From: Ysni Semsedini, President & CEO
RE: Newmarket Hydro Holdings Inc. 2023 Financial Statements

2023 Audited Financial Statements

Management of Newmarket Hydro Holdings Inc. ("NHHI" or the "Company") is pleased to share the financial results of the Company for the year ended December 31, 2023. Highlights of the 2023 financial year are set out below.

NHHI had a strong year in 2023 with respect to profitability, with $2.6M in net income.

The audited financial statements include the mark-to-market fair value adjustments associated with the Company's interest rate swap financing vehicles. The table below normalizes the pre-tax net income to account for these fair value fluctuations that are required under NHHI's financial reporting standards. The adjustments also consider impacts associated with discontinued operations in NT Holdings Inc. (formerly ENVI Networks Inc.), and a gain on NHHI's investment in Ecobility Inc., which was recognized in 2023, however, pertains to historical periods.

Adjusted Income Before Taxes (000s)

	2023	**2022**
Income before tax[1]	$3,351	$13,160
Unrealized loss (gain) on interest rate swaps	$1,815	($5,898)
(Income) from discontinued operations	-	($2,674)
(Income) from Investment in Ecobility Inc. (from prior periods; recognized in 2023)	($466)	-
Adjusted income before tax	**$4,700**	**$4,588**

With respect to investments made in the electricity distribution system, during the year, the Company invested $13.1M in capital assets and intangibles (net of contributed capital), compared to $9.8M in 2022, demonstrating the success that NHHI had in executing a robust capital program during the year. Overall, the net book value of capital assets and intangibles, net of contributed capital, increased to $102.5M as at the end of 2023 (2022 - $94.6M).

Finally, distribution revenues increased to $25.2M in 2023 versus $24.1M in 2022, representing a 4.8% increase year over year.

Overall, NHHI had a strong financial year in 2023, both with respect to its profitability and execution of its capital program and management expects that trend to continue into 2024. Management will be providing a presentation to council summarizing last year's results and also highlighting the year to come.

[1] After net movement in regulatory balances

Modern Slavery Act

Included in the 2023 Annual General Meeting of NHHI, is a copy of the 2023 Report on Bill S-211 Fighting Against Forced Labour and Child Labour in Supply Chains Act (also known as the Modern Slavery Act).

Background and Context

The Canadian government has joined other jurisdictions in introducing measures intended to combat slavery and other forms of forced labour in its supply chains. *Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, referred to as Canada's "Modern Slavery Act" (the Act), is effective January 1, 2024. Under the Act, designated entities are required to file their first reports relating to forced labour in its supply chain by May 31, 2024 (which covers activities related to the 2023 calendar year). Failure to comply with the reporting obligations under the Act can result in fines, reputational damage, and liability for Newmarket-Tay Power Distribution Ltd. ("NT Power"), NHHI, and their directors and officers.

The Act effectively aims to increase industry awareness and transparency, and drive businesses to improve practices regarding forced and child labour in the supply chain.

2023 Reporting for NHHI and NT Power

Based on the criteria established in Bill S-211, Management of NT Power and NHHI have assessed that each of these entities qualify as Reporting Entities under the Act. A reporting entity must report the steps taken during its previous financial year to prevent or reduce the risk that forced labour or child labour was used at any step of the production or import of its goods in Canada.

Management determined that the most appropriate form of reporting would be a joint report between NHHI and NT Power, as permitted by the Act, given the nature of the business of each entity, and the criteria established under the Act. Accordingly, a joint report between NT Power and NHHI was prepared and filed for the 2023 year. The Act requires that the governing body of each Reporting Entity attest to its content, and the governing bodies of both NT Power and NHHI have done so.

The Act also requires that the Report be delivered to the shareholders of the Reporting Entity and included along with its annual financial statements. Accordingly, the Report for 2023 is included as part of this Annual General Meeting.

Consolidated Financial Statements of

NEWMARKET HYDRO HOLDINGS INC.

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Newmarket Hydro Holdings Inc.

Opinion

We have audited the consolidated financial statements of Newmarket Hydro Holdings Inc. (the Entity), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- 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.
- Provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 30, 2024

NEWMARKET HYDRO HOLDINGS INC.

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Short-term investments (note 4)	$ -	$ 25,999
Accounts receivable	16,981,000	15,257,644
Unbilled revenue	10,569,078	10,219,527
Materials and supplies	2,399,268	1,790,081
Income taxes receivable	-	18,604
Notes receivable (note 5)	1,167,000	1,167,000
Prepaid expenses	653,571	529,694
Other assets	38,514	38,000
Total current assets	31,808,431	29,046,549
Non-current assets:		
Property, plant and equipment (note 8)	140,480,041	125,561,149
Interest rate swaps (note 21)	2,088,302	3,903,189
Investments in associates (note 9)	50,554	153,332
Right-of-use assets (note 10)	1,830,187	2,006,490
Intangible assets (note 11)	8,855,102	8,857,383
Other assets	500,682	539,716
Goodwill (note 12)	6,864,284	6,864,284
Deferred tax assets (note 26)	498,371	2,242,532
Notes receivable (note 5)	2,623,234	3,684,000
Total non-current assets	163,790,757	153,812,075
Total assets	195,599,188	182,858,624
Regulatory balances (note 14)	11,676,897	12,905,676
Contingencies (note 32)	-	-
Total assets and regulatory balances	$ 207,276,085	$ 195,764,300

See accompanying notes to consolidated financial statements.

NEWMARKET HYDRO HOLDINGS INC.

Consolidated Statement of Financial Position (continued)

December 31, 2023, with comparative information for 2022

	2023	2022
Liabilities		
Current liabilities:		
Bank indebtedness (note 17)	$ 8,819,653	$ 4,381,783
Accounts payable and accrued liabilities (note 18)	20,339,025	20,838,178
Income taxes payable (note 26)	613,862	-
Lease liabilities (note 10)	430,452	383,394
Long-term debt (note 23)	714,408	665,066
Due to related party (note 22)	-	40,896
Deposits held (note 19)	457,297	103,519
Total current liabilities	31,374,697	26,412,836
Non-current liabilities:		
Long-term debt (note 23)	57,685,525	53,561,224
Subordinated debt (note 20)	1,742,821	1,742,821
Contributed capital (note 6)	46,823,523	39,864,522
Deferred tax liabilities (note 26)	2,045,780	4,060,218
Deposits held (note 19)	438,233	2,462,954
Employee future benefits (note 7)	1,271,808	1,188,935
Lease liabilities (note 10)	1,618,047	1,774,559
Total non-current liabilities	111,625,737	104,655,233
Total liabilities	143,000,434	131,068,069
Equity:		
Share capital (note 25)	29,609,342	29,609,342
Accumulated other comprehensive income	229,703	317,037
Retained earnings	28,109,441	26,975,838
	57,948,486	56,902,217
Non-controlling interest (note 28)	4,019,984	3,990,334
	61,968,470	60,892,551
Regulatory balances (note 14)	2,307,181	3,803,680
Total liabilities, equity and regulatory balances	$ 207,276,085	$ 195,764,300

Contingencies (note 32)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

NEWMARKET HYDRO HOLDINGS INC.

