ 70,721	\$ 7,485,700	\$ 13,339,168
Net income and net movement				
in regulatory balances	—	—	1,112,042	1,112,042
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2023	\$ 5,782,747	\$ 70,721	\$ 8,397,742	\$ 14,251,210
Balance at January 1, 2024	\$ 5,782,747	\$ 70,721	\$ 8,397,742	\$ 14,251,210
Net income and net movement				
in regulatory balances	—	—	981,197	981,197
Dividends	—	—	(200,000)	(200,000)
Balance at December 31, 2024	\$ 5,782,747	\$ 70,721	\$ 9,178,939	\$ 15,032,407

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Operating activities:		
Net income and net movement in regulatory balances	\$ 981,197	\$ 1,112,042
Adjustments for:		
Depreciation and amortization	1,385,517	1,397,944
Amortization of deferred revenue	(183,665)	(172,468)
Income tax expense	—	203,323
Deferred taxes	77,957	—
Net finance costs	591,671	540,991
	2,852,677	3,081,832
Changes in non-cash operating working capital:		
Accounts receivable	(531,456)	(20,639)
Due from related parties	(5,883)	3,877
Unbilled revenue	(207,026)	(114,907)
Inventory	(492,384)	(522,486)
Prepaid expenses	49,983	12,546
Accounts payable and accrued liabilities	809,077	644,637
Due to related parties	6,265	(97,438)
Customer and developer deposits	366,013	(43,667)
Other long-term liabilities	(32,592)	29,943
	(38,003)	(108,134)
Regulatory balances	125,213	719,728
Contributions received from customers - deferred revenue	387,408	460,496
Interest paid	(656,117)	(641,447)
Interest received	64,446	100,456
Net cash from operating activities	2,735,624	3,612,931
Investing activities:		
Purchase of property, plant and equipment	(3,191,832)	(2,990,715)
Proceeds on disposal of property, plant and equipment	1,302	—
Purchase of intangibles	(13,358)	(56,312)
Net cash used by investing activities	(3,203,888)	(3,047,027)
Financing activities:		
Advance (repayment) of line of credit	1,350,000	(570,000)
Proceeds of long-term debt	—	1,000,000
Repayment of long-term debt	(723,751)	(741,287)
Dividends	(200,000)	(200,000)
Net cash from financing activities	426,249	(511,287)
Change in cash	(42,015)	54,617
Cash, beginning of year	56,516	1,899
Cash, end of year	\$ 14,501	\$ 56,516

See accompanying notes to the financial statements.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements

Year ended December 31, 2024

1. Reporting entity:

Grimsby Power Incorporated (the "Corporation"), is incorporated under the laws of Ontario and is owned by Niagara Power Incorporated, which in turn is owned by The Corporation of the Town of Grimsby and Fortis Ontario. The Corporation's head office is located at 231 Roberts Road, Grimsby, Ontario, L3M 5N2.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the Town of Grimsby, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution and power rates require OEB approval.

The financial statements are for the Corporation as at and for the year ended December 31, 2024.

2. Basis of presentation:

(a) Statement of compliance:

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

The financial statements were approved by the Board of Directors on April 24, 2025.

(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:

(i) Assumptions and estimation uncertainty:

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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

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

(i) Assumptions and estimation uncertainty (continued):

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- Notes 3 (d), (e), (f), 7 and 8 – estimation of useful lives of its property, plant and equipment and intangible assets and related impairment tests on long-lived assets;
- Notes 3 (i), 11 – recognition and measurement of regulatory balances;
- Notes 3 (h), 17 – recognition and measurement of provisions and contingencies.

(ii) Judgments:

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

- Note 3 (j) – leases: whether an arrangement contains a lease; and
- Note 3 (b) – determination of the performance obligation for contributions from customers and the related amortization period.
- Notes 3 (i), 11 – recognition of regulatory balances;

(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.

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is in place from November 15 to April 30 each year.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates:

The Corporation is required to file a “Cost of Service” (“COS”) rate application every five years, unless approved for a deferral, under which the OEB establishes the revenues required to recover the forecasted operating costs, including amortization and income taxes, of providing the regulated electricity distribution service and providing a fair return on the Corporation’s rate base. The Corporation estimates electricity usage and the costs to service each customer class in order to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and any registered interveners. Rates are approved based upon the review of evidence and information, including any revisions resulting from that review.

