ANNUAL REPORT

2024 Year in Review

Festival Hydro INC.

www.festivalhydro.com

Innovation to Power the Future

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INTRODUCTION & COMPANY PROFILE

Festival Hydro incorporated in 2000 as a wholly-owned subsidiary of the City of Stratford. Festival Hydro (FHI) is a leading electricity distribution company committed to powering communities with reliability, innovation, and sustainability. Headquartered in Stratford, Ontario, Canada, Festival Hydro serves over 22,500 residential, commercial, and industrial customers across a diverse and vibrant region across both Huron and Perth Counties, including Stratford, St. Marys, Seaforth, Hensall, Brussels, Zurich and Dashwood.

As a customer-focused utility, Festival Hydro prioritizes efficiency, affordability, and sustainability in all its operations. The company continually invests in innovative technology and infrastructure to modernize the grid, improve service reliability, and enable energy efficiency. Festival Hydro's dedication to sustainability is evident in our prudent financial operations, our support for renewable energy initiatives & energy conservation programs, and in our community engagement efforts aimed at promoting economic growth & development for a safer, greener future.

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At Festival Hydro, reliability and safety are paramount. Through ongoing infrastructure investments and rigorous maintenance programs, Festival Hydro ensures that customers receive safe and uninterrupted power supply, mitigating the impacts of increasingly adverse weather conditions and climate change.

Beyond its business operations, Festival Hydro is deeply rooted in the communities it serves. Through partnerships, sponsorships, volunteering, and community engagement initiatives, the company actively contributes to local development, economic growth, and social well-being.

With a team of dedicated professionals, Festival Hydro ensures dependable electricity distribution while fostering strong relationships with its customers and stakeholders. The company's commitment to excellence is reflected in its reliable service, transparent communication, and proactive approach to addressing customer needs and concerns.

Festival Hydro continues to set the standard for excellence in electricity distribution, demonstrating unwavering commitment to its customers, its community, and our people.

Our Mission

To responsibly provide value to our customers, communities, shareholders, and employees through cost effective distribution of reliable and safe electric power.

Our Vision

We enable prosperity within our communities through exceptional people, partnerships and performance.

Our Values

- People First Through Positive Teamwork
- Accountability
- Honesty
- Commitment To Customers
- Trust

Our Purpose

Powering lives,
empowering communities.

MESSAGE FROM THE PRESIDENT & CEO

Jeff Graham, P.Eng.
President and CEO

Festival Hydro publishes an annual report with information about our performance and audited financial statements during the fiscal year.

As we reflect on the successes and achievements from 2024 outlined in this annual report we are reminded of our commitments to our customers, communities and our people. Supplying safe and reliable energy to residents and businesses in the Festival Hydro service territory while keeping costs affordable remains our priority.

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The electricity industry in Ontario is in the midst of an energy transition. With the projected increase in demand rising significantly over the next decade, there will be pressures on local distribution companies to remain agile and flexible to provide increased capacity and operational dexterity in the distribution system. In 2024, Festival Hydro continued down the path of renewing infrastructure, investing in technology, and maintaining assets to ensure capacity and reliability were supported and where possible, improved. The organization also successfully navigated through the rate application process and now has the funding clarity and prioritization strategy for investments in distribution system infrastructure and operational planning to be ready for the transformation that is expected to occur over the next five-year period.

Challenges in attracting and maintaining a reliable and talented workforce, along with supply chain, interest rate and inflation pressures were mitigated throughout the year and remained in the forefront of mind throughout the planning process.

2024 was full of achievements and triumphs for Festival Hydro as will be seen through this report and with strong governance, effective management and prudent operations, we are ready and prepared to continue to succeed as we move into the future.

Jeff Graham, P.Eng.
President & CEO

Our Board of Directors

Geraldine (Gerry) Guthrie, Chair
John Tapics, Vice-Chair
David Baldarelli, Director
Brad Beatty, Director
Mark Henderson, Director
Susan Nickle, Director
Martin Ritsma, Director
Cody Sebben, Director

Our Executive Leadership Team

Jeff Graham
- President & Chief Executive Officer (CEO)

Alyson Conrad
- Chief Financial Officer (CFO)

Bryon Hartung
- Vice-President of Engineering and Operations

Dave Cullen
- Vice-President of Information Technology

SUMMARY OF KEY PERFORMANCE INDICATORS & HIGHLIGHTS

Within the Ontario energy sector, there are performance assessments set by the Ontario Energy Board (OEB) in which LDCs across Ontario report on annually. Specifically, electricity utilities use scorecards to track and show comprehensive performance information over a range of time and for a specific year. The scorecard shows data for 20 specific measures within the following four key areas of performance:

- Customer Focus
- Operational Effectiveness
- Public policy and Responsiveness
- Financial Performance

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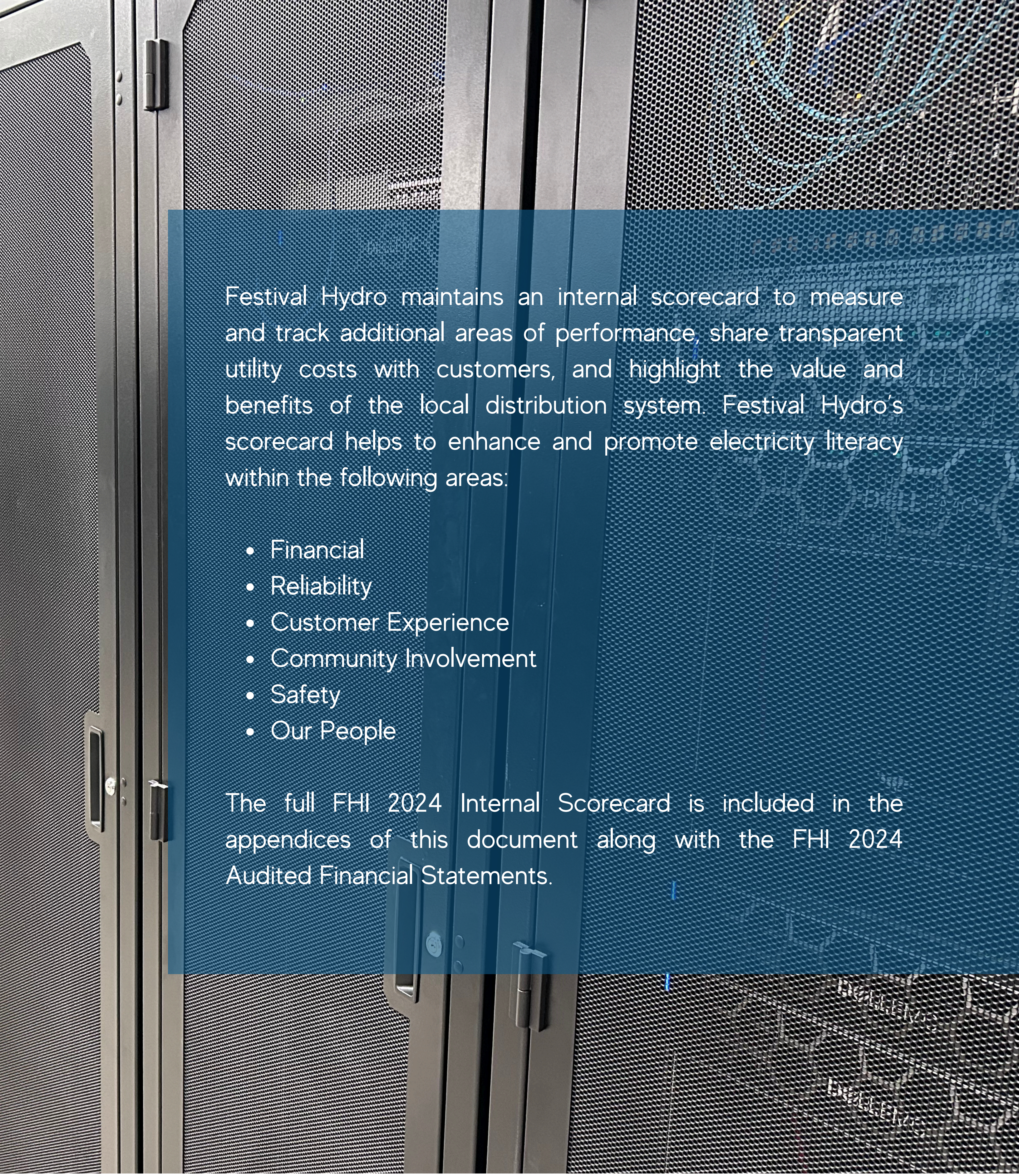


Festival Hydro maintains an internal scorecard to measure and track additional areas of performance, share transparent utility costs with customers, and highlight the value and benefits of the local distribution system. Festival Hydro's scorecard helps to enhance and promote electricity literacy within the following areas:

- Financial
- Reliability
- Customer Experience
- Community Involvement
- Safety
- Our People

The full FHI 2024 Internal Scorecard is included in the appendices of this document along with the FHI 2024 Audited Financial Statements.

FINANCIAL

Festival Hydro continued to perform well on its Financial KPI's in 2024. Gross margins on distribution revenue were below forecast due to relatively mild weather throughout the year, however, controllable costs were managed effectively with Operating, Maintenance and Administration expenses also under budget. The resultant was Net Income and shareholder returns meeting expectations, while financial covenants were all met.

The capital program was substantially complete and met forecast, while expenditures remained within the acceptable spending range. Staff continue to work with customers and manage accounts receivable balances within reasonable limits.

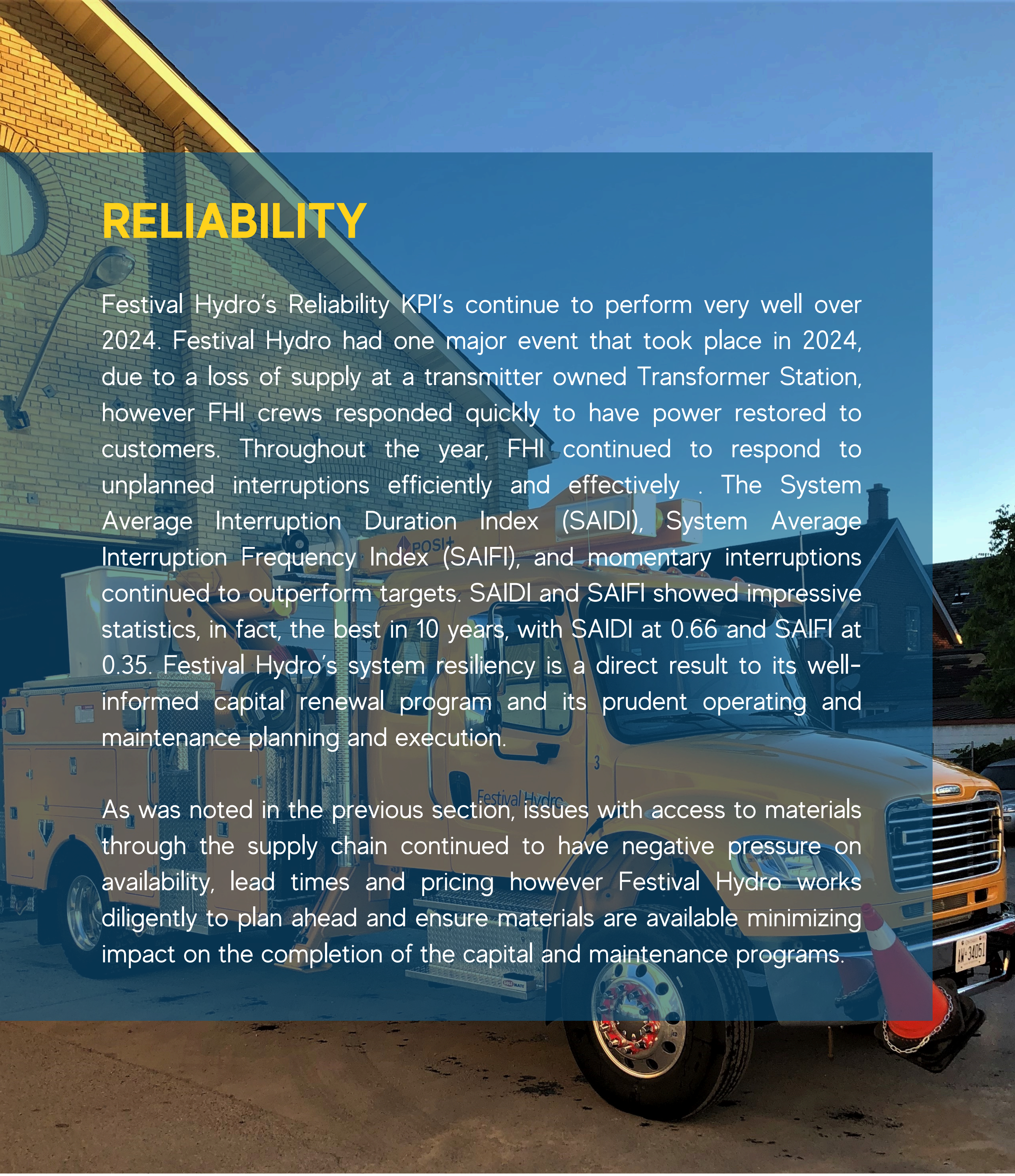
Festival Hydro is maintaining a good efficiency ranking in PEG Group 3 and is managing controllable costs well. 2024 continued to show variability in areas of supply chain, inflation and interest rates. Management continues to monitor the local, and global economic situation and employs prudent and conservative decisions around strategic lending and financing options for its business and works closely with vendors and other third parties to ensure it can access the materials and labour it requires to maintain its business operations.