Consolidated Statement of Income

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

	2023	2022
Revenue:		
Distribution revenue	$ 25,204,299	$ 24,051,382
Internet revenue	95,872	920,468
Energy sales	99,499,400	101,782,151
	124,799,571	126,754,001
Cost of sales:		
Indirect costs	82,154	419,295
Energy purchases	101,206,867	105,931,804
	101,289,021	106,351,099
Gross profit	23,510,550	20,402,902
Other income (note 13)	1,779,512	1,600,153
Income from operations	25,290,062	22,003,055
Expenses and other (income):		
Amortization of capital assets	6,395,504	6,071,779
Operating expenses (note 24)	14,331,216	15,070,120
Loss on sale of property, plant and equipment	239,190	324,306
Gain on sale of business (note 27)	-	(3,487,970)
	20,965,910	17,978,235
Income before undernoted items and income taxes	4,324,152	4,024,820
Finance income (note 15)	1,342,858	610,022
Finance costs (note 15)	(2,550,706)	(2,197,584)
Unrealized gain (loss) on interest rate swaps (note 14)	(1,814,887)	5,898,345
	(3,022,735)	4,310,783
Income before income taxes	1,301,417	8,335,603
Income taxes (note 26):		
Provision for current income taxes	989,077	16,475
Provision for deferred income taxes	(245,392)	2,529,456
	743,685	2,545,931
Net income before net movement in regulatory balances, net of deferred tax	557,732	5,789,672
Net movement in regulatory balances, net of deferred tax	2,049,094	4,824,555
Net income after net movement in regulatory balances, for the year	$ 2,606,826	$ 10,614,227

NEWMARKET HYDRO HOLDINGS INC.
Consolidated Statement of Income

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

	2023	2022
Attributable to:		
Shareholders of Newmarket Hydro Holdings Inc.	$ 2,469,603	$ 9,870,846
Non-controlling interest	137,223	743,381
	$ 2,606,826	$ 10,614,227

See accompanying notes to consolidated financial statements.

NEWMARKET HYDRO HOLDINGS INC.

Statement of Comprehensive Income

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

	2023	2022
Net income after net movement in regulatory balances	$ 2,606,826	$ 10,614,227
Other comprehensive income (loss):		
Actuarial gain (loss), not reclassified to net income	(93,907)	409,200
Deferred tax on actuarial gain (loss), not reclassified to net income	24,885	(108,438)
Net movement in regulatory balances, net of tax	(24,885)	108,438
Other comprehensive income (loss)	(93,907)	409,200
Total comprehensive income for the year	$ 2,512,919	$ 11,023,427
Attributable to:		
Shareholders of Newmarket Hydro Holdings Inc.	$ 2,382,269	$ 10,251,402
Non-controlling interest	130,650	772,025
	$ 2,512,919	$ 11,023,427

See accompanying notes to consolidated financial statements.

NEWMARKET HYDRO HOLDINGS INC.

Consolidated Statement of Changes in Equity and Accumulated Other Comprehensive Income (Loss)

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

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total equity before non-controlling interest	Non-controlling interest	Total equity
Balance, January 1, 2022	$ 29,609,342	$ 18,590,992	$ (63,519)	$ 48,136,815	$ 3,330,309	$ 51,467,124
Net income after net movement in regulatory balances	-	9,870,846	-	9,870,846	743,381	10,614,227
Other comprehensive income	-	-	380,556	380,556	28,644	409,200
Dividends paid	-	(1,486,000)	-	(1,486,000)	(112,000)	(1,598,000)
Balance, December 31, 2022	29,609,342	26,975,838	317,037	56,902,217	3,990,334	60,892,551
Net income after net movement in regulatory balances	-	2,469,603	-	2,469,603	137,223	2,606,826
Other comprehensive income (loss)	-	-	(87,334)	(87,334)	(6,573)	(93,907)
Dividends paid	-	(1,336,000)	-	(1,336,000)	(101,000)	(1,437,000)
Balance, December 31, 2023	$ 29,609,342	$ 28,109,441	$ 229,703	$ 57,948,486	$ 4,019,984	$ 61,968,470

See accompanying notes to consolidated financial statements.

NEWMARKET HYDRO HOLDINGS INC.

Consolidated Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income after net movement in regulatory balances	$ 2,606,826	$ 10,614,227
Items not involving cash:		
Amortization of property, plant and equipment	5,296,296	5,614,598
Amortization of intangible assets	632,335	357,941
Amortization of right-of-use assets	466,870	463,513
Deferred income taxes	(270,277)	2,637,895
Loss on sale of property, plant and equipment	239,190	324,306
Change in employee future benefits	(11,034)	(4,529)
Net finance costs	1,207,848	1,587,562
Recognition of contributed capital	(1,022,167)	(1,019,434)
Gain on sale of business	-	(3,487,970)
Current income tax	989,077	16,475
Unrealized loss (gain) on interest rate swaps	1,814,887	(5,898,345)
Loss from investment in Ecobility Inc.	102,778	99,142
	12,052,629	11,305,381
Changes in non-cash operating working capital (note 16)	(5,332,678)	(2,914,770)
	6,719,951	8,390,611
Financing activities:		
Repayment of long-term debt	(726,357)	(657,513)
Proceeds from long-term debt	4,900,000	22,000,000
Repayment of lease liabilities	(400,021)	(404,601)
Repayment of subordinated debt	-	(22,000,000)
Repayment of bank loan	-	(3,050,000)
Dividends paid	(1,437,000)	(1,598,000)
Interest paid	(2,550,706)	(2,197,584)
Advances repaid to related party	(40,896)	-
Interest received	1,342,858	610,022
	1,087,878	(7,297,676)
Investing activities:		
Purchase of property, plant and equipment	(20,455,825)	(11,370,607)
Proceeds on disposal of property, plant and equipment	1,447	5,401,700
Proceeds on investments	25,999	3,099,840
Net movement in regulatory balances	(267,720)	(5,000,870)
Proceeds from (issuance of) notes receivable	1,060,766	(4,851,000)
Purchase of intangible assets	(630,054)	(859,813)
Proceeds of contributed capital	7,981,168	2,442,338
Purchase of other assets	38,520	(577,716)
	(12,245,699)	(11,716,128)
Decrease in cash	(4,437,870)	(10,623,193)
Cash (bank indebtedness), beginning of year	(4,381,783)	6,241,410
Bank indebtedness, end of year	$ (8,819,653)	$ (4,381,783)

See accompanying notes to consolidated financial statements.

Reporting entity:

Newmarket Hydro Holdings Inc. (the "Company") was incorporated April 10, 2000 under the Business Corporations Act of the Province of Ontario. The Company commenced operations on November 1, 2000. Newmarket Hydro Holdings Inc. is wholly-owned by the Town of Newmarket. The address of its registered office and its principal place of business is 590 Steven Ct, Newmarket, ON L3Y 6Z2.

The principal activity of the Company is to distribute electricity to the residents and businesses in the Town of Newmarket, the Town of Midland and the Township of Tay, through its subsidiary company, Newmarket-Tay Power Distribution Ltd.

Until November 30, 2022 (note 27), the Company, through its subsidiary company, NT Holdings Inc. (formerly Envi Networks Ltd.), also offered high speed internet to the Newmarket community by providing its customers with the necessary infrastructure and equipment to utilize the service.

1. Statement of compliance:

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

The financial statements for the year ended December 31, 2023 were approved and authorized for issue by the Board of Directors on May XX, 2024.

2. Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries Newmarket-Tay Power Distribution Ltd. and NT Holdings Inc. Tay-Hydro Inc. has a 7% interest in Newmarket-Tay Power Distribution Ltd. and NT Holdings Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

3. Material accounting policies:

These financial statements are prepared in accordance with IFRS. The significant accounting policies are detailed as follows:

(a) Basis of measurement:

The financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The financial statements are presented in Canadian dollars which is also the Company’s functional currency.

(b) Regulation:

The Company's subsidiary, Newmarket-Tay Power Distribution Ltd., is licensed and regulated by the Ontario Energy Board (“OEB”). The OEB has regulatory oversight of electricity matters in Ontario. The OEB’s authority and responsibilities include the power to approve and set rates for the transmission and distribution of electricity, the power to approve the amounts paid to non-contracted generators, the responsibility to provide rate protection for rural or remote electricity customers, and the responsibility for ensuring that electricity distribution companies fulfill their obligations to connect and service customers.

The following regulatory policy is practiced in a rate regulated environment:

Regulatory accounts

Regulatory accounts represent future revenue or expenses incurred in the current or prior periods that are expected to be recovered (repaid) through the rate setting process.