In the intervening years, an Incentive Regulation Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor set by the OEB and a “stretch factor” determined by the relative efficiency of an electricity distributor. The stretch factor ranges from 0% to 0.60% and is assigned based on the LDCs total cost performance as benchmarked against other LDCs in Ontario.

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

On July 30, 2021, the Corporation submitted a COS rate application to the OEB seeking approval to change distribution rates effective January 1, 2022. On January 13, 2022 the OEB issued its Decision and Order approving electricity distribution rates and other charges effective January 1, 2022. An IRM Application has been filed in each subsequent year.

On August 17, 2023, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2024. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on December 14, 2023. The GDP IPI-FDD for 2024, is 4.8%, the Corporation’s stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 4.8% to the previous year’s rates.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) Distribution rates (continued):

On August 15, 2024, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective January 1, 2025. The IRM Application which provided a mechanistic and formulaic adjustment to distribution rates and charges was approved by the OEB on December 12, 2024. The GDP IPI-FDD for 2025, is 3.6%, the Corporation's stretch factor is 0% and the productivity factor determined by the OEB is 0%, resulting in a rate adjustment of 3.6% to the previous year's rates.

(ii) Electricity rates:

The OEB developed an electricity price plan that provides stable and predictable electricity pricing, encourages conservation and ensures the price consumers pay for electricity better reflects the price paid to generators. The Regulated Price Plan (RPP) has been in place since 2005. RPP prices are set based on a forecast of how much it will cost to supply electricity to RPP consumers over the subsequent 12 month period. The OEB sets RPP prices under section 79.16 of the *Ontario Energy Board Act, 1998*.

Effective January 1, 2022, the OEB implemented an annual RPP price increase effective November 1st of each year. This directive replaced the previous semi-annual price increase structure of May 1st and November 1st. RPP prices were amended for all customers under RPP pricing effective November 1, 2024.

All remaining consumers pay the market price for electricity.

The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator (IESO) and passes this cost on to the customer at cost without a mark-up.

(iii) Retail transmission rates:

These are the costs of delivering electricity from generating stations across the Province to local distribution networks. These charges include the costs to build and maintain the transmission lines, towers and poles and operate provincial transmission systems. Retail transmission rates are passed through to the operators of transmission networks and facilities.

(iv) Wholesale market service rates:

These are the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid and include the costs associated with funding Ministry of Energy conservation and renewable energy programs. The Corporation is billed for the cost of the wholesale electricity system by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies:

These financial statements have been prepared on a going concern basis. The material accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all of the years presented.

(a) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f). The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

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 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.

(b) Revenue recognition:

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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(c) Inventory:

Inventory, 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 a weighted 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, 2014 are measured at deemed cost established on the date of transition to IFRS, 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, 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 actual cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of six 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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

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

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
General plant	3 to 50
Distribution plant	10 to 60

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the date of transition to IFRS, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Computer software	5

(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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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.

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a prorated basis, if applicable.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

For the regulated business, the carrying costs of most of the Corporation's non-financial assets are included in rate base (the aggregate of approved investment in PP&E and intangible assets, excluding construction in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital) where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills and deposits. Interest is paid on customer deposits. Deposits are also received for planned chargeable work. No interest is paid on these 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:

The Corporation elected to apply the requirements of IFRS 14, effective December 31, 2015.

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 ("OCI"). 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.

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 OCI. When the amounts are returned to the customer at rates approved by the OEB the amounts are recognized as a reduction of revenue.

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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(j) Leased assets:

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

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

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

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

(k) Finance income and finance costs:

Finance costs comprise interest expense on borrowings, customer deposits and bank charges. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Material accounting policies (continued):

(l) Post-employment benefits:

The Corporation provides a pension plan for some of its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan that provides pensions for employees of Ontario municipalities, local boards and public utilities. OMERS is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by investment earnings. To the extent that the plan 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.

(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 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. Payments in lieu of taxes and payments under the Tax Acts are collectively 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.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. New standards and interpretations not yet effective:

The following new accounting standards/amendments have been published by the International Accounting Standards Board (IASB) but are not effective as at December 31, 2024, and have not been adopted in these financial statements:

Classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted, and are related to:

- Settling financial liabilities using electronic payments systems; and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Corporation is in the process of assessing the impact of the new amendments.

IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities net profit will not change. Assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's statement of comprehensive income, statement of cash flows and the additional disclosure required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as 'other'.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Accounts receivable:

	2024	2023
Customer accounts receivable	\$ 2,237,831	\$ 1,708,025
Other receivables	214,558	212,908
	2,452,389	1,920,933
Less: loss allowance	(6,500)	(6,500)
	\$ 2,445,889	\$ 1,914,433

6. Inventory:

The amount of inventory consumed by the Corporation and recognized as an expense during the year was \$48,703 (2023 - \$66,650). Inventory consumed consists primarily of parts used for repairs in the field.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property, plant and equipment:

	General Plant	Distribution Plant	Total
Cost or deemed cost			
Balance, January 1, 2024	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Additions	242,243	2,638,198	2,880,441
Disposals	(1,302)	—	(1,302)
Balance, December 31, 2024	\$ 5,708,857	\$ 45,167,123	\$ 50,875,980
Balance, January 1, 2023	\$ 5,240,623	\$ 39,811,623	\$ 45,052,246
Additions	227,293	2,717,302	2,944,595
Disposals	—	—	—
Balance, December 31, 2023	\$ 5,467,916	\$ 42,528,925	\$ 47,996,841
Accumulated amortization			
Balance, January 1, 2024	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Depreciation	264,200	1,188,431	1,452,631
Disposals/retirements	(131)	—	(131)
Balance, December 31, 2024	\$ 2,669,637	\$ 13,694,705	\$ 16,364,342
Balance, January 1, 2023	\$ 2,145,075	\$ 11,304,755	\$ 13,449,830
Depreciation	260,493	1,201,519	1,462,012
Disposals/retirements	—	—	—
Balance, December 31, 2023	\$ 2,405,568	\$ 12,506,274	\$ 14,911,842
Carrying amounts			
December 31, 2024	\$ 3,039,220	\$ 31,472,418	\$ 34,511,638
December 31, 2023	\$ 3,062,348	\$ 30,022,651	\$ 33,084,999

At December 31, 2024, property plant and equipment with a carrying amount of \$34,511,638 (2023 - \$33,084,999) are subject to a general security agreement.

There were borrowing costs of \$106,827 (2023 - \$55,338) capitalized as part of the cost of property, plant and equipment in 2024. During the year, \$101,210 (2023 - \$98,704) of depreciation was capitalized during the year. As at December 31, 2024, \$1,125,054 (2023 - \$712,453) has been recognized as construction-in-progress included in other capital assets and not yet placed into service. During the year, \$nil (2023 - \$nil) was disposed of from construction-in-progress and recognized in profit or loss.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Intangible assets:

	Computer software
Cost or deemed cost	
Balance, January 1, 2024	\$ 999,361
Additions	13,358
Disposals	—
Balance, December 31, 2024	\$ 1,012,719
Balance, January 1, 2023	\$ 943,049
Additions	56,312
Disposals	—
Balance, December 31, 2023	\$ 999,361
Accumulated amortization	
Balance, January 1, 2024	\$ 898,010
Amortization	34,227
Disposals	—
Balance, December 31, 2024	\$ 932,237
Balance, January 1, 2023	\$ 863,374
Amortization	34,636
Disposals	—
Balance, December 31, 2023	\$ 898,010
Carrying amounts	
December 31, 2024	\$ 80,482
December 31, 2023	\$ 101,351

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

9. Deferred revenue:

	2024	2023
Balance, beginning of year	\$ 5,130,117	\$ 4,842,089
Additions	387,408	460,496
Amortization	(183,665)	(172,468)
Balance, end of year	\$ 5,333,860	\$ 5,130,117

Deferred revenue relates to capital contributions received from customers and others. The amount of deferred revenue received is \$5,333,860 (2023 - \$5,130,117). Deferred revenue is recognized as revenue on a straight-line basis over the life of the related asset for which the contribution was received.