COST OF SERVICE

Festival Hydro successfully went through the process of filing its Cost-of-Service application for January 2025 rates. Over the course of 2024, Management prepared, submitted, and defended the application through the approved process managed by the Ontario Energy Board (OEB) to secure fair and reasonable rates to accomplish its goals for the next five years.

A full settlement was reached, with approved rates set for January 1st, 2025, and a healthy rate base set, reflecting a notable increase since our previous application in 2015.

Within finance and regulatory, many projects were implemented and/or completed in 2024, such as the new settlement, accounts receivable, and cash processes, along with the selection and early project implementation of a new Enterprise Resource Planning (ERP) System, and lastly, implementation of the OEB required Net Metering Billing from the MDM/R.



RELIABILITY

Festival Hydro's Reliability KPI's continue to perform very well over 2024. Festival Hydro had one major event that took place in 2024, due to a loss of supply at a transmitter owned Transformer Station, however FHI crews responded quickly to have power restored to customers. Throughout the year, FHI continued to respond to unplanned interruptions efficiently and effectively . The System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), and momentary interruptions continued to outperform targets. SAIDI and SAIFI showed impressive statistics, in fact, the best in 10 years, with SAIDI at 0.66 and SAIFI at 0.35. Festival Hydro's system resiliency is a direct result to its well-informed capital renewal program and its prudent operating and maintenance planning and execution.

As was noted in the previous section, issues with access to materials through the supply chain continued to have negative pressure on availability, lead times and pricing however Festival Hydro works diligently to plan ahead and ensure materials are available minimizing impact on the completion of the capital and maintenance programs.

NOTABLE PROJECT DEVELOPMENTS

Operations:

- SmartMAP Go-Live (Outage Management System)
- $3.72M of Distribution System Assets designed and installed

Metering:

- Selected an Advanced Metering Infrastructure (AMI 2.0) vendor and entered into a contract
- Made investment into the AMI which will replace end of life metering assets and enable Festival Hydro, and its customers access to some new technology at the grid edge

Stations:

- Re-commissioned all Stratford automated Intelliteam switches
- Installed and commissioned Brussels Remote Fault Indicators

Fleet:

- Ordered new Radial Boom Derrick (2026 delivery)
- Ordered and received new Forklift

Facilities:

- Completed Administration Building renovations
- Completed Facilities renovations to continue to improve HVAC systems, provide better accessibility, safety and security and more efficient use of the existing building for our people and visitors

CUSTOMER EXPERIENCE

Customer experience metrics continue to outperform industry expectations. Festival Hydro's staff are committed to providing timely and transparent communications to its customers.

Customer Service and Billing:

- Invested in New Enterprise Resource Planning (ERP) system to replace legacy technology and improve performance of Finance, Operations, Engineering, Customer Service and Human Resource functions in the organization
- Outsourced Bill Print Services
- Went live with a new MDM & Customer Information System (CIS) to provide better self-service tools to customers and better functionality to staff
- Created 73 customer service procedures, 8 City of Stratford procedures, and 41 billing procedures were created or revised for compatibility with the new systems
- Increased e-billing customer total to 12,738 including 1,178 from the Paperless Billing Campaign reducing costs on postage and mitigating billing interruptions due to a postal labour interruption
- Maintained 99.96% billing accuracy
- Maintained a high level of customer communications through increased call volumes during the Postal labour disruption.

COMMUNITY INVOLVEMENT

Everyone at Festival Hydro continues to believe in the importance of participating in the communities it serves. Through the internal employee volunteers on our Community Involvement Committee, we shared great success partnering with other local groups to support community initiatives, such as:

Soup's On - Alzheimer Society Huron Perth
Early in the year, Festival Hydro took part in the 2024 Soup's On Fundraiser for the Alzheimer Society Huron Perth with dozens of other local chefs, not-for-profits, and businesses.

Tree Power Program - Upper Thames River Conservation Authority (UTRCA)
Again, in the spring of 2024, Festival Hydro participated in the Tree Power Program in partnership with the Upper Thames River Conservation Authority (UTRCA) to distribute native trees to local residents to help reforest and create a greener and more beautiful community.

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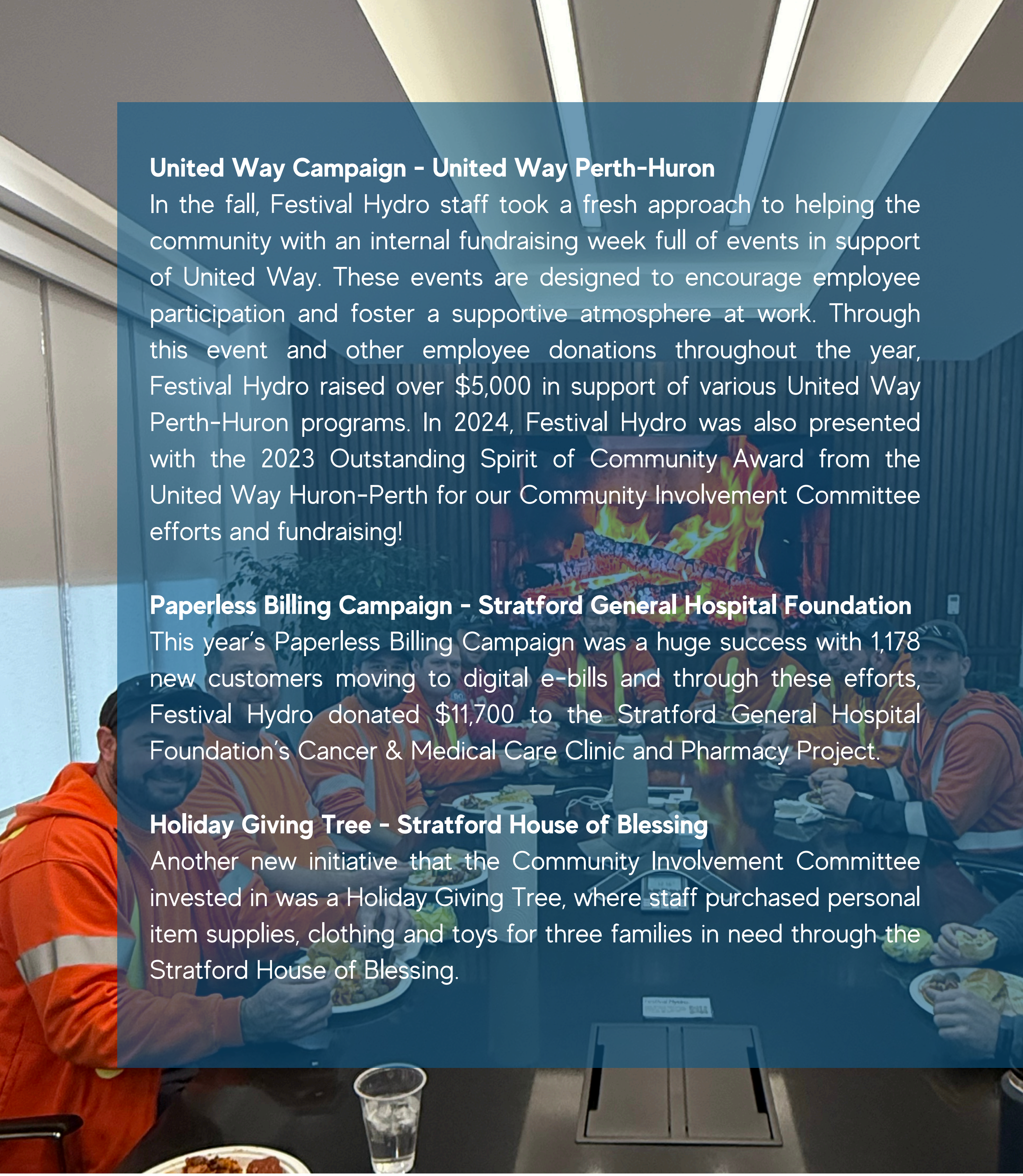


United Way Campaign - United Way Perth-Huron

In the fall, Festival Hydro staff took a fresh approach to helping the community with an internal fundraising week full of events in support of United Way. These events are designed to encourage employee participation and foster a supportive atmosphere at work. Through this event and other employee donations throughout the year, Festival Hydro raised over $5,000 in support of various United Way Perth-Huron programs. In 2024, Festival Hydro was also presented with the 2023 Outstanding Spirit of Community Award from the United Way Huron-Perth for our Community Involvement Committee efforts and fundraising!

Paperless Billing Campaign - Stratford General Hospital Foundation

This year's Paperless Billing Campaign was a huge success with 1,178 new customers moving to digital e-bills and through these efforts, Festival Hydro donated $11,700 to the Stratford General Hospital Foundation's Cancer & Medical Care Clinic and Pharmacy Project.

Holiday Giving Tree - Stratford House of Blessing

Another new initiative that the Community Involvement Committee invested in was a Holiday Giving Tree, where staff purchased personal item supplies, clothing and toys for three families in need through the Stratford House of Blessing.