These assets and liabilities include various deferral and variance accounts which arise from differences in amounts billed to customers (based on regulated rates) and the actual cost of electricity services to the Company. Regulatory assets or liabilities may also arise from changes in the assumptions underpinning an entity's distribution rates, and as ordered by the OEB. These amounts are accumulated for accounting purposes because it is probable that they will be recovered (repaid) in future rates. The Company continually assesses the likelihood of the recovery of regulatory assets and likelihood of repayment of regulatory liabilities. If recovery or repayment is no longer considered probable, the amounts are charged to operations in the year the assessment is made.

3. Material accounting policies (continued):

(c) Revenue recognition:

The Company recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Company is entitled to consideration as a result of completion or the performance obligation.

Electricity sale and distribution:

Revenues from the sale of electricity are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer.

Electricity distribution revenue is intended to recover the costs incurred by the Company in delivering electricity to its customers. These revenues are measured based on OEB-regulated distribution rates. Electricity distribution rates may include a fixed monthly charge per customer, a variable rate based on electricity usage or demand, or a combination of both fixed and variable rates, depending on the type of customer. Electricity distribution revenues are recorded on the basis of cyclical billings and include an estimated amount for electricity delivered and not yet billed. The performance obligation is satisfied over time when the electricity is simultaneously received and consumed by the customer.

Contributed Capital

Contributed capital represents certain items of property, plant and equipment which are acquired or constructed with financial assistance in the form of contributions from developers. Contributed capital in-kind were valued at their fair value at the date of their contribution.

Contributions received from customers where the Company has an ongoing performance obligation to the customer are within the scope of IFRS 15. These contributions will be initially recorded at fair value recognized on a straight-line basis over the estimated life of the contract with the customers. Where contracts are perpetual, the contributed asset will be used to provide ongoing goods or services to customers and, as such, the estimated life of the contract with the customers is estimated to be equivalent to the economical useful life of the asset to which the contribution relates.

Other income

Other income is recognized as services are rendered.

3. Material accounting policies (continued):

(c) Revenue recognition (continued):

Investments in associates

The Company accounts for its investments in associates using the equity method - a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the associate (investee).

The Company recognizes income or loss pertaining to its investment in associates annually, based on its proportional ownership share.

(d) Materials and supplies:

Materials and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies, and other costs to bring the them to their existing location and condition.

(e) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

All assets having limited useful lives are depreciated using the straight-line or declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management.

3. Material accounting policies (continued):

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

In the year of acquisition, depreciation is taken at one-half of the below rates on buildings, distribution equipment, transportation equipment, office and other.

The residual value and useful life to each class of assets are reassessed at each reporting date.

Borrowing costs directly attributable to the acquisition, construction or development of qualifying assets that necessarily take a substantial period of time to prepare for their intended use are capitalized, until such time as the assets are substantially ready for their intended use. The weighted average cost of long-term borrowings is used as the capitalization rate. Qualifying assets are considered to be those that take in excess of six months to construct.

The useful lives applicable for each class of asset are as follows:

Asset	Useful lives
Buildings	25-30 years
Distribution equipment	10-50 years
Office equipment	5-10 years
Transportation and fibre equipment	5-25 years

Property, plant and equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

3. Material accounting policies (continued):

(f) Goodwill and intangible assets:

Intangible assets include computer software, land rights, and licensed customer lists. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, if applicable. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The useful lives of the intangibles, and goodwill are as follows:

Asset	Useful lives
Computer software	3-5 years
Land rights	30 years
Licensed customer list	indefinite
Goodwill	indefinite

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software, (expenditures relating to patches and other minor updates as well as their installation), are expensed as incurred.

Land rights are capitalized based on the payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

The licensed customer list is measured at cost and not amortized but assessed for impairment annually.

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately. Goodwill is measured at cost and is not amortized but assessed for impairment annually.

3. Material accounting policies (continued):

(g) Right-of-use assets and lease liabilities:

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company is a party to two lease contracts for office space, and a third lease for substation properties in Midland.

Based on the accounting policy applied, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets and lease liability are initially measured at the present value of the future lease payments, which comprises:

(i) the amount of the initial measurement of the lease liability;

(ii) any lease payments made at or before the commencement date, less any lease incentives;

(iii) any initial direct costs incurred by the lessee; and,

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

The initial measurement of the lease liability is based on the lease payments excluding variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss. The lease payments are discounted using the OEB approved rate per the Company's most recent cost of service application. The lease term as determined by the Company comprises of the non-cancelable period of the lease contracts, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the right-of-use assets are measured at the present value of the future lease payments, less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. The Company depreciates the right-of-use asset 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):

(g) Right-of-use assets and lease liabilities (continued):

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications.

(h) Contributed capital:

Contributions for capital construction consists of contributions from customers and developers toward the cost of constructing distribution assets. The contributions are calculated through an economic evaluation as per the OEB's Distribution System Code and are recorded as received. Contributed capital is amortized over the same period as the asset to which they relate, ranging from a 10 to 50 year period.

(i) Impairment of non-financial assets:

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Material accounting policies (continued):

(j) Related parties:

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(k) Employee future benefits:

The Company accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi employer public sector pension fund, as a defined contribution plan. Both participating employers and employees are required to make plan contributions based on the participating employees' contributory earnings. The Company recognizes the expense related to this plan as contributions are made. No liability has been established for this plan.

The Company pays certain medical and life insurance benefits on behalf of its retired employees. These plans are not funded and accordingly have no plan assets. The Company's net obligation is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. This calculation is actuarially performed using the projected unit credit method. The last full valuation performed was as at December 31, 2022. Service costs are recognized in the Statement of Income in operating expenses, and include current and past service costs as well as gains and losses on curtailment. Net interest expense is included in finance costs.

(l) Income taxes:

Under the Electricity Act, 1998, the Company is required to make payments in lieu of income taxes to the Ontario Electricity Financial Corporation. Deferred income taxes are calculated using the liability method of tax accounting. In providing for income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as deferred income tax assets or liabilities. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income tax assets or liabilities.

3. Material accounting policies (continued):

(m) Significant accounting estimates and judgments:

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates, judgments and assumptions include the following:

Useful lives of depreciable assets - Depreciation and amortization expense is based on estimates of the useful lives of property, plant and equipment and intangible assets. The Company estimates the useful lives of its property, plant and equipment and intangible assets based on management's judgment, historical experience and an asset study conducted by an independent consulting firm.

Impairment of property, plant, and equipment, and finite-lived intangible assets: As part of the Company's annual impairment tests for non-financial assets, in determining whether an asset or CGU's recoverable amount is above its carrying value, significant judgment and estimation is required. Specifically, estimation and judgment is required to determine future economic benefits and cash flows associated with the underlying asset or CGU, the appropriate discount rate to apply to the future cash flows, and the fair value less cost to sell.

Payment in lieu of taxes payable - The Company is required to make payments in lieu of taxes calculated on the same basis as income taxes on taxable income earned. Significant judgment is required in determining the provision and liability or asset for income taxes. Changes in deferred taxes may be required due to changes in future tax rates.

Employee future benefits - The cost of providing certain health, dental and life insurance benefits on behalf of its retired employees are determined using actuarial valuations.

Accounts receivable, and unbilled revenue impairment - In determining the allowance for doubtful accounts, the Company considers the life-time expected credit losses that result from all possible default events over the expected life of the account balance.

3. Material accounting policies (continued):

(m) Significant accounting estimates and judgments (continued):

Leases - The Company uses its judgment to determine whether or not an option would be reasonably certain to be exercised. The Company considers all facts and circumstances including their past practice, and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

(n) Provisions:

A provision is recognized in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Some of the Company's assets may have provision obligations. As the Company expects to use the majority of its fixed assets for an indefinite period, no removal costs can be determined and, consequently, a reasonable estimate of the fair value of any asset retirement obligations has not been made at this time.