10. Income tax expense:

Current tax expense:

	2024	2023
Current year	\$ 211,693	\$ 1,005
Adjustment for prior years	8,546	—
Current tax expense	\$ 220,239	\$ 1,005

Deferred tax expense:

	2024	2023
Origination and reversal of temporary differences	\$ 77,957	\$ 203,322

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Income tax expense (continued):

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	\$ 1,404,606	\$ 2,036,097
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	372,221	539,565
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	456	492
Adjustment for prior years	(1,217)	(2,930)
Regulatory movements	(73,264)	(332,800)
Income tax expense	\$ 298,196	\$ 204,327

Components of the Corporation's deferred tax balances:

	2024	2023
Deferred tax assets:		
Deferred revenue	\$ 1,413,473	\$ 1,359,481
Other tax reserves	3,561	23,885
	\$ 1,417,034	\$ 1,383,366

	2024	2023
Deferred tax liabilities:		
Property, plant, equipment and intangibles	\$ (2,996,445)	\$ (2,811,556)
Regulatory assets	(150,193)	(223,457)
	\$ (3,146,638)	\$ (3,035,013)

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances:

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for regulatory accounting treatment in accordance with IFRS 14 and the OEB's prescribed accounting procedures for electricity distributors. The regulatory balances are comprised of regulatory debit variances of \$3,215,188 (2023 - \$3,315,219) and regulatory credit balances for \$1,068,976 (2023 - \$1,043,794) for a net regulatory asset of \$2,146,212 (2023 - \$2,271,425).

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points, with the exception of the tax balances. In 2024, the rate was 5.49% from January to June, 5.20% for the period July to September and 4.40% for the period October to December. The regulatory balances for the Corporation consist of the following:

(a) Settlement variances:

This account includes the variances between amounts charged by the Corporation, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs incurred by the Corporation such as commodity charges, retail transmission rates and wholesale market services charges. The Corporation has deferred the variances and related recoveries in accordance with the criteria set out in the accounting principles prescribed by the OEB. This account also includes variances between the amounts approved for disposition by the OEB and the amounts collected or paid through OEB approved rate riders.

Settlement variances are reviewed annually as part of a COS or IRM application submitted to the OEB and a request for disposition is made if the aggregate of the settlement accounts exceeds the OEB's prescribed materiality level.

In the Corporation's 2024 IRM application, submitted in 2023, Grimsby Power obtained approval for the disposition of the 2022 audited balances as they met the OEB's prescribed materiality level. The OEB authorized the Corporation to dispose of a net debit balance of \$1,125,590 through rate riders over a one-year period that took effect January 1, 2024.

(b) Income taxes:

The customer asset/liability for deferred taxes variance account relates to the expected regulatory asset or liability relating to deferred taxes arising from timing differences in the determination of income taxes as well as CCA acceleration.

(c) Lost revenue adjustment mechanism:

This deferral account includes the lost revenue adjustment variances in relation to the conservation and demand management ("CDM") programs or activities undertaken by the Corporation in accordance with OEB prescribed requirements (e.g. licence, codes and guidelines).

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other:

This deferral account includes the allowable costs associated with cost assessments, retail charges and other miscellaneous regulatory accounts.

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

Regulatory deferral account debit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 1,296,694	\$ 1,733,657	\$ (1,922,953)	\$ 1,107,398	1
Lost revenue adjustment mechanism	—	—	—	—	1
Other regulatory accounts	75,410	32,790	—	108,200	1
Income tax	1,943,115	56,475	—	1,999,590	Note 1
	\$ 3,315,219	\$ 1,822,922	\$ (1,922,953)	\$ 3,215,188	

Regulatory deferral account debit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 2,197,130	\$ 2,023,892	\$ (2,924,328)	\$ 1,296,694	1
Lost revenue adjustment mechanism	22,646	720	(23,366)	—	1
Other regulatory accounts	36,521	38,889	—	75,410	1
Income tax	1,213,695	729,420	—	1,943,115	Note 1
	\$ 3,469,992	\$ 2,792,921	\$ (2,947,694)	\$ 3,315,219	

Regulatory deferral account credit balances					
	January 1, 2024	Additions/ transfers	Recovery/ reversal	December 31, 2024	Remaining years
Settlement variances	\$ 528,870	\$ 1,110,686	\$ (990,759)	\$ 648,797	1
Other regulatory accounts	—	—	—	—	1
Income tax	514,924	—	(94,745)	420,179	Note 1
	\$ 1,043,794	\$ 1,110,686	\$ (1,085,504)	\$ 1,068,976	

Regulatory deferral account credit balances					
	January 1, 2023	Additions/ transfers	Recovery/ reversal	December 31, 2023	Remaining years
Settlement variances	\$ 157,212	\$ 518,471	\$ (146,813)	\$ 528,870	1
Other regulatory accounts	—	—	—	—	1
Income tax	321,627	193,297	—	514,924	Note 1
	\$ 478,839	\$ 711,768	\$ (146,813)	\$ 1,043,794	

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Regulatory balances (continued):

(d) Other (continued):

Note 1 – these balances will be recovered over the life of the related capital assets.