SAFETY

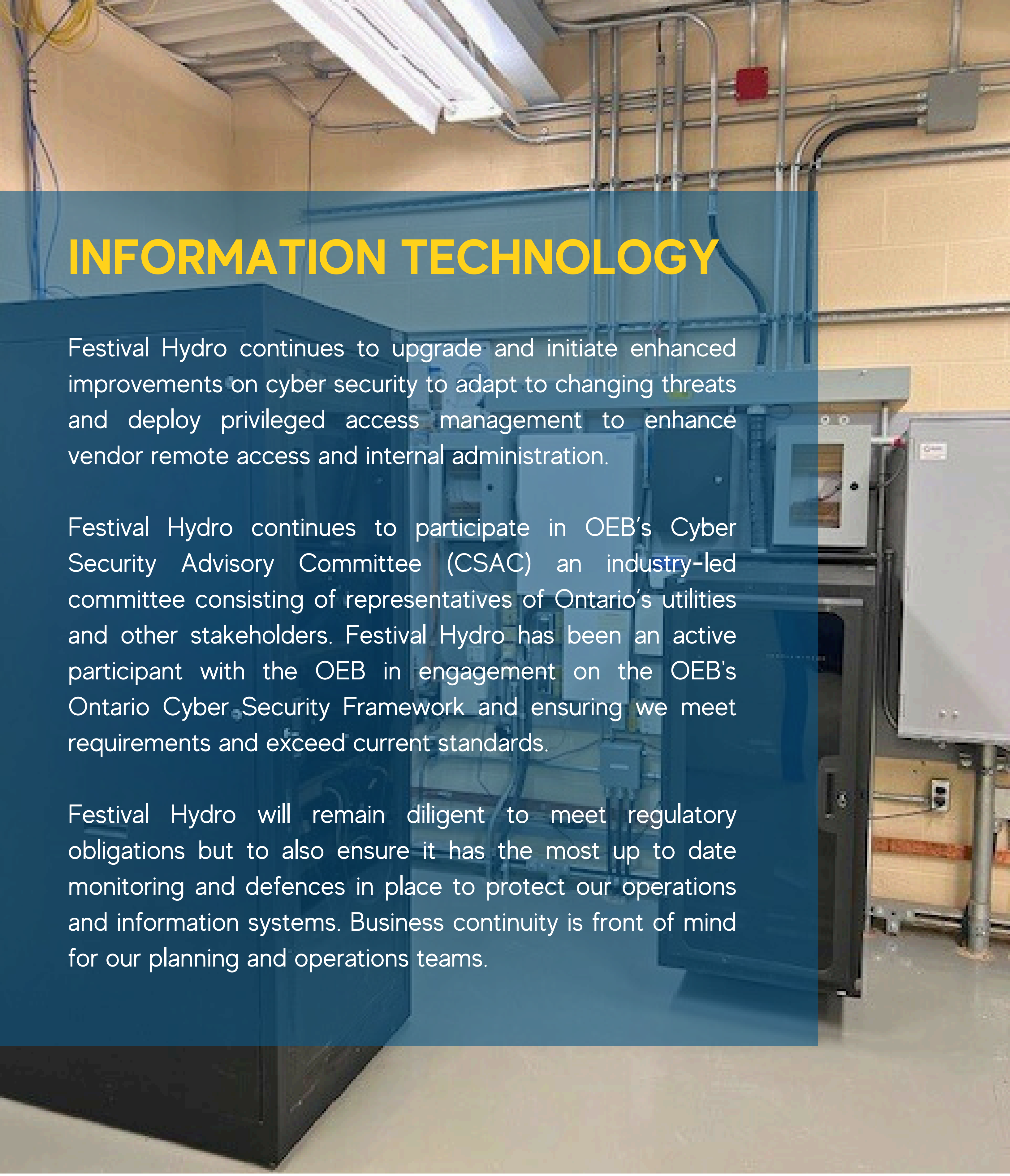
Safety of our people and the public remains a high priority for Festival Hydro and the metrics for 2024 continued to show our diligence and programs are keeping us safe. No lost time injuries were reported, and we were fully compliant with the Electrical Safety Authority (ESA) and the regulations they provide for our industry.

Employees are encouraged to engage in safety protocol, inspections and reporting any safety related concerns through Management, the Joint Health, Safety & Environmental (JHSE) Committee or anonymously and Festival Hydro continues to improve internal practices through this feedback and regular training.

The Joint Health, Safety & Environmental Committee met monthly throughout the year to diligently address all internal and external concerns and successfully completed all outstanding issues in 2024. Members of the JHSE committee members also went through training and were certified through Infrastructure Health & Safety Association (IHSA).

A half-day Defensive Driving Training session was conducted for all employees to promote road safety and awareness. Employees

Overall, these highlights of the year stand as a testament to our unwavering commitment to fostering a safe and secure work environment for all. Our committed adherence to rigorous safety protocols and proactive measures has proven effective in mitigating risks and ensuring the well-being of our employees.

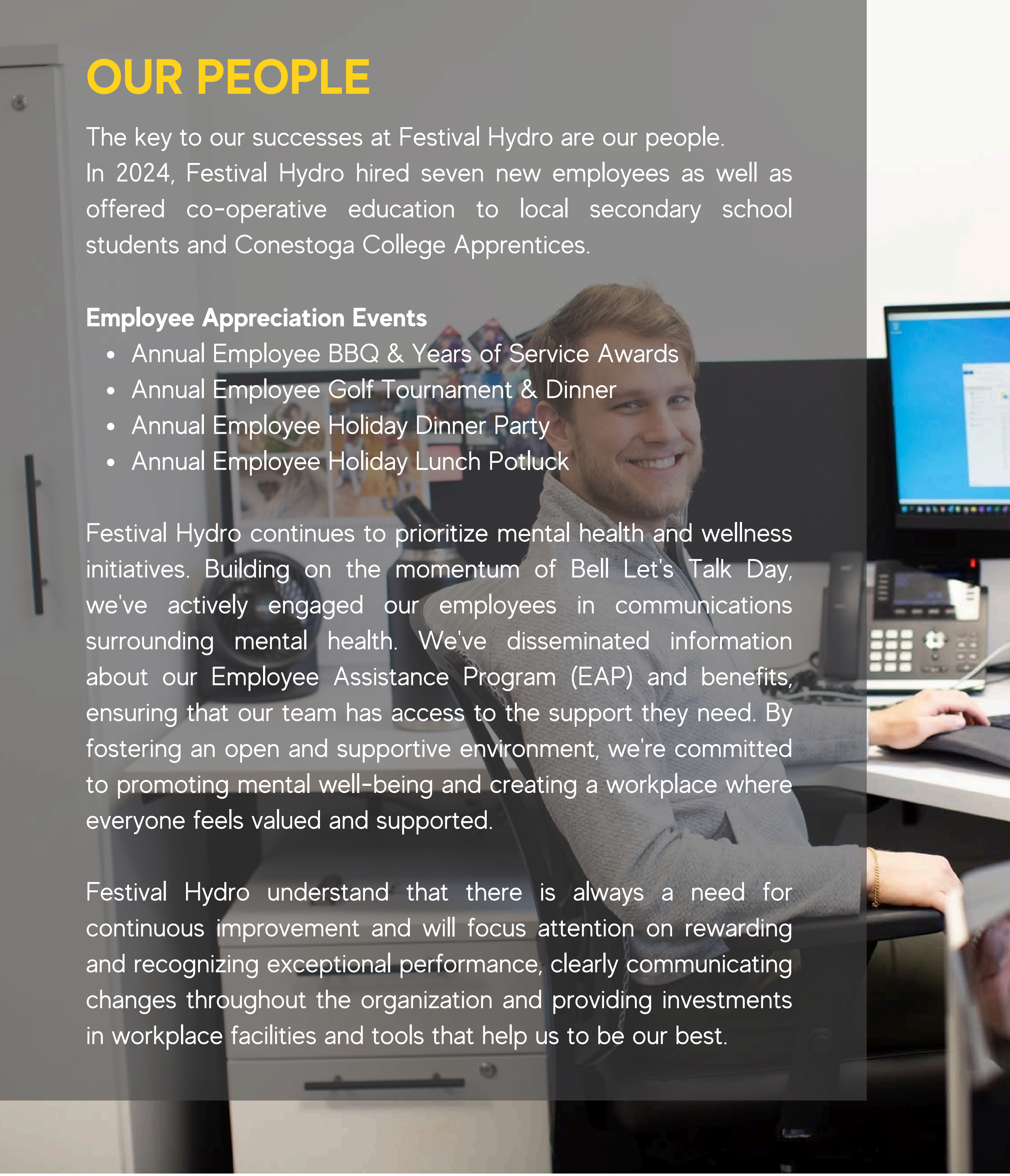


INFORMATION TECHNOLOGY

Festival Hydro continues to upgrade and initiate enhanced improvements on cyber security to adapt to changing threats and deploy privileged access management to enhance vendor remote access and internal administration.

Festival Hydro continues to participate in OEB's Cyber Security Advisory Committee (CSAC) an industry-led committee consisting of representatives of Ontario's utilities and other stakeholders. Festival Hydro has been an active participant with the OEB in engagement on the OEB's Ontario Cyber Security Framework and ensuring we meet requirements and exceed current standards.

Festival Hydro will remain diligent to meet regulatory obligations but to also ensure it has the most up to date monitoring and defences in place to protect our operations and information systems. Business continuity is front of mind for our planning and operations teams.



OUR PEOPLE

The key to our successes at Festival Hydro are our people.
In 2024, Festival Hydro hired seven new employees as well as offered co-operative education to local secondary school students and Conestoga College Apprentices.

Employee Appreciation Events

- Annual Employee BBQ & Years of Service Awards
- Annual Employee Golf Tournament & Dinner
- Annual Employee Holiday Dinner Party
- Annual Employee Holiday Lunch Potluck

Festival Hydro continues to prioritize mental health and wellness initiatives. Building on the momentum of Bell Let's Talk Day, we've actively engaged our employees in communications surrounding mental health. We've disseminated information about our Employee Assistance Program (EAP) and benefits, ensuring that our team has access to the support they need. By fostering an open and supportive environment, we're committed to promoting mental well-being and creating a workplace where everyone feels valued and supported.

Festival Hydro understand that there is always a need for continuous improvement and will focus attention on rewarding and recognizing exceptional performance, clearly communicating changes throughout the organization and providing investments in workplace facilities and tools that help us to be our best.

WHAT'S NEXT

At Festival Hydro, we remain committed to investing in the future of our electrical distribution company through strategic grid modernization initiatives. Our focus includes the implementation of advanced technologies such as AMI 2.0, distribution automation, and substation enhancements. These efforts are designed to enhance system reliability, improve efficiency, and support more responsive operations. Alongside this, we continue to modernize our fleet and seek efficiencies in our existing tasks and processes to better serve our customers.

We are actively supporting new customer development projects and preparing for the successful launch of our new Enterprise Resource Planning (ERP) system, which will enhance both internal performance and customer service capabilities. As part of our forward-looking strategy, we're planning for upcoming programs like the enduring Demand Side Management (eDSM) initiative, which will drive energy efficiency and support the modernization of both bulk and local electricity systems.

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Our organization continues to make deliberate investments in technology and facilities aimed at delivering more timely and effective services, empowering our team, and ensuring we are well-prepared for the dynamic changes ahead in the energy sector. In parallel, we're committed to investing in our people - through robust training, development programs, and a strong focus on health and safety.

We also believe in giving back and remain dedicated to supporting the communities we serve through partnerships and initiatives that enrich the places where we live, work, and play. Looking ahead, we are focused on evaluating trends and innovations across the energy landscape, identifying both risks and opportunities that will guide us through the upcoming energy transition. Through strategic investments and thoughtful leadership, we aim to position Festival Hydro as a resilient, forward-thinking utility, ready to meet the needs of our customers and communities well into the future.

Festival Hydro INC.