(o) Financial instruments:

Financial assets are identified and classified based on the business model used by the Company for managing those financial assets, as one of the following: at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Financial liabilities continue to be classified as measured at fair value through profit or loss or at amortized cost.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Material accounting policies (continued):

(o) Financial instruments (continued):

(i) *At amortized cost*

Cash, accounts receivable and unbilled revenue are classified as financial assets at amortized cost. These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest using the effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

The Company's accounts payable and accrued liabilities, customer deposits, subordinate debt, advance from parent company and long term debt are classified as financial liabilities at amortized cost and recognized on the date at which the Company becomes a party to the contractual arrangement. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. Financial liabilities are initially recognized at fair value including discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

(ii) *At fair value through other comprehensive income*

Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows solely represent payments of principal and interest, are classified as financial assets at fair value through other comprehensive income. These financial assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at fair value with unrealised gains and losses recognized in other comprehensive income, except for the recognition of impairment losses, reversal of impairment losses, interest income and foreign exchange gains and losses, gain or loss previously recognized in net income. On de-recognition of the financial asset, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to net income. Interest income from these financial assets is recognized as other income using the effective interest rate method. As at December 31, 2023, the Company does not have any financial assets classified at fair value through other comprehensive income.

3. Material accounting policies (continued):

(p) Changes in accounting standards:

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)):

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of “accounting estimates” and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements (IAS 1)):

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes (IAS 12)):

In May 2021, the IASB issued amendments to IAS 12. The amendments clarify how companies should account for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize both a deferred tax asset and a deferred tax liability when accounting for such transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Effective January 1, 2023, the Company adopted these amendments, with no impact on the financial statements.

3. Material accounting policies (continued):

(q) Standards and interpretations not yet effective or adopted:

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

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 non-current. 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. The Company does not expect these accounting pronouncements to have a material impact on the financial statements.

4. Short-term investments:

		2023		2022
a) Term deposit held with TD Canada Trust at an interest rate of 0.3% per annum with a maturity date of October 5, 2023.	$	-	$	25,999

a) This short-term investment is related to a stand-by letter of guarantee in the amount of $25,000.

5. Notes receivable:

	2023	2022
Note from Telmax Inc., receivable in monthly amounts of $97,250 plus interest at Bank of Canada prime rate plus 1%, due December 31, 2025	$ 2,333,000	$ 3,501,000
Note from Telmax Inc., interest is charged annually at Bank of Canada prime rate plus 1% and is due at maturity, due December 31, 2025	1,457,234	1,350,000
	3,790,234	4,851,000
Current portion of notes receivable	(1,167,000)	(1,167,000)
	$ 2,623,234	$ 3,684,000

6. Contributed capital:

	2023	2022
Deferred contributions, net, beginning of year	$ 39,864,522	$ 38,441,617
Contributed capital received	7,981,168	2,442,338
Contributed capital recognized as revenue (note 13)	(1,022,167)	(1,019,433)
Deferred contributions, net, end of year	$ 46,823,523	$ 39,864,522

Included in contributed capital is work in progress amounts of $14,148,074 (2022 - $6,316,127).

7. Employee future benefits:

The Company provides certain health, dental, and life insurance benefits for retired employees pursuant to the Company's policy. The accrued benefit obligation, and net periodic expense for the year were determined by an actuarial valuation. The last full valuation performed was as at December 31, 2022.

Information about the Company's defined benefit plan is as follows:

	2023	2022
Accrued benefit obligation, beginning of year	$ 1,188,935	$ 1,600,364
Current service cost	49,437	63,371
Interest expense	57,821	46,300
Benefits paid	(118,292)	(111,900)
Actuarial loss (gain)	93,907	(409,200)
	$ 1,271,808	$ 1,188,935

Current service costs and interest on accrued benefit obligation are recognized in the statement of income. Actuarial losses arising from changes in financial assumptions are accounted for in other comprehensive income. The total benefit costs for the year is $201,165 (2022 - $299,500).

The actuarial assumptions used in the valuation of the Company's staff are a discount rate of 4.60% (2022 - 5.05%), salary increase rate of 2.50% (2022 - 2.50%), cost trend including health benefits of 4.90% (2022 - 4.90%), dental benefits of 5.10% (2022 - 5.10%), and retirement age of 61 (2022 - 61).

A change in the actuarial assumptions would have the following impacts on the obligation:

	Reasonable possible change	Defined benefit obligation change
Discount rate	1 %	$ (136,200)
Discount rate	(1)%	167,300
Cost trends	1 %	57,800
Cost trends	(1)%	(52,300)

NEWMARKET HYDRO HOLDINGS INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Property, plant and equipment:

	Land and buildings	Distribution equipment	Transportation and fibre equipment	Office equipment	Total
Cost or deemed cost					
Balance at January 1, 2023	$ 5,718,948	$ 151,740,003	$ 3,788,703	$ 5,256,746	$ 166,504,400
Additions	-	19,457,882	905,698	640,961	21,004,541
Disposals/ retirements	-	(451,720)	-	-	(451,720)
Balance at December 31, 2023	$ 5,718,948	$ 170,746,165	$ 4,694,401	$ 5,897,707	$ 187,057,221
Balance at January 1, 2022	$ 5,718,948	$ 142,287,744	$ 3,580,702	$ 4,613,556	$ 156,200,950
Additions	-	9,967,557	263,955	945,643	11,177,155
Disposals/ retirements	-	(515,298)	(55,954)	(302,453)	(873,705)
Balance at December 31, 2022	$ 5,718,948	$ 151,740,003	$ 3,788,703	$ 5,256,746	$ 166,504,400
Accumulated depreciation					
Balance at January 1, 2023	$ 27,911	$ 36,521,810	$ 2,242,523	$ 2,151,007	$ 40,943,251
Depreciation	2,809	4,793,730	408,929	635,439	5,840,907
Disposals	-	(206,978)	-	-	(206,978)
Balance at December 31, 2023	$ 30,720	$ 41,108,562	$ 2,651,452	$ 2,786,446	$ 46,577,180
Balance at January 1, 2022	$ 25,101	$ 32,026,200	$ 1,958,637	$ 2,023,081	$ 36,033,019
Depreciation	2,810	4,695,678	339,840	423,604	5,461,932
Disposals	-	(200,068)	(55,954)	(295,678)	(551,700)
Balance at December 31, 2022	$ 27,911	$ 36,521,810	$ 2,242,523	$ 2,151,007	$ 40,943,251
Carrying amounts					
At December 31, 2023	$ 5,688,228	$ 129,637,603	$ 2,042,949	$ 3,111,261	$ 140,480,041
At December 31, 2022	5,691,037	115,218,193	1,546,180	3,105,739	125,561,149

8. Property, plant and equipment (continued):

Included in distribution equipment additions is work in progress of $13,685,823 (2022 - $14,004,413). Included in land and building is land with a value of $5,579,254 (2022 - $5,579,254).

For the year ended December 31, 2023, $544,609 (2022 - $364,272) of amortization of transportation equipment was allocated between operating costs and gross additions to distribution equipment.

For the year ended December 31, 2023, borrowing costs in the amount of $365,586 (2022 - $nil) were capitalized to property, plant, and equipment, with an average interest rate of 5.25% (2022 - nil).

9. Investment in associate:

	2023	2022
Investment in Ecobility Inc.	$ 50,554	$ 153,332

Ecobility Inc. provides program design and management, incentive application management and consulting services for commercial and residential energy efficiency programs. The investment in Ecobility Inc. is accounted for using the equity method. During the year, dividends of $585,426 (2022 - $nil) were received and the Company's proportionate share of the income of Ecobility Inc. was $482,647 (2022 - loss $99,142).

10. Leases:

The Company has leases for two office buildings, and a lease in place for electrical substations. Each lease is reflected on the statement of financial position as a right-of-use asset, and a lease liability.

Estimates on lease terms and lease extensions on lease contracts were measured based on circumstances at date of initial application. Lease payments are fixed, with leases of office buildings generally limited to a lease term of 5 to 10 years, and leases of substations having a lease term of 5 years.

The right-of-use asset and lease liability related to 590 Steven Court was modified on March 3, 2021 requiring a revaluation of $1,356,040 based on the circumstances at date of modification.