The “Additions/transfers” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts collected or paid through rate riders or transactions reversing an existing regulatory balance to recover. Recoveries and reversals occur as a result of the approval of an application.

12. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable - energy purchases	\$ 2,893,783	\$ 2,655,370
Payroll payable	184,105	243,759
Interest payable	101,460	101,738
Trade payables	2,597,313	1,966,717
	<u>\$ 5,776,661</u>	<u>\$ 4,967,584</u>

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt:

Long term liabilities comprise promissory notes and term loans.

	2024	2023
Promissory note payable to the Town of Grimsby bearing interest at a rate of 3.49% per annum due February 2027	\$ 5,782,746	\$ 5,782,746
TD term loan (for Smart Meters) with blended monthly instalments of \$10,739, at a fixed rate of 2.68%, due February 2025	168,804	291,338
TD term loan (economic evaluation and term loan) with interest only instalments at a fixed rate of 6.31%, due June 2025, renewable	3,209,816	3,209,816
TD term loan (for bucket truck, and breakage fee) with blended monthly instalments of \$40,539 at a fixed rate of 2.68%, due February 2025	1,024,002	1,476,335
TD term loan (for bucket truck and SCADA) with blended monthly instalments of \$4,366 at a fixed rate of 2.68%, due February 2025	391,017	432,322
TD term loan (third feeder) with blended monthly instalments of \$10,776 at a fixed rate of 2.68%, due December 2026	1,763,978	1,844,556
TD term loan (fourth feeder) with blended monthly instalments of \$7,101 at a fixed rate of 5.89%, due November 2026	970,740	997,741
	13,311,103	14,034,854
Less: current portion of long-term debt	(269,165)	(723,751)
Less: long-term debt under renewal	(1,426,488)	–
	\$ 11,615,450	\$ 13,311,103

All TD loans are secured by a General Security Agreement over the assets of the Corporation, as well as an assignment of fire insurance on inventory and equipment, assignment of liability insurance, and Postponement Agreement executed by the bank, the Corporation and the Town of Grimsby.

Subsequent to year-end the TD term loans that were due in fiscal 2025 were renewed.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

13. Long-term debt (continued):

The Corporation holds a line of credit bearing interest at prime, which at December 31, 2024 was 5.45% (2023 - 7.20%). As at December 31, 2024, \$2,850,000 (2023 - \$1,500,000) was owing.

Based upon current repayment terms, the estimated annual principal repayments are as follows:

2025	\$ 3,988,418
2026	3,302,138
2027	5,850,734
2028	169,813
	<hr/>
	\$ 13,311,103

14. Share capital:

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
1,001 common shares	\$ 5,782,747	\$ 5,782,747

Dividends:

The holders of the common shares are entitled to receive dividends from time to time.

For the year ended December 31, 2024, the Board of Directors of the Corporation declared and paid dividends to shareholders in the amount of \$200 (2023 - \$200) per share totaling \$200,000 (2023 - \$200,000) on the outstanding preferred shares.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

15. Revenue from contracts with customers and other sources:

	2024	2023
Revenue from contracts with customers:		
Energy sales	\$ 34,820,189	\$ 32,267,565
Distribution revenue	6,693,175	6,410,429
Ancillary services	90,514	20,808
Rental	185,943	170,161
	41,789,821	38,868,963
Revenue from other sources:		
Amortization of deferred revenue	183,665	172,468
Other	66,149	37,865
	\$ 42,039,635	\$ 39,079,296

The following table disaggregates revenues from contracts with customers by type of customer for energy sales and distribution revenue:

	2024	2023
Revenue from contracts with customers:		
Residential	\$ 19,993,085	\$ 18,235,595
Commercial	3,105,100	2,838,198
Large users	17,584,591	16,832,080
Other	830,588	772,121
	\$ 41,513,364	\$ 38,677,994

16. Finance costs and income:

	2024	2023
Finance income:		
Interest on regulatory balances	\$ 64,516	\$ 100,211
Other	236	246
	64,752	100,457
Finance costs:		
Interest expense on long-term debt	593,218	606,026
Interest expense on customer deposits	15,409	9,761
Other	47,796	25,660
	656,423	641,447
Net finance costs	\$ (591,671)	\$ (540,990)

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

17. Commitments and contingencies:

(a) General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

(b) 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, 2024, no assessments have been made.