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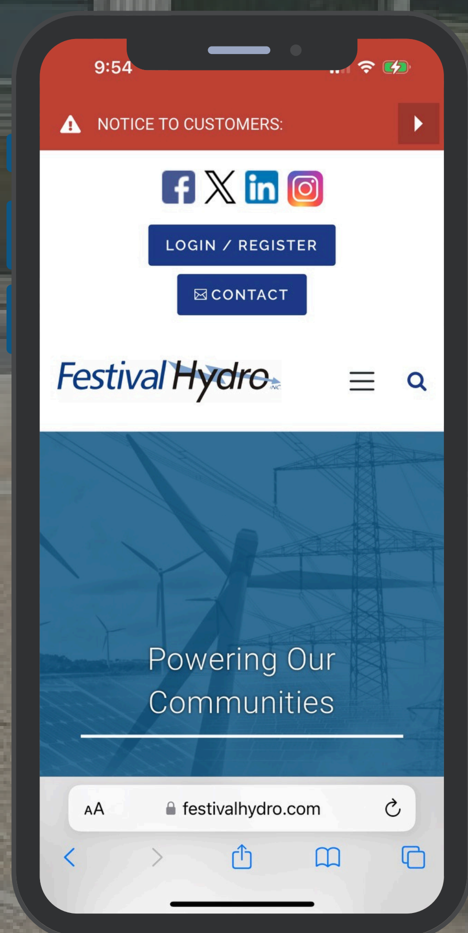

APPENDICES

- FHI Internal Scorecard December 31, 2024
- FHI 2024 Audited Financial Statements

Scorecard

Festival Hydro Inc. for December 31, 2024

Performance Outcomes	Measures	2018	2019	2020	2021	2022	2023	2024	Status	Target
Financial Measures **To Maintain Financial Health by Meeting or Exceeding all KPI Measures**	Liquidity - Current Ratio (excluding shareholder debt)	1.13	1.19	1.21	1.11	0.93	0.92	1.00		To exceed 1
	Debt to Equity	1.53	1.48	1.41	1.29	1.23	1.25	1.30		Not to exceed 60/40 (1.5)
	Debt Servicing (excluding shareholder debt)	1.92	1.83	1.8	2.03	1.93	1.88	2.12		Not less than 2.0x
	Dividend Payout (calculation changed for 2022)	59.3	61.9	33.8	50	128% (100%=$500K)	119% (100%=$500K)	108% (100%=$500K)		2022*To be at least 100% ($500K)
	Efficiency Assessment (PEG)	4	3	3	3	3	3	To be updated with OEB results		To reach efficiency ranking of Group 3
	DSP Implementation Process	127.6 (2018), 103.6 (5 yr)	134.8% (2019), 112% (5 year)	79% - 2020	105% (2021), 92% (5 year)	95% (2022), 93% (5 Year)	106% (2023), 102% (5 Year)	104% (2024), 98% (5 Year)		To maintain single year budget within +-10% and 5 year budget within +-5%
	Total Cost per Customer (OEB measure)	658	650	629	614	674	760	To be updated with OEB results		To reach 2nd quartile
	Controllable Costs	106.20%	97.90%	95.70%	92.10%	95.56%	98.76%	95.91%		To achieve an actual spend within 5% of budget
	Net Income (2015& 16 - before swap/regulatory adjustments)	114.70%	117.00%	107.90%	113.70%	117.61%	108.73%	108.04%		To achieve a net income within 10% of budget
	Regulatory Rate of Return (OEB measure)	8.64	9.1	8.89%	9.93%	9.25%	8.62%	To be updated with OEB results		To achieve a ROE of greater than 8%
	Bad Debt	0.06%	0.13%	0.05%	0.17%	0.11%	0.15%	0.11%		To achieve a bad debt percentage of less than .12% of total electrical bill
	Regulatory Compliance	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant		To be compliant with all Regulatory oversight bodies including OEB, ESA, WSIB, MOL, etc.
Reliability Measures **Achieve Continuous Improvement on all Reliability Measures**	SAIDI (*Excludes Loss of Supply and Major Events)	0.92*	1.79*	1.27*	1.95*	0.81*	1.09*	0.66*		To obtain an Index less than the 5 year rolling average (1.52)
	SAIFI (*Excludes Loss of Supply and Major Events)	0.73*	1.78*	1.00*	1.63*	0.77	0.81*	0.35*		To obtain an Index less than the 5 year rolling average (1.41)
	Momentary Interruptions (per Feeder)	NC	NC	C	NC	NC	NC	NC		Not to exceed 10 interruptions on any one feeder
Safety **To Achieve WSIB Workwell Compliance**	Number of Workplace Lost Time Injuries per Calendar Year	0	0	0	0	0	0	0		Target to equal 0
	OEB ESA Measures	C	C	C	C	C	C	C		Meet/exceed OEB Scorecard targets including public safety, public awareness & 22/04 Compliance
	Number of JHSC Meetings per year	11	12	12	12	12	12	12		Monthly Meetings
	Number of "Safety Concerns" Reported per Calendar Year	10	72	60	33	27	39	56		Target to be greater than 50
	Number of Line Crew Inspections to be Completed by Operations Manager	81	98	83	93	109	75	128		Monthly Inspections
	Number of Line Crew Inspections to be Completed by VP Eng and Ops	12	12	12	6	14	12	12		Monthly Inspections
	Number of Line Crew Inspections to be Completed by CEO	4	4	3	11	4	4	4		Quarterly Inspections
	Number of Locator Inspections to be completed by Operations Manager	19	28	9	46	44	43	75		Monthly Inspections
	Number Meter Tech Inspections completed by Metering/Smart Grid Manager	N/A	N/A	N/A	N/A	12	12	12		Monthly Inspections
	Number Engineering Field Inspections completed by Engineering Manager	4	9	8	0	4	4	4		Quarterly Inspections
	Number Engineering Field Inspections completed by VP Eng & Ops	4	4	4	4	4	4	4		Quarterly Inspections
	Number of Office and Service Centre Inspections Completed	12	12	12	12	12	12	12		Monthly Inspections
	Lost time Injury Frequency (LTIF)	0	0	0	0	0	0	0		Target to equal 0
	Lost time Injury Severity (LTIS)	0	0	0	0	0	0	0		Target to equal 0
Customer Experience **To Obtain at least 90% Customer Satisfaction Score**	Billing Accuracy	99.95	99.99	99.99	99.99	99.97	99.97	99.96		Target to be at least 98%
	# of Phone Calls	19,226	19,384	19,282	19,185	18,651	18,447	22,070		Target to be 2% less than previous year
	# of Customers on Paperless Billing	3,901	4,872	5,840	6,880	7,744	8,492	12,738		Target to increase 2% over previous year
	# of Customers Accessing Website (unique user visits)	22,230	27,764	32,951	13,147 (Oct-Dec)	43,412	58,479	68,429		Target to be 1% from previous year
	First Contact Resolution	99.99	99.99	99.93	100	99.99	100	100		Target to be at least 98%
	Telephone Calls Answered on Time	88	88	99	91.48	90.42	96.94	95.55		Target to be at least 90%
	Telephone Call Abandon Rate	1.08	0.92	1.71	1.98	0.97	0.99	1.27		Target to be under 2%
	Written Responses to Enquiry	100	99.99	99.96	99.99	99.95	100	100		Target to be at least 98%
	Reconnection Performance Standard	100	100	100	100	100	100	100		Target to be at least 98%
	Customer Satisfaction	90	NA	91	N/A	93	N/A	94		Target to be at least 90%
Human Resources **To be a Canadian Small Business top 100 Employer**	Staff Development Expenses	116,000	117,000 (2,665/employee)	$53,000 (1,223/employee)	$95,882 (2,421.25 /employee)	$160,620 ($3788 /employee)	$185,698 ($4, 298/employee)	240,523 (5,365/ employee)		To be at least $150,000 per year (roughly $3000/employee)
	Short Term Absenteeism	2.97	3.64	4.38	4.29	4.65	5.4	4.5		To be less than 5 days per employee
	Grievances	0	3	0	1	0	0	0		To minimize grievances to less than 5 per contract term
	Employee Satisfaction Survey	NA	3.20	NA	3.06	3.06	3.17	3.17		To achieve a 3.0 on employee satisfaction
	Employee Engagement	69%	52%	NA	68%	87%	97%	100%		To get each employee out to at least 1 Festival Hydro event
Community Involvement **To be Known for and Publicly Recognized as a Leader in Community Support and Contribution**	Media/Social Media Mentions	92%	92%	75%	83%	75%	92%	92%		One goodwill interaction in media/social media per month
	Social Investment	Paperless promos - $2400, Community contributions - $20,346, Mobility summit/marketing - $13,359	Paperless promo - $3,240, Community contributions - $18,380	Community contributions - $20,000	Paperless promo - $5,000, Community contributions - $27,500	$29,715	$32,500	$38,280		Atleast $20K/year towards community initiatives
	Employee Community Involvement							56%		80% participation rate of employees who volunteered time with a community organization
	Employee Community Involvement							53 hrs		50 volunteer hours donated by FHI employees
Enterprise Risk Assessment - Mitigate Risks within Acceptable Tolerance Level	Enterprise Heat Map									Continuous mitigation of Top Enterprise Risks

Financial Statements of

Festival Hydro Inc.

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
140 Fullarton Street, Suite 1400
London, ON N6A 5P2
Canada
Telephone 519 672 4880
Fax 519 672 5684

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Festival Hydro Inc.

Opinion

We have audited the financial statements of Festival Hydro Inc (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of profit or loss and other 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 policy information

(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.

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.
- 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

London, Canada

April 25, 2025

Festival Hydro Inc.

Statement of Financial Position
December 31, 2024, with comparative information for December 31, 2023

	Notes	2024	2023
Assets			
Accounts receivable	6, 22	$ 8,099,761	$ 8,744,272
Unbilled revenue	22	7,166,152	6,915,469
Inventories	7	410,006	212,005
Prepaid expenses		650,790	308,819
Income tax receivable		1,180,429	743,092
Total current assets		**17,507,138**	**16,923,657**
Non-current assets			
Property, plant and equipment	8	66,549,243	61,152,856
Intangible assets and goodwill	9	3,469,096	2,228,625
Interest rate swap	22	285,958	454,755
Total non-current assets		**70,304,297**	**63,836,236**
Total assets		**87,811,435**	**80,759,893**
Regulatory assets	13	7,769,430	6,468,077
Total assets and regulatory balances		**$ 95,580,865**	**$ 87,227,970**

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

Festival Hydro Inc.

Statement of Financial Position

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

	Notes	2024	2023
Liabilities and Equity			
Bank indebtedness	5	$ 4,778,478	$ 3,679,961
Accounts payable and accrued liabilities		9,429,000	9,367,511
Deferred revenue		406,914	330,454
Dividend payable	14, 15, 20	147,478	233,750
Current portion of long-term debt	14, 22	16,799,649	18,850,364
Customer deposits	11	1,186,600	1,256,618
Due to corporations under common control	20	94,300	24,254
Due to the Corporation of the City of Stratford	20, 22	758,862	611,591
Total current liabilities		**33,601,281**	**34,354,503**
Non-current liabilities			
Deferred revenue		4,397,353	2,953,985
Customer deposits	11	1,032,050	631,651
Deferred tax liabilities	10	3,028,217	2,617,863
Employee future benefits	12	1,006,032	1,024,453
Long-term debt	14, 20, 22	12,861,999	9,061,648
Total non-current liabilities		22,325,651	16,289,600
Total liabilities		**55,926,932**	**50,644,103**
Share capital	15	15,568,388	15,568,388
Accumulated other comprehensive loss		(131,825)	(109,996)
Retained earnings		20,991,348	19,746,723
Total equity		**36,427,911**	**35,205,115**
Total liabilities and equity		92,354,843	85,849,218
Regulatory liabilities	13	3,226,022	1,378,752
Commitments and contingencies (note 23)			
Total liabilities, equity and regulatory balances		**95,580,865**	**87,227,970**

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

On behalf of the Board:

Director

Director

Festival Hydro Inc.