When measuring the lease liabilities, the Company determined the appropriate rate to discount lease payments as the long-term debt rate from their most recent OEB approved cost of service rate application.

Right-of-use assets

Additional information on right-of-use assets by class is as follows:

December 31, 2023	Cost	Accumulated amortization	Net book value
Office buildings	$ 3,324,244	$ 1,766,464	$ 1,557,780
Electrical substations	290,567	18,160	272,407
	$ 3,614,811	$ 1,784,624	$ 1,830,187

December 31, 2022	Cost	Accumulated amortization	Net book value
Office buildings	$ 3,324,245	$ 1,363,698	$ 1,960,547
Electrical substations	214,405	168,462	45,943
	$ 3,538,650	$ 1,532,160	$ 2,006,490

During the year, the Company had additions of $290,568 (2022 - $nil), disposals of $214,405 (2022 - $nil), and amortization of $466,870 (2022 - $422,068). During fiscal 2022, certain right-of-use assets were sold by NT Holdings Inc., as more fully described in Note 27.

10. Leases (continued):

Lease liabilities:

Lease liabilities are presented in the financial statements as follows:

December 31, 2023	Opening liability	Additions	Repayments	Carrying amount	Interest
Office buildings	$ 2,125,022	$ -	$ (350,522)	$ 1,774,500	$ 100,558
Electrical substations	32,931	290,568	(49,500)	273,999	3,870
	$ 2,157,953	$ 290,568	$ (400,022)	$ 2,048,499	$ 104,428

December 31, 2022	Opening liability	Additions	Repayments	Carrying amount	Interest
Office buildings	$ 2,448,322	$ -	$ (323,300)	$ 2,125,022	$ 117,401
Electrical substations	109,634	-	(76,703)	32,931	3,277
Fibre cable	346,265	-	(346,265)	-	11,499
	$ 2,904,221	$ -	$ (746,268)	$ 2,157,953	$ 132,177

The current portion of lease liabilities as at December 31, 2023 is $430,452 (2022 - $383,394). During fiscal 2022, the lease liabilities associated with NT Holdings Inc.'s right-of-use assets were fully repaid, as more fully described in Note 27.

11. Intangible assets:

	Cost	Accumulated amortization	2023 Net book value
Computer software	$ 2,770,961	$ 1,205,722	$ 1,565,239
Land rights	420,157	145,661	274,496
Licensed customer list	7,015,367	-	7,015,367
	$ 10,206,485	$ 1,351,383	$ 8,855,102

	Cost	Accumulated amortization	2022 Net book value
Computer software	$ 2,204,306	$ 650,633	$ 1,553,673
Land rights	420,157	131,814	288,343
Licensed customer list	7,015,367	-	7,015,367
	$ 9,639,830	$ 782,447	$ 8,857,383

During the year, the Company had additions of $630,054 (2022 - $859,813), disposals of $63,399 (2022 - $157,766) with $nil (2022 - $nil) proceeds resulting in a loss of $nil (2022 - $817), and amortization of $632,335 (2022 - $354,671).

Included in intangible assets is work in progress of $521,411 (2022 - $341,015).

Based on the results of the annual licensed customer list impairment test, the Company determined that the recoverable amount of the cash generating unit is more than its carrying value. No impairment has been recorded in the period ended December 31, 2023.

12. Goodwill:

	Cost	2023 Net book value
Goodwill	$ 6,864,284	$ 6,864,284

	Cost	2022 Net book value
Goodwill	$ 6,864,284	$ 6,864,284

Goodwill with a carrying amount of $6,864,284 (2022 - $6,684,284) was allocated to the Company's entire business as a cash generating unit as a result of a business acquisition and amalgamation.

Based on the results of the annual goodwill impairment test, the Company determined that the recoverable amount of the cash generating unit is more than its carrying value. No impairment has been recorded in the period ended December 31, 2023.

13. Other income:

Other income consists of the following:

	2023	2022
Pole rental charges	$ 127,000	$ 117,059
Customer charges	205,941	249,631
Recognition of contributed capital (note 6)	1,022,167	1,019,433
Other income (expense)	(58,243)	313,172
Income (loss) from Ecobility Inc.	482,647	(99,142)
	$ 1,779,512	$ 1,600,153

14. Regulatory account balances:

All amounts recognized as regulatory account balances are subject to approval by the OEB before they are recoverable from (or returned to) customers. Remaining recovery periods are those expected and the actual recovery or settlement periods may differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has recognized the following regulatory account balances expected to be recovered or repaid in future periods:

Regulatory account debit balances	January 1, 2023	Balances arising in the period	Recovery/ reversal	December 31, 2023
RSVA (i)	$ 7,449,903	$ 2,526,497	$ (2,234,332)	$ 7,742,068
Other regulatory assets (ii)	2,017,198	(187,777)	(814,048)	1,015,373
Regulatory deferred tax asset (iii)(A)	3,025,872	(1,533,492)	-	1,492,380
Recovery account (iv)	412,704	2,973,345	(1,958,973)	1,427,076
	$ 12,905,677	$ 3,778,573	$ (5,007,353)	$ 11,676,897

Regulatory account debit balances	January 1, 2022	Balances arising in the period	Recovery/ reversal	December 31, 2022
RSVA (i)	$ 3,726,202	$ 4,388,295	$ (664,594)	$ 7,449,903
Other regulatory assets (ii)	2,010,562	484,054	(477,418)	2,017,198
Regulatory deferred tax asset (iii)	-	3,025,872	-	3,025,872
Recovery account (iv)	312,514	1,146,197	(1,046,008)	412,703
	$ 6,049,278	$ 9,044,418	$ (2,188,020)	$ 12,905,676

14. Regulatory account balances (continued):

Regulatory account credit balances		January 1, 2023		Balances arising in the period		Recovery/ reversal		December 31, 2023
Recovery account (iv)	$	61,255	$	18,430	$	(49,569)	$	30,116
RSVA (i)		150,073		95,162		(25,466)		219,769
Other regulatory liabilities (ii)		1,349,820		315,179		-		1,664,999
Regulatory deferred tax liability (iii)		2,242,532		(1,850,235)		-		392,297
	$	3,803,680	$	(1,421,464)	$	(75,035)	$	2,307,181

Regulatory deferral account credit balances		January 1, 2022		Balances arising in the period		Recovery/ reversal		December 31, 2022
Recovery account (iv)	$	978,087	$	(916,832)	$	-	$	61,255
RSVA (i)		30,588		125,392		(5,907)		150,073
Other regulatory liabilities (ii)		939,481		410,339		-		1,349,820
Regulatory deferred tax liability (iii)		-		2,242,532		-		2,242,532
	$	1,948,156	$	1,861,431	$	(5,907)	$	3,803,680

(i) Retail Settlement Variance Account (“RSVA”) balances are comprised of flow-through transactions incurred by the Company on behalf of its customers. The amounts include:

- variances between various wholesale market settlement charges and transmission charges paid by the Company, as compared to the amount billed to consumers based on the OEB-approved rates;
- variances between the amounts charged by Hydro One Networks Inc. ("Hydro One") for low voltage services and the amount billed to consumers, and;
- variances between amounts charged to customers for the sale of electricity, and the total commodity costs paid to the IESO and Hydro One.

RSVA balances are typically proposed for disposition to be recovered from (or refunded to) customers through an annual application to the OEB. Carrying charges are recorded monthly on the opening balances.

14. Regulatory account balances (continued):

(ii) Other regulatory balances include:

- variances between the revenue charged to retailers of electricity and the retail services costs associated with providing these services;
- variances associated with statutory changes in corporate income tax rules, as compared to those assumed in the Company's underlying distribution rates;
- variances associated with changes in the rates the Company charges telecommunication carries for use of its assets, as compared to those assumed in its underlying distribution rates;
- variances associated with the cost of deployment of smart meters, as compared to the values assumed in the Company's underlying distribution rates.