(c) Letters of credit:

The Corporation has a facility for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which \$1,414,919 has posted with the IESO (2023 - \$1,414,919).

18. Post-employment benefits:

OMERS pension plan

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. The latest actuarial valuation as at December 31, 2024 reported a funding deficit of \$2.9 billion (2023 - \$4.2 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2024 calendar year at rates ranging from 9% to 14.6% depending on the level of earnings. In 2024, the Corporation made employer contributions of \$162,004 to OMERS (2023 - \$154,632) of which \$30,325 (2023 - \$21,999) has been capitalized as part of property, plant and equipment and \$131,679 (2023 - \$132,633) has been recognized in profit or loss. The Corporation estimates that a contribution of \$166,055 to OMERS will be made during the next fiscal year.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Niagara Power Incorporated ("NPI") which is owned by The Corporation of the Town of Grimsby and another related party. The Town of Grimsby produces consolidated financial statements that are available for public use.

The following summarizes the Corporation's related party transactions recorded at the exchange amount and balances with the Town of Grimsby and NPI for the year ended December 31:

	2024	2023
Revenue:		
Service revenue	\$ 695,854	\$ 35
Other	2,200	1,356
Expenses:		
Interest charges	201,818	201,818
Other expenses	81,576	79,421

These transactions have taken place in the ordinary course of business and are recorded at a fair market exchange amount. The Corporation also delivers electricity to the Town of Grimsby throughout the year for the electricity needs of the Town and its related organizations. Electricity deliver charges are at prices and terms approved by the OEB.

(b) Outstanding balances with related parties:

	2024	2023
Amounts due to related parties:		
Long-term debt	\$ 5,782,746	\$ 5,782,746
Due to related parties	40,086	33,821
Amounts due from related parties:		
Due from related parties	5,883	—

Amounts due to/from related parties are non-interest bearing with no fixed terms of repayment. Long-term debt bears interest at 3.49% per annum (see note 13).

In 2009, the Corporation migrated its billing system to an SAP platform. The Corporation has a contractual commitment to pay \$6,396 per month for system administration and non-system related support to a related party.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions:

(c) Transaction with other related parties:

In the ordinary course of business, the corporation incurred the following transactions with other related parties under common control:

	2024	2023
Expenses:		
IT services	\$ 95,593	\$ 90,452

(d) Key management personnel:

Key management personnel are comprised of the Corporation's senior executive officers and members of the Board of Directors. The compensation costs associated with key management personnel are as follows:

	2024	2023
Directors' fees	\$ 36,598	\$ 33,966
Salaries, bonuses and other short-term benefits	571,391	661,213
	\$ 607,989	\$ 695,179

20. Financial instruments and financial risk management:

Fair value disclosure

The carrying values of cash and cash equivalents, bank indebtedness, line of credit 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 TD term loans of \$7,528,357 has a fair value estimated at \$10,224,804 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

The fair value of the notes payable to The Corporation of the Town of Grimsby is estimated at \$5,483,875 using a discount rate of 5.45%. This discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk.

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

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, market risk and liquidity risk as well as related mitigation strategies are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(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 Town of Grimsby. No single customer accounts for a balance in excess of 10% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in 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, 2024 is \$6,500 (2023 - \$6,500). A loss allowance of \$30,145 (2023 - \$115,920) was recognized during the year in profit or loss.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from its electricity distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data. At December 31, 2024, approximately \$6,500 (2023 - \$68,887) is considered 60 days past due. The Corporation has over 12,000 (2023 - 12,000) customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2024, the Corporation holds security deposits in the amount of \$366,437 (2023 - \$170,547).

GRIMSBY POWER INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and financial risk management (continued):

Financial risks (continued)

(b) Market risk:

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

(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 \$5,000,000 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, 2024, \$2,850,000 (2023 - \$1,500,000) had been drawn under the Corporation's credit facility.

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

(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, to comply with covenants related to its credit facilities, to prudently manage 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, line of credit and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$15,032,407 (2023 - \$14,251,210) and long-term debt amounts to \$16,161,103 (2023 - \$15,534,854).

21. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.