Statement of Comprehensive Income
Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenues			
Sale of energy	16	$ 69,703,817	$ 63,941,022
Distribution revenue	16	13,288,981	13,332,221
Other income	17	1,374,837	1,114,379
		84,367,635	**78,387,622**
Cost of power purchased		68,099,720	62,317,681
Operating expenses	18	7,834,545	7,490,213
Depreciation and amortization	8,9	2,815,499	2,619,161
		78,749,764	**72,427,055**
Income from operating activities		**5,617,871**	**5,960,567**
Finance income	19	14,111	7,070
Finance costs	19	(2,338,094)	(2,198,576)
Income before income taxes		**3,293,888**	**3,769,061**
Income tax expense	10	500,306	624,517
Net income		**2,793,582**	**3,144,544**
Net movement in regulatory balances:			
Net movement in regulatory balances	13	(1,472,000)	(1,429,562)
Income tax	10,13	460,851	130,695
Net income and net movement in regulatory balances		**1,782,433**	**1,845,677**
Other comprehensive income (loss)			
Items that will not be reclassified to profit and loss:			
Remeasurements of employee future benefits	12	(21,829)	(55,517)
Tax on remeasurements	10	5,785	14,712
Net movement in regulatory balances	13	(5,785)	(14,712)
Other comprehensive loss		**(21,829)**	**(55,517)**
Total comprehensive income		**$ 1,760,604**	**$ 1,790,160**

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

Festival Hydro Inc.

Statement of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2023	**$15,568,388**	**$18,525,126**	**$ (54,479)**	**$ 34,039,035**
Net income after net movement in regulatory balances	–	1,845,677	–	1,845,677
Other comprehensive loss	–	–	(55,517)	(55,517)
Dividends, paid or payable (note 15)	–	(624,080)	–	(624,080)
Balance at December 31, 2023	**$15,568,388**	**$19,746,723**	**$ (109,996)**	**$ 35,205,115**
Balance at January 1, 2024	**$15,568,388**	**$19,746,723**	**$ (109,996)**	**$ 35,205,115**
Net income after net movement in regulatory balances	–	1,782,433	–	1,782,433
Other comprehensive loss	–	–	(21,829)	(21,829)
Dividends, paid or payable (note 15)	–	(537,808)	–	(537,808)
Balance at December 31, 2024	**$15,568,388**	**$20,991,348**	**$ (131,825)**	**$ 36,427,911**

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

Festival Hydro Inc.

Statement of Cash Flows

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

Cash provided by (used in)	Notes	2024	2023
Operating activities			
Net income after net movement in regulatory balances		$1,782,433	$1,845,677
Adjustments for			
Depreciation - property, plant and equipment	8	2,517,121	2,369,747
Amortization - intangible assets	9	298,378	249,414
Amortization of deferred revenue		(99,691)	(76,869)
Employee future benefits		(40,250)	(40,942)
Net finance costs	19	2,323,983	2,191,506
Income tax expense	10	500,306	624,517
		7,282,280	7,163,050
Changes in non-cash operating working capital			
Accounts receivable		644,511	(664,617)
Unbilled revenue		(250,684)	(2,131,971)
Inventories		(198,001)	(34,481)
Prepaid expenses		(341,968)	(78,379)
Accounts payable and accrued liabilities		61,485	709,494
Due from related parties		64,946	151,502
Due from the City of Stratford		152,372	(18,678)
Dividends declared		(86,273)	(14,519)
Customer deposits		330,381	(108,272)
		376,769	(2,189,921)
Regulatory balances	13	1,011,149	1,298,867
Interest paid	19	(2,169,297)	(1,868,445)
Interest received		14,111	7,070
Income tax paid, net of refund		(883,798)	(608,888)
Net cash from operating activities		**5,631,214**	**3,801,733**
Investing activities			
Purchase of property, plant and equipment	8	(7,913,508)	(4,998,921)
Purchase of intangible assets	9	(1,538,849)	(341,397)
Net cash used in investing activities		(9,452,357)	(5,340,318)
Financing activities			
Contributions received from customers, net of repayments		1,597,070	466,382
Dividends	14	(624,080)	(638,599)
Proceeds from long-term debt		2,500,000	2,500,000
Repayment of long-term debt		(750,364)	(728,464)
Net cash from financing activities		2,722,626	1,599,319
Increase (decrease) in bank indebtedness during the year		(1,098,517)	60,734
Bank indebtedness, beginning of the year		(3,679,961)	(3,740,695)
Bank indebtedness, end of the year		**$ (4,778,478)**	**$ (3,679,961)**

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

1. Reporting entity:

Festival Hydro Inc. (the "Corporation") is a wholly owned subsidiary of the City of Stratford. The Corporation was incorporated on July 11, 2000 under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act Laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 187 Erie Street, Stratford, Ontario, Canada.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys and Zurich, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the Ontario Energy Board 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 preparation:

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards. These financial statements were approved by the Board of Directors on April 24, 2025.

(b) Basis of measurement

The 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 judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about judgements made in applying accounting policies that have an effect on the amounts recognized in the financial statements is included in the following notes:

2. Basis of preparation (continued)

Note 3(o)	Determination of the performance obligation for capital contribution and the related amortization period
Note 3(p)	Whether an arrangement contains a lease
Note 6	Estimate for impairment for uncollected amounts, based on the lifetime expected credit losses
Note 8	Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
Note 9	Intangible assets: useful lives and goodwill impairment testing.
Note 12	Measurement of the defined benefit obligation – actuarial assumptions
Note 23	Recognition and measurement of commitments and contingencies.

(e) Rate regulation

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

The Corporation is required to bill certain classes of customers for the debt retirement charges. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

(f) 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 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 class. The COS application is reviewed by the OEB and interveners on record. Rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, the Corporation has chosen to file a Price Cap Incentive Rate Mechanism ("IRM") application. 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 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.

2. Basis of preparation (continued)

(f) Rate setting (continued)

Distribution revenue (continued)

Festival filed its 2023 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2023. The OEB issued a Decision to approve the Corporation's 2023 rates on Dec 8, 2022. The Corporation's approved adjustment to distribution rates was 3.10%, as a result of an OEB approved inflation factor of 3.70%, less a stretch factor of 0.60% determined by the relative efficiency of the Corporation or the length of time between COS. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Festival filed its 2024 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2024. The OEB issued a Decision to approve the Corporation's 2024 rates on Dec 14, 2023. The Corporation's approved adjustment to distribution rates was 4.20%, as a result of an OEB approved inflation factor of 4.80%, less a stretch factor of 0.60% determined by the relative efficiency of the Corporation or the length of time between COS. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity and the global adjustment. 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.

3. Material accounting policies:

The accounting policies set out below have been applied consistently for both years presented in these financial statements in accordance with IFRS.

(a) 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 ("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. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

3. Material accounting policies (continued):

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. 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 OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts. On the statement of cash flows, cash and cash equivalents includes bank overdrafts (revolving credit facility) that are repayable on demand and form an integral part of the Corporation’s cash management.

(c) Financial instruments

All financial assets and financial liabilities are classified as “Amortized cost”. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties. The Corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the statement of financial position:

- Cash and cash equivalents are classified as “Amortized cost” and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.

- Accounts receivable and unbilled revenue are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.

- Bank indebtedness is classified as “Amortized cost” and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value due to the short maturity of these instruments.

- Accounts payable are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.

- Customer deposits are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value taking into account interest accrued on the outstanding balance.

3. Material accounting policies (continued):

- Long-term debts are classified as “Amortized cost” and are initially measured at fair value. The carrying amounts of the debt are carried at amortized cost, based on the fair value of the debt at issuance, which was the fair value of the consideration received adjusted for transaction costs.

(d) Impairment

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset’s carrying amount and the present value of the estimate future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

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.

The carrying amounts of the Corporation's non-financial assets, other than regulatory assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated as at December 31 of each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it has one cash generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Material accounting policies (continued):

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Derivatives

Derivatives are initially measured at fair value and any attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in profit or loss. Embedded derivatives are separated from the host contract upon initial recognition and accounted for separately at FVTPL when the host contract is not a financial asset and certain conditions are met. The Corporation does not use derivatives instruments for speculative purposes.

The Corporation holds derivative financial instruments to manage rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, using Level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

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

(f) Fair value measurements

The Corporation utilizes valuation techniques that maximize the use of observable inputs to minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation’s assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three evels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;

- Level 2: Other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

3. Material accounting policies (continued):

(g) Inventories

Inventories are stated at lower of cost and net realizable value and consist of maintenance materials and supplies. Cost is determined on a weighted average basis, net of a provision for obsolescence, as applicable. The Corporation classifies all major construction related component of its electricity distribution infrastructure to property, plant and equipment.

(h) Property, plant and equipment ("PP&E")

Items of property, plant and equipment used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses. 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 the cost of materials and direct labour 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 and are based on the Corporation's cost of borrowing. For construction projects of less than one year in length, borrowing costs are not capitalized unless specific identifiable loans are acquired for the express purpose of financing a specific construction activity.

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

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount 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. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction in progress assets are not amortized until the project is complete and in service.

Depreciation begins when an asset becomes available for use. Depreciation is provided on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years are as follows:

3. Material accounting policies (continued):

(h) Property, plant and equipment ("PP&E") (continued)

Buildings	10 to 60 years
Distribution substation equipment	30 to 60 years
Distribution system equipment	30 to 60 years
Transformers	35 to 40 years
Meters	15 to 40 years
Other capital assets	4 to 20 years

Other capital assets include vehicles, office and computer equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within other income in the statement of comprehensive income.

(i) Intangible assets

Intangible assets include goodwill, computer software and capital contributions paid under capital cost recovery agreements ("CCRAs").

(i) Goodwill

Goodwill represents the excess of cost over fair value of net assets which arose upon amalgamation of the former electrical distribution entities. Goodwill is measured at cost less accumulated impairment losses.

(ii) Computer software

Computer software acquired prior to January 1, 2014, is measured at deemed cost less accumulated depreciation. All other software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Capital contributions paid under capital cost recovery agreements

Capital contributions paid under CCRAs are measured at cost less accumulated amortization and accumulated impairment losses.

3. Material accounting policies (continued):

(i) Intangible assets (continued)

(iv) Amortization

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

Computer software	5 to 10 years
CCRAs	15 to 25 years

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

(j) Employee 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 (“Fund”). 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.

OMERS is a defined benefit plan, however, as the plan assets and pension obligations are not segregated in separate accounts for each member entity, sufficient information is not available to enable the Corporation to directly account for the plan. As such, the plan has been accounted for as a defined contribution plan. The contribution payable is recognized as an employee benefit expense in the statement of comprehensive income in the period in which the service was rendered by the employee, since it is not practicable to determine the Corporation’s portion of person obligations of the fair value of plan assets.

(ii) Employee future benefits, other than pension

The Corporation has an unfunded benefit plan providing post-employment benefits (other than pension) to its employees. The Corporation provides its retired employees (20 years service; less than age 65) with life insurance and medical benefits beyond those provided by government sponsored plans. Life insurance is provided for current retirees including those over age 65.

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, 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.

3. Material accounting policies (continued):

(k) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction. The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to other income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(l) Customer deposits

Security deposits from electricity customers are cash collections to guarantee the payment of electricity bills. The electricity customer security deposits liability includes related interest amounts, calculated using OEB prescribed interest rates, and owed to the customers with a corresponding amount charged to finance costs. Deposits that are refundable upon demand are classified as a current liability. Annually, accrued interest is applied directly to the customers' accounts.

Security deposits on offers to connect are cash collections from specific customers to guarantee the payment of additional costs relating to expansion projects. This liability includes related interest amounts owed to the customers with a corresponding amount charged to finance costs. Deposits are classified as a current liability when the Corporation no longer has an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

(m) Revenue Recognition

(i) Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the 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.

3. Material accounting policies (continued):

(n) Revenue Recognition (continued)

(ii) Water billing services

The Corporation provides services to the City of Stratford and the Town of St. Mary's including water and wastewater billing, customer support and water meter replacement administration services. The Corporation has determined that it is acting as an agent for these billing services as any uncollectable amount related to water billings are collected by the Corporation from the City of Stratford and Town of St. Mary's. Therefore, no amounts charged on behalf of the City of Stratford and the Town of St. Mary's to their customers are included in the Statement of Comprehensive Income.