Other regulatory balances are typically proposed for disposition to be recovered from (or refunded to) customers through a cost-based rate application to the OEB, which for the Company is expected to be for rates effective in 2028. Carrying charges are recorded monthly on the opening balances.

(iii) The Company records deferred tax assets or liabilities with a corresponding regulatory tax liability or asset when those differences are ultimately expected to be included in the Company's future rate applications. The Company will not seek disposition of these balances as they will be reversed through timing differences in the recognition of deferred tax assets or liabilities.

(iv) Recovery Accounts are used to record the values of deferral and variance account balances, previously held in other regulatory accounts, that have been approved by the OEB. Any residual balances remaining in Recovery Accounts are typically proposed for disposition to be recovered from (or refunded to) customers through a subsequent application to the OEB. Carrying charges are recorded monthly on the opening balances.

15. Finance income and finance costs:

	2023	2022
Finance income:		
Interest income on accounts receivable	$ 678,376	$ 294,542
Interest income on cash balance	87,851	111,787
Interest income on regulatory assets	576,631	203,693
	$ 1,342,858	$ 610,022

	2023	2022
Finance costs:		
Interest on long-term debt	$ 1,501,921	$ 1,844,025
Interest expense on lease liabilities	104,428	132,177
Interest expense on customer deposits	134,839	11,565
Interest expense on regulatory liabilities	271,521	55,306
Other interest expense	537,997	154,511
	$ 2,550,706	$ 2,197,584

16. Changes in non-cash operating working capital:

	2023	2022
Accounts receivable	$ (1,723,356)	$ 579,779
Unbilled revenue	(349,551)	(1,213,659)
Materials and supplies	(609,187)	(634,517)
Prepaid expenses	(123,877)	(26,829)
Accounts payable and accrued liabilities	(499,153)	(1,054,140)
Deposits held	(1,670,943)	(577,984)
Income tax paid	(356,611)	12,580
	$ (5,332,678)	$ (2,914,770)

17. Cash (bank indebtedness):

The Company has a $22,000,000 (2022 - $14,500,000) operating facility from a major chartered bank. The facility is a 364 day committed revolving operating loan, bearing interest at Canadian bank prime, to be repaid in full upon maturity unless extended by the bank at the bank's sole discretion. A commitment fee of 0.125% per annum, payable quarterly applies to any unused portion of the facility. As at December 31, 2023, the Company has $8,447,603 (2022 - $1,165,398) drawn on this facility.

The Company has provided prudential support in the amount of $10,481,570 to the Independent Electricity System Operator ("IESO"). The prudential support is secured by a letter of credit with a major chartered bank for $10,481,570, contains restrictive clauses with respect to debt repayments, is due on demand in the event of cancellation or draw and bears interest at 0.5% per annum.

A general security agreement representing a first charge on all assets of the Company, a second charge on all assets of Tay Hydro Inc. prior to amalgamation and supported by a priorities agreement with the Township of Tay giving the bank priority over all the assets. There is also an assignment of business/liability insurance from the Company.

The Company is required to meet certain financial covenants related to the credit facility and long-term debt described in Note 23. At December 31, 2023, the Company was in compliance with all covenants.

18. Accounts payable and accrued liabilities:

	2023	2022
Accounts payable - purchased power	$ 5,735,261	$ 6,275,948
Other trade accounts payable and accrued liabilities	5,270,256	5,702,204
Water and sewer billings payable (note 22)	7,729,516	6,833,342
Credits on customer accounts	1,245,369	1,462,084
Conservation demand management programs	7,347	417,459
HST payable	351,276	147,141
	$ 20,339,025	$ 20,838,178

19. Deposits held:

Deposits held represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

Construction deposits represent cash payments from developers in order to secure the performance of the developer's obligations under the Construction Agreement for Expansion Facilities and Connection Assets Supplied by Developer - Residential Subdivision (The Construction Agreement).

	2023	2022
Current portion of customer deposits	$ 240,346	$ -
Current portion of construction deposits	216,951	103,519
	$ 457,297	$ 103,519

	2023	2022
Long-term portion of customer deposits	$ 401,772	$ 2,287,907
Long-term portion of construction deposits	36,461	175,047
	$ 438,233	$ 2,462,954

20. Subordinated debt:

The subordinated debt is in the form of a promissory note, payable to the Township of Tay. No repayment of the Township of Tay subordinated debt is permissible until all payment obligations of the long-term debt are fulfilled, or the bank waives the subordination requirement. As at year end December 31, 2023, the amount payable was $1,742,821 (2022 - $1,742,821), and the interest rate is 5.48%. Interest paid on the debt during the year was $95,507 (2022 - $95,507).

21. Unrealized gain/loss interest rate swaps:

To manage the risk of fluctuating interest rates, each of the Company's long-term debt instalment loans, as described in Note 13, have been structured with an interest rate swap derivative agreement with the issuing bank, effectively converting the obligations into a fixed interest rate loan. The derivative swap agreements entered into with the bank do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the reporting period, with the unrealized gain or loss recorded in the statement of income.

The unrealized loss for the year ended December 31, 2023 was $1,814,887 (2022 – unrealized gain of $5,898,345). As at December 31, 2023, the Company would have been entitled to receive $2,088,302 (December 31, 2022 – $3,903,189) had it elected to unwind its position with respect to its interest rate swap derivatives.

22. Related party balances and transactions :

(a) The Company entered into transactions with the Town of Newmarket, which is the sole shareholder of Newmarket Hydro Holdings Inc. The Company also entered into transactions with Tay Hydro Inc., which is related through non-controlling interest in the Company's subsidiaries", as well as with the Township of Tay, which is the sole shareholder of Tay Hydro Inc.

Included in accounts payable and accrued liabilities are water and sewer amounts collected, on behalf of and due to the Town of Newmarket.

Subordinated debt is comprised of a note payable to the Township of Tay.

(b) Transactions

These transactions are measured at the exchange amount, which is the amount of consideration established, and agreed to by the related parties.

	2023	2022
Revenue:		
Energy sales	$ 2,832,029	$ 2,548,938
Water and sewer	742,800	508,200
Services	4,561	-
	$ 3,579,390	$ 3,057,138

	2023	2022
Expenses:		
Interest	$ 95,507	$ 204,506
Rent	345,948	345,948
Property tax and storm water	178,028	185,824
Other services	33,060	-
	$ 652,543	$ 736,278

22. Related party balances and transactions (continued):

(c) The following amounts are due from related parties and included in accounts receivable:

		2023		2022
Accounts receivable:				
Town of Newmarket	$	293,976	$	748,199
Township of Tay		56,171		32,879
Tay Hydro Inc.		29,340		79,991
	$	379,487	$	861,069

(d) The following amount is due to a related party and included in the financial statements:

		2023		2022
Tay Hydro Inc.	$	-	$	40,896

The key management personnel of the Company has been defined as members of its board of directors, executives, and other management personnel. Wages and benefits paid to these individuals total $3,855,868 (2022 - $3,591,899).

23. Long-term debt:

		2023		2022
(a) Term instalment loan 1	$	9,194,920	$	9,404,763
(b) Term instalment loan 2		6,738,658		6,955,562
(c) Term instalment loan 3		3,175,305		3,434,915
(d) Term instalment loan 4		5,771,150		5,771,150
(e) Term instalment loan 5		6,619,900		6,619,900
(f) Term instalment loan 6		22,000,000		22,000,000
(g) Term instalment loan 7		4,900,000		-
(h) Canadian Emergency Business Account ("CEBA") loan		-		40,000
		58,399,933		54,226,290
Less current portion of long-term debt		714,408		665,066
	$	57,685,525	$	53,561,224

23. Long-term debt (continued):

(a) Unsecured, non-revolving term instalment loan with an effective 30-year interest rate of 4.077%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers' Acceptances, plus a stamping fee of 0.80%, blended monthly principal and interest payments of $49,003, due October 2048.

(b) Unsecured, non-revolving term instalment loan with an effective 10-year interest rate of 4.059%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.80%, blended monthly principal and interest payments of $41,064, due October 2028.