(iii) 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 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.

(iv) Other revenue

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

(o) 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.

3. Material accounting policies (continued):

(p) Leased assets (continued)

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.

(q) 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 cash equivalents.

Finance costs comprise interest expense on customer deposits, the demand notes payable, revolving credit facility and long-term borrowings.

Changes in the fair value of interest rate swap agreements are recorded either in finance income, or costs, depending on whether an unrealized gain or loss is required.

(r) Income taxes

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

3. Material accounting policies (continued):

(r) Income taxes (continued)

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 other comprehensive income or items recognized directly in equity, in which case, it is recognized in accumulated comprehensive income or retained earnings, respectively.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded to or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits associated with reduced revenues resulting from the realization of deferred tax assets is recorded within regulatory credit or debt balances. Deferred taxes that are not included in the rate-setting process are charged or credited to the statements of comprehensive income.

The benefits of the refundable and non-refundable apprenticeship and other ITCs are credited against the related expense in the statements of comprehensive income.

(s) Changes in accounting standards

Disclosure Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or noncurrent. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

Effective January 1, 2024, the Corporation adopted this amendment, with no impact on the financial statements.

4. Future accounting pronouncements:

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following amendment could have an impact on the Corporation's financial statements when adopted.

Disclosure Classification and Measurement of Financial Instruments (Amendments to IFRS 9)

In May 2024, the IASB issued amendments to the classification and measurement requirements in IFRS 9 for Financial Instruments. Specifically, the amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) features and provide clarity on assessing contractual cash flows to avoid divergence in practices. The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

The Corporation anticipates that the adoption of this accounting pronouncement will not have a material impact on the Corporation's financial statements.

5. Bank indebtedness:

	2024	2023
Cash	$ 11,522	$ 120,039
Revolving credit facility, revolving in increments of $10,000 with a limit of $10,000,000, charging interest at Canadian bank prime rates	(4,790,000)	(3,800,000)
Bank indebtedness	**$ (4,778,478)**	**$ (3,679,961)**

6. Accounts receivable:

	2024	2023
Energy, water and sewer	$ 7,606,904	$ 7,708,701
Other	492,857	1,035,571
Total	**$ 8,099,761**	**$ 8,744,272**

Included in accounts receivable is $1,538,089 (2023 - $1,478,832) of customer receivables for water consumption and sewer ("water & sewer") that the Corporation bills and collects on behalf of the City of Stratford and the Town of St. Marys. As the Corporation does not assume liability for collection of these amounts, any amount related to City of Stratford and Town of St. Marys water & sewer charges that are determined to be uncollectible are charged to the City of Stratford and Town of St. Marys, respectively. At year end, there is nil (2023 - nil) included in the provision for impairment for uncollectable amounts relating to water and sewer.

7. Inventories:

The amount of inventories consumed by the Corporation and recognized as an expense during 2024 was $182,105 (2023 - $130,666). During 2024, an amount of nil (2023 – nil) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

8. Property, plant and equipment:

a) Cost or deemed cost

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2023	$3,463,572	$52,772,102	$3,258,329	$14,278,690	$73,772,693
Additions	1,060,506	2,876,421	420,018	212,043	$ 4,568,988
Work in Progress	-	96,468	3,114	-	$99,582
Disposals/retirements	(7,732)	(244,489)	(227,295)	-	($479,516)
Balance at December 31, 2023	**$4,516,346**	**$55,500,502**	**$3,454,166**	**$14,490,733**	**$77,961,747**
Balance at January 1, 2024	$4,516,346	$55,500,502	$3,454,166	$14,490,733	$77,961,747
Additions	2,400,431	4,904,715	220,382	132,078	7,657,606
Work in Progress	-	75,565	133,710	46,627	255,902
Disposals/retirements	-	-	-	-	-
Balance at December 31, 2024	**$6,916,777**	**$60,480,782**	**$3,808,258**	**$14,669,438**	**$85,875,255**

b) Accumulated depreciation

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2023	$ 520,383	$ 10,355,563	$1,142,818	$2,899,896	$14,918,660
Depreciation	156,767	1,549,351	305,356	358,273	$ 2,369,747
Disposals/retirements	(7,732)	(244,489)	(227,295)	-	($479,516)
Balance at December 31, 2023	**$ 669,418**	**$11,660,425**	**$1,220,879**	**$3,258,169**	**$ 16,808,891**
Balance at January 1, 2024	$ 669,418	$ 11,660,425	$1,220,879	$3,258,169	$16,808,891
Depreciation	225,714	1,627,261	314,409	349,737	$ 2,517,121
Disposals/retirements	-	-	-	-	-
Balance at December 31, 2024	**$ 895,132**	**$13,287,686**	**$1,535,288**	**$3,607,906**	**$ 19,326,012**

9. Property, plant and equipment (continued):

c) Carrying amounts

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
December 31, 2023	$3,846,928	$43,840,077	$2,233,287	$11,232,564	$61,152,856
December 31, 2024	$6,021,645	$47,193,096	$2,272,970	$11,061,532	$66,549,243

d) Borrowing costs

During the year, no borrowing costs (2023 – nil) were capitalized as part of the cost of property, plant and equipment.

9. Intangible assets and goodwill:

a) Cost or deemed cost

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2023	$515,359	$ 1,439,816	$ 3,150	$ 966,935	$ 2,925,260
Additions	-	341,398	-	-	341,398
Work in Progress	-	330,359	-	-	330,359
Disposals	-	(207,569)	-	-	(207,569)
Balance at December 31, 2023	**$ 515,359**	**$ 1,904,004**	**$ 3,150**	**$ 966,935**	**$ 3,389,448**
Balance at January 1, 2024	$ 515,359	$ 1,904,004	$ 3,150	$ 966,935	$ 3,389,448
Additions	-	1,102,156	7,300	-	1,109,456
Work in Progress	-	429,393	-	-	429,393
Disposals	-	-	-	-	-
Balance at December 31, 2024	**$ 515,359**	**$ 3,435,553**	**$ 10,450**	**$ 966,935**	**$ 4,928,297**

9. Intangible assets and goodwill (continued):

b) Accumulated amortization

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2023	**$ -**	**$ 636,013**	**$ -**	**$ 482,965**	**$ 1,118,978**
Amortization	-	194,941	-	54,473	249,414
Disposals	-	(207,569)	-	-	(207,569)
Balance at December 31, 2023	$ -	**$ 623,385**	$ -	**$ 537,438**	**$ 1,160,823**
Balance at January 1, 2024	$ -	$ 623,385	$ -	$ 537,438	$ 1,160,823
Amortization	-	243,905	-	54,473	298,378
Disposals	-	-	-	-	-
Balance at December 31, 2024	$ -	**$ 867,290**	$ -	**$ 591,911**	**$ 1,459,201**

c) Carrying amounts

	Goodwill	Computer software	Land Rights	CCRA's	Total
December 31, 2023	$ 515,359	$ 1,280,619	$ 3,150	$ 429,497	$ 2,228,625
December 31, 2024	$ 515,359	$ 2,568,263	$ 10,450	$ 375,024	$ 3,469,096

d) Goodwill impairment

Management has determined that the Corporation's rate regulated operations are one cash generating unit. Therefore, the goodwill was allocated to the Corporation as a whole. The annual impairment test is based on the Corporation's value in use.

A detailed valuation of the Corporation was undertaken during 2024 based on preliminary financial results of the Corporation as at December 31, 2024. Cash flows were projected based on actual operating results and the cost of capital and rate of return as approved in the 2015 Cost of Service application. A discounted cash flow model was utilized based on free cash flows for 20 years, followed by a terminal value calculated based on a steady-state cash flow, with the terminal value within range of market-based terminal multiples. The recoverable amount of the Corporation was determined to be greater than the carrying value of goodwill and no impairment was recorded as at December 31, 2024 or December 31, 2023.

10. Income taxes:

Income tax expense	**2024**	**2023**
Current tax expense:		
Current year	$ (14,400)	$ 373,312
Prior year	98,587	-
Total current tax expense	84,187	373,312
Deferred tax expense:		
Change in recognized deductible temporary differences	416,139	251,205
Total current and deferred income tax in profit or loss, before movement of regulatory balance	500,326	624,517
Other comprehensive income:		
Employee future benefits	(5,785)	(14,712)
Total current and deferred tax, before movement in regulatory balances	494,541	609,805
Net movement in regulatory balances	(455,084)	(115,983)
Income tax expense recognized in statement of comprehensive Income	**$39,457**	**$493,822**

Reconciliation of effective tax rate

	2024	**2023**
Income before taxes	$1,800,061	$2,283,982
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income tax at statutory rates	477,016	605,255
Increase (decrease) in income tax resulting from:		
Permanent differences	15,757	2,060
Recognized deductible temporary difference due from customers	(455,084)	(115,983)
Other	1,768	2,490
Income tax expense	**$ 39,457**	**$ 493,822**

	2024	**2023**
Deferred tax assets (liabilities):		
Property, plant, equipment and intangible assets	($3,268,149)	($2,820,051)
Employee future benefits	266,598	271,480
Unrealized gain on interest rate swap	(75,779)	(120,510)
Other	49,113	51,218
	($3,028,217)	**($2,617,863)**

11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating 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. Due to the demand nature of these deposits, they are classified as current liabilities.

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

Customer deposits comprise:

	2024	2023
Electricity deposits	$ 942,297	$ 911,071
Construction deposits	1,276,353	977,198
Total customer deposits	**$2,218,650**	**$1,888,269**
Consisting of:		
Short-term	$ 1,186,600	$ 1,256,618
Long-term	1,032,050	631,651

12. Employee future benefits:

(a) Employee future benefits, other than pension

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the corresponding expense were based on results and assumptions determined by actuarial valuation as at December 31, 2024.

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

	2024	2023
Defined benefit obligation, beginning of year	$ 1,024,453	$ 1,009,878
Included in profit or loss:		
Current service cost	26,723	23,310
Interest cost	45,204	48,324
	71,927	71,634
Included in OCI:		
Actuarial (gains) losses arising from changes in financial assumptions	21,829	55,517
Benefits paid during the year	(112,177)	(112,576)
Defined benefit obligation, end of year	**$1,006,032**	**$1,024,453**

12. Employee future benefits (continued):

a) Employee future benefits, other than pension (continued)

The significant actuarial assumptions used in the valuation are as follows:

	2024	2023
Discount rate	4.65%	4.60%
Rate of compensation increase	3.30%	3.30%
Initial health care cost trend rate	5.10%	4.90%
Initial dental cost trend rate	5.40%	5.10%
Year that rate reaches the rate it is assumed to be	2040	2040
Cost trend rate declines to	4.00%	4.00%

Significant actuarial assumptions for benefit obligation measurement purposes are the discount rate and assumed medical and dental cost trend rates. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions, in isolation of one another, occurring at the end of the reporting period. This analysis may not be representative of the actual change since it is unlikely these changes in assumptions would occur in isolation from each other. The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	2024	2023
Benefit Obligation, end of year	$1,006,032	$1,024,453
1% increase in health care trend rate	39,200	33,300
1% decrease in health care trend rate	(34,600)	(29,900)
1% increase in discount rate	(104,800)	(105,500)
1% decrease in discount rate	130,000	130,900

(b) Pension plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System. The plan is a multi-employer, contributory defined benefit pension plan. In 2024, the Corporation made employer contributions of $479,089 to OMERS (2023 - $404,465). The Corporation’s net benefit expense has been allocated as follows:

- $172,472 (2023 - $145,607) capitalized as part of PP&E
- $253,917 (2023 - $214,366) charged to operating expenses
- $52,700 (2023 - $44,492) charged to CDM and billable work

As at December 31, 2024, OMERS states that their plan was 98% funded (2023 – 97%). OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions. The Corporation’s contributions represent less than 1% of the total annual contributions to the OMERS plan.

13. Regulatory assets and liabilities:

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.

In the tables below, the “Additions” column consists of new additions to regulatory balances (for both debits and credits). The “Recovery/reversal” column consists of amounts collected through rate riders or transactions reversing an existing regulatory balance. The “Other movements” column consists of reclassification between the regulatory debit and credit balances. For the years ended December 31, 2024 and 2023, the Corporation did not record any impairments related to regulatory debit balances.

	January 1, 2024	Transactions	Recovery/ reversal	Other Movements	December 31, 2024	Notes
Regulatory deferral account debit balances						
Settlement (Group 1 and 2) variances	$ 3,865,095	$ 2,406,163	$ (2,992,354)	$ 1,437,923	$ 4,716,827	(1)
LRAM	105,629	(240,360)	234,897	-	100,166	(1)
Deferred Taxes	2,497,353	455,084	-	-	2,952,437	(4)
	$ 6,468,077	**$ 2,620,887**	**$ (2,757,457)**	**$ 1,437,923**	**$ 7,769,430**	

	January 1, 2023	Transactions	Recovery/ reversal	Other Movements	December 31, 2023	Notes
Regulatory deferral account debit balances						
Settlement (Group 1 and 2) variances	$ 5,087,624	$ (1,275,857)	$ (43,998)	$ 97,326	$ 3,865,095	(1)
Stranded meters	2,313	(2,313)	-	-	-	(2)
LRAM	24,647	85,846	(9,819)	4,955	105,629	(1)
Deferred Taxes	2,381,370	115,983	-	-	2,497,353	(4)
Rate application costs	8,008	(8,008)	-	-	-	(3)
	$ 7,503,962	**$ (1,084,349)**	**$ (53,817)**	**$ 102,281**	**$ 6,468,077**	

	January 1, 2024	Transactions	Recovery/ reversal	Other Movements	December 31, 2024	Notes
Regulatory deferral account credit balances						
Settlement (Group 1 and 2) variances	$ (650,206)	(3,422,597)	$ 2,785,574	$ (1,437,923)	$ (2,725,152)	(1)
LRAM	(26,837)	(1,411)	-	-	(28,248)	(1)
PILS	(701,709)	(166,105)	395,192	-	(472,622)	
	$ (1,378,752)	**$ (3,590,113)**	**$ 3,180,766**	**$ (1,437,923)**	**$ (3,226,022)**	

	January 1, 2023	Transactions	Recovery/ reversal	Other Movements	December 31, 2023	Notes
Regulatory deferral account credit balances						
Settlement (Group 1 and 2) variances	$ (547,437)	(59,260)	$ 53,817	$ (97,326)	$ (650,206)	(1)
IFRS transition adjustments	(10,783)	10,783	-	-	-	(5)
LRAM	-	(21,882)	-	(4,955)	(26,837)	(1)
PILS	(542,612)	(159,097)	-	-	(701,709)	
	$ (1,100,832)	**$ (229,456)**	**$ 53,817**	**$ (102,281)**	**$ (1,378,752)**	

13. Regulatory assets and liabilities (continued):

1) The changes in settlement (Group 1) and LRAM balances outstanding from December 31, 2023 were approved for disposition as part of the 2024 IRM application with rates effective January 1, 2024 to be collected over a 12-month period.

2) As part of the 2015 COS application, the OEB approved the disposition of stranded meters through a rate rider effective May 1, 2015 (implemented June 1, 2015) with recovery over a 7-month period ending December 31, 2015. Since the residual balance was trivial, it was cleared to $nil at the end of 2023.

3) The 2015 COS rate application costs were approved for recovery by the OEB and have been amortized over a forty-three-month period ending December 31, 2019. Since the residual balance was trivial, it was cleared to $nil at the end of 2023.

4) Disposition is not requested for the deferred tax balance as it is being reversed through timing differences in the recognition of deferred tax assets. No carrying charges are calculated on this balance.

5) As part of the 2015 COS application, the OEB approved the disposition of the account 1575/76 IFRS transition account balance used to record the difference arising on adoption of new asset useful lives and overhead rates and write off of end-of-life assets. These account balances were included as a rate rider effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. Since the residual balance was trivial, it was cleared to $nil at the end of 2023.

6) As part of the 2025 COS application, the OEB approved the disposal of Group 2 accounts in the amount of $188,412 reflected in the December 31, 2024, balances under Recovery/reversal in settlement and PILs. These balances are included as a rate rider effective January 1, 2025, and will be recovered over a 12-month period.

Carrying charges are applied to all regulatory account balances at the OEB prescribed interest rates, with the exception of the deferred tax assets on which no carrying charges are applied.

As part of the Corporation's 2024 IRM application, the change in debit and credit balance settlement (Group 1) variance accounts occurring during fiscal 2023 were approved as part of 2023 distribution rates for recovery over a 12-month period commencing January 1, 2023. As such, the risk associated with the recovery of variance accounts is limited to the incremental value of non-settlement variances arising since 2023.

14. Long-term debt:

Long-term debt consists of the following:

	2024	2023
Royal Bank revolving term loan, bearing interest at 2.93%, payable in monthly principal instalments of approximately $40,000 plus interest, increasing by $1,000 yearly until maturity on May 31, 2038, secured by a general security agreement, subject to a swap agreement as outlined below.	8,847,000	9,369,000
Royal Bank revolving term loan, bearing variable interest at 2.21%, payable in quarterly instalments of $110,000 plus interest, increase by $1,000 quarterly until maturity on December 31, 2034, secured by a general security agreement, subject to a swap agreement as outlined below.	5,000,000	2,500,000
Royal Bank loan, bearing interest at 2.62%, payable in monthly principal instalments of $19,768, maturing November 25, 2025, secured by a general security agreement.	214,648	443,012
Notes payable to shareholder, bearing interest at 7.25% per annum, with interest payments only, due on demand, unsecured.	15,600,000	15,600,000
	29,661,648	**27,912,012**
Less: current portion	16,799,649	18,850,364
Long-term debt	**$ 12,861,999**	**$ 9,061,648**

Interest rate swaps

The Corporation entered into an interest rate swap agreement on a notional principal of $14,000,000 effective May 31, 2013, which matures May 31, 2038. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.93% plus stamping fee of 0.42% on the Royal Bank revolving term loan. The stamping fee is subject to change every 10 years, with the first maturity occurred on May 31, 2023. On this day, the stamping fee changed from 0.42% to 1.81%.

The Corporation entered into an interest rate swap agreement on a notional principal of $5,000,000 effective December 31, 2024, which matures December 31, 2034. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.21% plus stamping fee of 1.81% on the Royal Bank revolving term loan.

14. Long-term debt (continued):

The Corporation has determined these swaps do not meet the standard to apply hedge accounting. Since the standard is not met, the interest rate swap contracts have been recorded at their fair value at December 31, 2024 with the combined unrealized loss for the year of $168,797 (2023 – $330,131) recorded in the statement of comprehensive income. The Corporation uses Level 2 inputs to determine fair value.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long-term debt	Dividends payable	Retained earnings	Total (financing cash flows)
Balance at January 1, 2024	$ 27,912,012	$ 233,750	$ 19,746,723	
Dividends paid	-	(233,750)	(390,330)	$ (624,080)
Proceeds from long-term debt	2,500,000	-	-	2,500,000
Repayments of long-term debt	(750,364)	-	-	(750,364)
Total changes from financing cash flows	**$ 1,749,636**	**$ (233,750)**	**$ (390,330)**	**$ 1,125,556**
Dividend declared but not paid	-	147,478	(147,478)	-
Net income after net movements in regulatory balances	-	-	1,782,433	1,782,433
Balance at December 31, 2024	$ 29,661,648	$ 147,478	$ 20,991,348	$ 2,907,989

15. Share capital:

	2024	**2023**
Authorized:		
Unlimited Class A special shares, non-cumulative, 5.0%		
Unlimited Class B special shares		
Unlimited Common shares		
Issued:		
6,100 Class A special shares	$ 6,100,000	$ 6,100,000
6,995 Common shares	9,468,388	9,468,388
	$ 15,568,388	**$15,568,388**

Dividends paid on the 6,100 class A special shares during 2024 totalled $152,500 (2023 - $152,500). Dividends paid on the 6,995 common shares during 2024 totalled $385,308 (2023 - $471,580). A common share dividend was declared on December 15, 2024 and is payable on all common shares on record at December 31, 2024, with the dividend to be paid in 2025. The total dividend relating to 2024 is $537,808 (2023 - $624,080) The dividend amount payable at December 31, 2024 is $147,478 (2023 - $233,750).

16. Revenue from Contracts with Customer:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Sources of revenue are documented in the table below.

	2024 Sale of Energy	2024 Distribution Revenue	2023 Sale of Energy	2023 Distribution Revenue
Residential	$ 19,390,594	$ 7,669,347	$ 17,732,062	$ 7,097,764
Commercial	46,989,379	5,224,546	42,664,867	5,744,876
Large Users	3,014,471	205,813	2,849,463	323,578
Other	309,373	189,275	694,630	166,003
	$ 69,703,817	**$ 13,288,981**	**$ 63,941,022**	**$ 13,332,221**

17. Other income:

	2024	2023
Collection, late payment and other service charges	$ 128,440	$ 101,740
Pole attachment and other rental income	139,173	166,816
Miscellaneous	1,078,335	819,567
Solar generation	28,889	26,256
	$ 1,374,837	**$ 1,114,379**

Collection, late payment and other service charges are based on service charge rates and retailer rates as approved by the OEB. Pole attachment and other rentals consist primarily of pole attachment charges and charges for office and service centre space.

Miscellaneous includes revenues from City of Stratford and Town of St. Marys water and sewage billing services, street lighting services, management fees charged to Festival Hydro Services Inc. and other revenue sources.

18. Operating expenses:

	2024	2023
Salaries and benefits	$ 4,131,416	$ 3,806,285
External services	1,955,308	2,215,081
Materials and supplies	615,352	540,790
Other support costs	1,132,469	928,057
	$ 7,834,545	**$ 7,490,213**

19. Finance income and costs:

	2024	2023
Interest income on loan to corporation under common control	$ 8,674	$ 3,398
Interest on bank account	5,437	3,672
Finance income	**$ 14,111**	**$ 7,070**
Interest expense on demand notes payable	$1,131,000	$1,131,000
Interest expense on long-term debt	662,802	479,139
Interest on revolving credit facility	277,504	190,782
Interest expense on deposits	45,670	62,701
Other interest expense	52,321	4,823
Finance costs	**$ 2,169,297**	**$ 1,868,445**
Unrealized loss on interest rate swap	168,797	330,131
Finance costs and unrealized loss on interest rate swap	**$ 2,338,094**	**$ 2,198,576**
Net finance costs	**$ 2,323,983**	**$ 2,191,506**

20. Related party transactions:

a) *Parent and ultimate controlling party*

The parent and sole shareholder of the Corporation is the Corporation of the City of Stratford (the “City”). The City of Stratford produces financial statements that are available for public use.

b) *Key management personnel*

The key management personnel of the Corporation has been defined as members of its Board of Directors and executive management team members. Total compensation of key management in 2024 was $1,171,215 (2023 - $902,559).

20. Related party transactions (continued):

c) Transactions with the Corporation of the City of Stratford

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the years ended December 31:

	2024	2023
Revenues:		
Energy sales	$ 1,586,266	$ 1,342,294
Water and sewer administration fee	564,396	539,320
Street lighting services	28,596	12,617
Service centre space rental	36,988	36,851
Total revenues	$ 2,216,246	$ 1,931,082
Expenses:		
Interest on demand notes payable	$ 1,131,000	$ 1,131,000
Property taxes	107,549	149,822
Tree trimming	74,579	56,980
Total expenses	$ 1,313,128	$ 1,337,802

	December 31, 2024	December 31, 2023
Receivable balances:		
Accounts receivable	$ 401,372	$ 366,769
Payable balances:		
Accounts payable and accrued charges	$ 1,160,234	$ 978,360
Demand notes payable	15,600,000	15,600,000
Dividends payable	147,478	233,750
Total payables	$16,907,712	$16,812,110

The net amount owing to the Corporation of the City of Stratford for accounts receivable, accounts payable and accrued charges is $758,862 (2023 - $611,591).