(c) Unsecured, non-revolving term instalment loan with an effective 15-year interest rate of 3.922%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.80%, blended monthly principal and interest payments of $32,374, due October 2033.

(d) Unsecured, non-revolving term instalment loan with an effective 5-year interest rate of 1.772%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.80%, interest only monthly payments of $8,522, due January 2026.

(e) Unsecured, non-revolving term instalment loan with an effective 5-year interest rate of 2.191%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.80%, interest only monthly payments of $12,087, due September 2026.

(f) Unsecured, non-revolving term instalment loan with an effective 5-year interest rate of 3.149%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.75%, interest only monthly payments of $57,732, due February 2032.

(g) Unsecured, non-revolving term instalment loan with an effective 5-year interest rate of 5.384%, utilizing a fixed rate swap converting variable interest rates on unsecured Bankers’ Acceptances, plus a stamping fee of 0.75%, interest only monthly payments of $21,985, due October 2028.

(h) The Canada Emergency Business Account ("CEBA") loan in the amount of $40,000 represents the unforgivable balance of the $60,000 interest-free loan received under the Government of Canada COVID response programs. One third of the loan will be eligible for loan forgiveness, up to $20,000, if the loan is fully repaid on or before December 31, 2023. The $20,000 forgiven portion has been included in other income in the year it was received, and represents the maximum forgivable portion of the loan. During fiscal year 2023, the unforgivable balance of the loan was repaid in full.

23. Long-term debt (continued):

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

2024	$ 714,408
2025	743,611
2026	13,165,056
2027	805,643
2028	11,250,515
Thereafter	31,720,700
	$ 58,399,933

24. Operating expenses:

Operating expenses consist of the following:

	2023	2022
Wages and benefits	$ 4,037,594	$ 4,323,633
Materials, equipment and other operating expenses	2,904,169	2,869,144
Administration and overhead	7,389,453	7,877,343
	$ 14,331,216	$ 15,070,120

25. Share capital:

	2023	2022
Authorized:		
Unlimited number of common shares		
Issued:		
10,000 common shares	$ 29,609,342	$ 29,609,342

26. Income tax expense:

		2023		2022
Current tax expense	$	989,077	$	16,475
Deferred tax expense:				
Change in recognized deductible temporary differences		(245,392)		2,529,456
Total current and deferred income tax in profit or loss, before net movement in regulatory balances		743,685		2,545,931
Other comprehensive income:				
Post-employment benefits		(24,885)		108,438
Total current and deferred tax, before net movement in regulatory balances		718,800		2,654,369
Net movement in regulatory balances		(316,743)		(783,340)
Income tax expense recognized in statement of income	$	402,057	$	1,871,029

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 26.5% (2022 - 26.5%) to the earnings before income taxes. The reasons for the differences and related tax effects are as follows:

		2023		2022
Income before taxes	$	2,914,976	$	12,894,456
Expected tax provision on income at statutory rates	$	772,468	$	3,417,030
Increase (decrease) in income taxes resulting from:				
Permanent differences		19,303		4,033
Recognized deductible temporary differences due to/from customers		(316,743)		(783,340)
Other		(110,207)		68,861
Non-taxable portion of capital gain		-		(385,609)
Increase (decrease) in valuation allowance		37,236		(449,946)
Income tax expense	$	402,057	$	1,871,029

26. Income tax expense (continued):

		2023		2022
Deferred tax assets:				
Non-capital loss carryforward	$	4,414	$	1,884,917
Post-employment benefits		337,029		315,068
Other		156,928		42,547
	$	498,371	$	2,242,532

		2023		2022
Deferred tax liabilities:				
Property, plant and equipment	$	1,492,380	$	821,429
Interest rate swaps		553,400		1,034,345
Regulatory assets		-		2,204,444
	$	2,045,780	$	4,060,218

27. Discontinued operations:

In October 2022, the Company entered into an agreement of purchase and sale for NT Holdings Inc.'s property, plant and equipment, intangible assets, and customer contracts representing the business of NT Holdings Inc. The sale of these assets was completed on December 1, 2022 and terms included the Company receiving vendor take-back notes (note 4) and certain credits for future services.

Included the consolidated statement of income are the following discontinued operation results:

		2023		2022
Revenue	$	-	$	920,468
Indirect costs		-		(419,295)
Wages and benefits		-		(410,576)
Materials, equipment and other operating expenses		-		(228,947)
Administration and overhead		-		(341,725)
Finance income		-		8,551
Finance cost		-		(147,086)
Gain on sale of business		-		3,487,970
Other income		-		1,570
Amortization of capital assets		-		(197,381)
		-		-
Income (loss) from discontinued operations		-		2,673,549
Future income tax expense (reduction)		-		(122,554)
Income (loss) from discontinued operations	$	-	$	2,796,103

28. Non-controlling interest:

The changes in non-controlling interest consist of:

		2023		2022
Non controlling interest, beginning of year	$	3,990,334	$	3,330,309
Income		137,223		743,381
Dividends paid		(101,000)		(112,000)
Other comprehensive income (loss)		(6,573)		28,644
Non-controlling interest, end of year	$	4,019,984	$	3,990,334

29. Pension agreement:

The Company makes contributions to the OMERS, which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of retirement benefits to be received by the employees based on the length of service and rates of pay.

The most recently available OMERS annual report is for the year ended December 31, 2023, which reported that the plan was 97% funded, with an unfunded liability of $4.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

The amount the Company contributed to OMERS for the year was $907,668 (2022 - $858,093).

30. Capital disclosures:

The Company’s primary objective when managing capital is to maintain a prudent financial structure in order to safeguard the Company's assets, and to provided adequate returns for its shareholders, and benefits to the stakeholders.

31. Financial instruments and risk management:

Financial instruments consist of recorded amounts of cash, accounts receivable and unbilled revenue which will result in future cash receipts, as well as bank indebtedness, accounts payable and accrued liabilities, deposits held, advances from its majority shareholder, and long-term debt which will result in future cash outflows.

The Company does not believe that it is exposed to significant foreign exchange risk or market risk.

31. Financial instruments and risk management (continued):

The Company is exposed to the following risks in respect of certain financial instruments held:

(a) Fair value:

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arms' length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, subordinated debt, and customer deposits, approximate their carrying values due to the relatively short-term nature of the instruments and/or interest rates that are similar to market rates of interest available to the Company.

Financial instruments which are disclosed at fair value are to be classified using a three level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

i. Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;

ii. Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

iii. Level 3: Inputs for the liabilities that are not based on observable market data (unobservable inputs).

The estimated fair values of long-term debt using level 2 inputs approximate carrying values due to the fact that effective interest rates are not significantly different from market rates.

Each of the Company's long-term debt instalment loans, as described in Note 13, have been structured with an interest rate swap derivative agreement with the issuing bank. As at December 31, 2023 the fair market value of the swaps has been recognized as an asset of $2,088,301 (2022 - $3,903,189) in the statement of financial position.

31. Financial instruments and risk management (continued):

(b) Credit risk:

The Company is exposed to the risk of counterparties defaulting on their obligations. The Company monitors and limits its exposure to credit risk on a continuous basis. The credit risk related to cash and cash equivalents is mitigated by the Company in assessing and monitoring the credit exposures of counterparties. The Company’s exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Company is exposed to credit risk with respect to customer non-payment of electricity bills. The Company considers the current economic and credit conditions to determine the expected credit loss allowance of its accounts receivable and unbilled revenue. Due to current uncertain economic conditions, the estimates and judgments made by management in the preparation of the expected credit loss allowance are subject to estimation uncertainty. The Company determines the expected credit loss allowance based on current estimates and assumptions, including, but not limited to, recent trends for customer collections and current and forecasted economic conditions. The Company continues to actively monitor its exposure to credit risk.

The Company manages counterparty credit risk through various techniques, including limiting total exposure levels with individual counterparties consistent with the Company’s policies and monitoring the financial condition of counterparties.