Dividends paid	$ 390,330	$ 390,330
Dividends payable	147,478	233,750
Total Dividend	$ 537,808	$ 624,080

20. Related party transactions (continued):

d) Transactions with corporations under common control of the parent

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with Festival Hydro Services Inc., a wholly owned subsidiary of the City of Stratford, for the years ended December 31:

	2024	2023
Revenues:		
Operational services	$ 32,739	$ 31,538
Management fee	88,817	60,982
Office and fibre room rentals	1,555	1,347
Joint pole rentals	60,078	57,384
Interest earned	-	3,398
Energy sales	27,244	30,817
Water billing and collection services	77,336	76,358
Total revenues	$287,769	$261,824
Expenses:		
Fibre and WIFI services	$154,148	$154,148
Information technology and management services	438,938	330,947
Total expenses	$593,086	$485,095

Payable balance:	December 31, 2024	December 31, 2023
Due to corporations under common control	$94,300	$24,254

21. Capital management:

The Corporation's main objectives when managing capital is to:

- ensure ongoing access to funding to maintain, refurbish and expand the electricity distribution system;
- ensure sufficient liquidity is available (either through cash and cash equivalents or committed credit facilities) to meet the needs of the business;
- ensure compliance with covenants related to its credit facilities; and
- prudent management of its capital structure with regard to recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation monitors forecasted cash flows, capital expenditures, debt repayment and key credit ratios. The Corporation manages capital by preparing short-term and long-term cash flow forecasts, statements of financial position and comprehensive statements of income. In addition, the Corporation accesses its revolving credit facility to fund net periodic net cash outflows and to maintain available liquidity.

There have been no changes in the Corporation's approach to capital management during the year. As at December 31, 2024, the Corporation's definition of capital included borrowings under its revolving credit facility, long-term debt and obligations including the current portion thereof, and equity, and had remained unchanged from the definition as at December 31, 2023. As at December 31, 2024, equity amounted to $36,427,911 (2023 - $35,205,115), borrowings in the form of demand notes payable and long-term debt, including the current portion thereof, amounted to $29,661,648 (2023 - $27,912,012) and the revolving credit facility amounted to $4,779,138 (2023 - $3,681,457).

21. Capital management (continued):

The OEB regulates the amount of deemed interest on debt and rate of return that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure and finance costs for the Corporation may differ from the OEB deemed structure.

The Corporation is subject to debt agreements that contain various covenants. The Corporation's credit agreement with Royal Bank provides a revolving demand facility, letter of guarantee which is posted with the IESO as prudential support, and a long-term loan facility. These combined facilities are subject to a funded indebtedness debt to equity ratio of no more than 65%.

The Corporation has customary covenants typically associated with long-term debt. As at December 31, 2024 and December 31, 2023, the Corporation was in compliance with all credit agreement covenants and limitations associated with its long-term debt.

22. Financial instruments and risk management:

Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, due to Corporations under common control & to the City of Stratford, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these instruments. The fair values of customer deposits approximate their carrying amounts taking into account interest accrued on the outstanding balance. Cash is measured at fair value.

The swap agreements are measured at fair value, which is provided by a third-party, banking institution and is based on market rates at the date of the valuation. The valuation of the interest rate swaps resulted in a cumulative unrealized gain recorded on the statement of financial position at December 31, 2024 of $285,958 (2023 - $454,755).

The fair value of the long-term borrowings 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 carrying amounts and fair values of the Corporation's long-term loans consist of the following:

22. Financial instruments and risk management (continued):

	2024	2023
Carrying amounts:		
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	$15,600,000	$15,600,000
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	8,847,000	9,369,000
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51%, interest only payments until December 31, 2024	5,000,000	2,500,000
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	214,648	443,012
Total	**$29,661,648**	**$27,912,012**

	2024	2023
Fair values:		
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	$13,780,577	$11,797,814
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	6,231,304	5,502,035
Royal Bank revolving term loan, with a variable interest rate of 5.39%, plus a stamping fee of 1.51% on bankers' acceptances, interest only payments until December 31, 2024	3,841,602	2,332,090
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	202,847	410,511
Total	**$24,056,330**	**$20,042,450**

Financial risks

The following is a discussion of financial risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed. The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

(a) Credit risk

The Corporation is exposed to credit risk as a result of the risk of counterparties defaulting on their obligations. The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation monitors and limits its exposure to credit risk on a continuous basis.

22. Financial instruments and risk management (continued):

(a) Credit risk (continued)

The Corporation's credit risk associated with accounts receivable and unbilled revenue is primarily related to electricity bill payments from electricity customers. The Corporation obtains security deposits from certain customers in accordance with direction provided by the OEB and as outlined in the Corporation's conditions of service. As of December 31, 2024, the Corporation held security deposits related to electricity receivables in the amount of $942,297 (2023 - $911,071).

The Corporation's credit risk associated with accounts receivable is primarily related to payments from 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. Due to current uncertain economic conditions, the estimates and judgements made by management in the preparation of the expected credit losses allowance are subject to estimation uncertainty. The Corporation determines the expected credit loss allowance based on current estimates and assumptions, including but not limited to, recent trends for customer collections and current forecasted economic conditions. The Corporation continues to actively monitor its exposure to credit risk.

As at December 31, 2024, there were no significant concentrations of credit risk with respect to any one customer. No single customer accounts for revenue in excess of 5% of total distribution revenue. The Corporation earns its revenue from a broad base of approximately 21,000 customers (2023 - 21,000 customers) located throughout its service territory.

The credit risk and mitigation strategies with respect to unbilled revenue are the same as for accounts receivable. The credit risk related to cash is mitigated by the Corporation's treasury policies on assessing and monitoring the credit exposures of counterparties.

Credit risk associated with electricity accounts receivable and unbilled revenue (electricity only) is as follows:

	2024	**2023**
Not more than 30 days	$ 5,580,602	$ 5,497,458
More than 30 but less than 90 days	175,198	589,425
More than 90 days	101,592	103,687
Less allowance for impairment	(169,899)	(180,369)
Unbilled revenue	7,166,152	6,915,469
	$ 12,853,645	**$ 12,925,670**

As at December 31, 2024, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk and no additional allowance for impairment was required for these balances.

22. Financial instruments and risk management (continued):

(a) *Credit risk (continued)*

Reconciliation between the opening and closing allowance for impairment is as follows:

	2024	2023
Balance, beginning of year	$ 180,369	$ 173,017
Provision for impairment	71,097	117,179
Write offs	(100,768)	(117,115)
Recoveries	19,201	7,288
Balance, end of year	**$ 169,899**	**$ 180,369**

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at year end. Unbilled revenue is considered current and no provision for impairment was established as at December 31, 2024 (2023 – nil).

(b) *Interest rate risk*

The Corporation is exposed to fluctuations in interest rates for the valuation of its employee future benefit obligations (note 12). The Corporation is also exposed to short-term interest rate risk on the net of cash position and short-term borrowings under its Revolving Credit Facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

As at December 31, 2024, aside from the valuation of its employee future benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its revolving credit facility and customer deposits, while most of its remaining obligations were either non-interest bearing or bear fixed interest rates, and its financial assets were predominately short-term in nature and mostly non-interest bearing. The Corporation estimates that a 100 basis point increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately $124,162 (2023 - $116,070) to annual finance costs. A decrease of 100 basis points would result in a reduction in financing costs of $124,162 (2023 – $116,070).

(c) *Liquidity risk*

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and monitors cash balances daily. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing finance costs.

The Corporation has a revolving credit facility available of $10,000,000 with a Canadian chartered bank. As at December 31, 2024, $4,790,000 (2023 - $3,800,000) was drawn on this facility.

As a purchaser of electricity through the Independent Electricity System Operator ("IESO"), the Corporation is required to provide security to minimize the risk of default based on its expected activity in the market. The IESO may draw on this security if the Corporation fails to make payment required by a default notice issue by the IESO. The Corporation has a $3.6 million revolving term facility by way of a letter of guarantee with Royal Bank, of which $3,095,139 (2023 - $3,095,139) has been assigned to secure the prudential support required by the IESO.

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

22. Financial instruments and risk management (continued):

Liquidity risks associated with financial commitments are as follows.

Contractual cash flows, including interest, at year end are:

December 31, 2024

	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due> 5 years
Revolving credit facility	$ 4,790,000	$ 4,790,000	$ 4,790,000	$ -	$ -
Accounts payable and accrued liabilities	9,412,495	9,412,495	9,412,495	-	-
Due to City of Stratford	758,862	758,862	758,862	-	-
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	15,600,000	16,731,000	16,731,000	-	-
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	8,847,000	10,986,690	827,091	3,295,915	6,863,684
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	214,648	217,452	217,452	-	-
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51%, interest only payments until December 31, 2024	5,000,000	6,071,775	640,272	2,489,909	2,941,594
	$ 44,623,005	**$ 48,968,274**	**$ 33,377,172**	**$ 5,785,824**	**$ 9,805,278**

December 31, 2023

	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due> 5 years
Revolving credit facility	$ 3,800,000	$ 3,800,000	$ 3,800,000	$ -	$ -
Accounts payable and accrued liabilities	9,367,511	9,367,511	9,367,511	-	-
Due to City of Stratford	611,591	611,591	611,591	-	-
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	15,600,000	16,731,000	16,731,000	-	-
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	9,369,000	12,832,870	958,369	3,731,883	8,142,618
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	443,012	454,673	237,221	217,452	-
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51%, interest only payments until December 31, 2024	2,500,000	2,672,500	2,672,500	-	-
	$ 41,691,114	**$ 46,470,145**	**$ 34,378,192**	**$ 3,949,335**	**$ 8,142,618**

23. Commitments and contingencies:

Operating leases

The Corporation entered into a non-cancellable operating lease for service centre space for a period of five years dated November 15, 2015. The contract is subject to an annual increase based on the Ontario Consumer Price Index. Minimum lease payments required are $1,053 per month for 2023 (2023 - $1,027 per month).

Connection and cost recovery agreement - St. Mary's transformer station

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year capital cost recovery agreement ("CCRA") in September 2002 relating to Hydro One Networks Inc. building new feeder positions at the existing St. Mary's Transformer Station. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment of the transformer station.

The CCRA has been trued-up effective July 5, 2013. Since load growth had fallen below a target amount, a cumulative contribution in the amount of $550,200 has been paid to Hydro One Networks. This amount has been recorded as an intangible asset subject to 15-year amortization over the remaining life of the agreement. The agreement was subject to true up effective on the fifteenth year of the agreement in July 2018 however, this was completed in February 2023 and resulted in a refund of $27,572. This was the final true-up. .

Connection and cost recovery agreement-Stratford transformer station ("Festival Hydro MTS1")

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year CCRA in November, 2012, relating to Hydro One Networks Inc. building a new 230kV line to connect Festival Hydro`s MTS1 to Hydro One`s 230kV circuit. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment. The CCRA is trued-up (a) following the fifth and tenth anniversaries of the in-service date; and (b) following the fifteenth anniversary of the in-service date if the actual load is 20% higher or lower than the load forecast at the end of the tenth anniversary of the in-service date. The fifth anniversary of the in-service date was in November 2017 however, this was completed in May 2023 and resulted in no contributions required.

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.

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 electrical utilities 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. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2023, no assessments had been made.