The Company considers that the credit risk of accounts receivable and unbilled revenue is limited due to the following reasons:

(i) There is a broad base of customers, and no single customer accounts for more than 10% of the total revenue earned or more than 10% of the Company’s total accounts receivable balance.

(ii) The Company may obtain a security deposit from customers to mitigate risk of payment default, in accordance with rules established by the OEB.

(iii) The percentage of accounts receivable and unbilled revenue that is outstanding more than 90 days is approximately 5% (2022 - 5%) of the total accounts receivable and unbilled revenue.

31. Financial instruments and risk management (continued):

(b) Credit risk (continued):

Reconciliation between the opening and closing expected credit loss allowance balances for accounts receivable and unbilled revenue is as follows:

	2023	2022
Expected credit loss allowance:		
Balance, beginning of year	$ (2,041,469)	$ (1,375,089)
Additional expected credit loss allowance	451,924	(945,220)
Write-off, net of recoveries	328,983	278,840
Balance, end of year	$ (1,260,562)	$ (2,041,469)

Pursuant to their respective terms, accounts receivable are aged as follows as December 31, 2023:

	2023	2022
Accounts receivable, gross:		
Outstanding for not more than 30 days	$ 15,635,012	$ 13,466,120
Outstanding for more than 30 days and not more than 90 days	1,279,268	2,105,180
Outstanding for more than 90 days	1,327,283	1,727,814
Total accounts receivable, gross	18,241,563	17,299,114
Unbilled revenue, gross	10,569,078	10,219,527
Expected credit loss allowance	(1,260,563)	(2,041,470)
	$ 27,550,078	$ 25,477,171

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has access to credit facilities and monitors cash balances daily. Short-term liquidity is provided through cash on hand, funds from operations and a revolving credit facility. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

31. Financial instruments and risk management (continued):

(c) Liquidity risk (continued):

The liquidity risks associated with financial commitments as at December 31, 2023 are as follows:

	Within 1 year	1-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 20,339,025	$ -	$ -	$ 20,339,025
Income taxes payable	561,089	-	-	561,089
Deposits held	457,297	438,233	-	895,530
Long-term debt				
Loan 1, 4.077% effective rate	218,559	1,236,768	7,739,593	9,194,920
Loan 2, 4.059% effective rate	225,873	6,512,785	-	6,738,658
Loan 3, 3.922% effective rate	269,976	1,520,471	1,384,858	3,175,305
Loan 4, 1.722% effective rate	-	5,771,150	-	5,771,150
Loan 5, 2.191% effective rate	-	6,619,900	-	6,619,900
Loan 6, 3.149% effective rate	-	-	22,000,000	22,000,000
Loan 7, 5.384% effective rate	-	4,900,000	-	4,900,000
Interest payments on loans	1,963,792	7,920,484	4,970,437	14,854,713
Leases	521,746	1,755,777	-	2,277,523
Employee future benefits	-	-	1,271,808	1,271,808
Subordinated debt	-	-	1,742,821	1,742,821
	$ 24,557,357	$ 36,675,568	$ 39,109,517	$ 100,342,442

31. Financial instruments and risk management (continued):

(d) Interest rate risk:

The Company is exposed to interest rate fluctuations with respect to its bank indebtedness, long-term debt, customer deposits held, employee future benefits, and regulatory account balances. In management's view, the Company effectively mitigates the largest potential source of interest rate risk exposure, which is with respect to its long-term debt.

The Company enters into interest rate swap derivative agreements with its bank to exchange interest rate cash flows. Under these agreements, the Company and the bank have the periodic exchange of payments without exchanging the notional principal amount on which the payments are based. This effectively provides the Company with fixed rate loans, which reduces the impact of fluctuating interest rates on long-term debt. The Company does not enter into any such financial instrument for speculative purposes.

32. Contingencies:

(a) In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The guarantees include indemnities under purchase and sale agreements, confidentiality agreements, outsourcing, service and information agreements. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability related to the likelihood and predictability of future events. Historically, the Company has not made any significant payments under similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

(b) Indemnity has been provided to all directors and/or officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential suits or actions. The amount of any potential future liability which exceeds the amount of insurance coverage cannot reasonably be determined.

(c) The Company participates with other municipal utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electric Association Reciprocal Insurance Exchange. Under this agreement, the Company is contingently liable for additional assessments to the extent that premiums collected are not sufficient to cover actual losses, claims and costs experienced.

33. Comparative information

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

Annual General Meeting

Newmarket Hydro Holdings Inc.

Required Motions

- Approval and Adoption of Financial Statements
- Appointment of Auditors
- Election of Directors
- Approval of Past Acts

2023 Year In Review

- Financial Performance
- Modern Slavery Act
- Rebranding
- Strategic Plan
- Customer Experience
  - Outage Communications
  - Outage Reporting (SAIDI & SAIFI)
  - Bill Redesign

Financial Performance

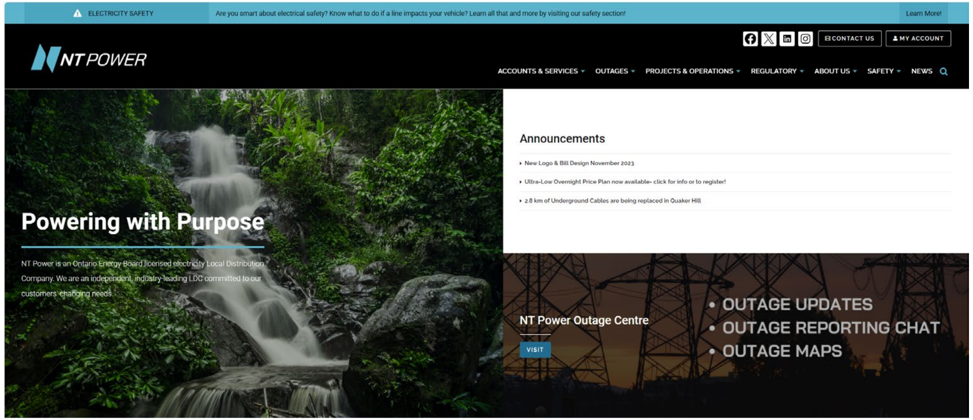
- Strong 2023 fiscal year in terms of revenues, profitability, and capital investment
  - 25.2M in electricity distribution revenue (2022 - $24.1M)
  - Adjusted income before tax of $4.7M (2022 - $4.6M)
  - Total capital expenditures of $13.1M (2022 - $9.8M)
- Transition successfully complete post-sale of NT Holdings (formerly ENVI Networks Inc.)
- Capital funding approved by regulator for critical infrastructure project

Modern Slavery Act

- Bill S-211 *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (also known as the Modern Slavery Act)
- First effective reporting requirements (2023 calendar year)
- Joint report (NHHI and NT Power) filed April 19, 2024, and posted on NT Power's website
- Requirement to deliver report to shareholders, alongside annual financial statements

Rebranding


NT POWER
NT POWER


ELECTRICITY SAFETY
Are you smart about electrical safety? Know what to do if a line impacts your vehicle? Learn all that and more by visiting our safety section!
Learn More!
CONTACT US
MY ACCOUNT
NT POWER
ACCOUNTS & SERVICES
OUTAGES
PROJECTS & OPERATIONS
REGULATORY
ABOUT US
SAFETY
NEWS
Powering with Purpose
NT Power is an Ontario Energy Board licensed electricity Local Distribution Company. We are an independent, industry-leading LDC committed to our customers' changing needs.
Announcements
New Logo & Bill Design November 2023
Ultra-Low Overnight Price Plan now available- click for info or to register!
2.8 km of Underground Cables are being replaced in Quaker Hill
NT Power Outage Centre
VISIT
OUTAGE UPDATES
OUTAGE REPORTING CHAT
OUTAGE MAPS


NT POWER


Powering
with
Purpose
NT POWER

Strategic Plan

Our Purpose

To foster thriving sustainable communities.

Our Mission

To be trusted by our customers to provide simple, sustainable energy solutions.

Our Vision

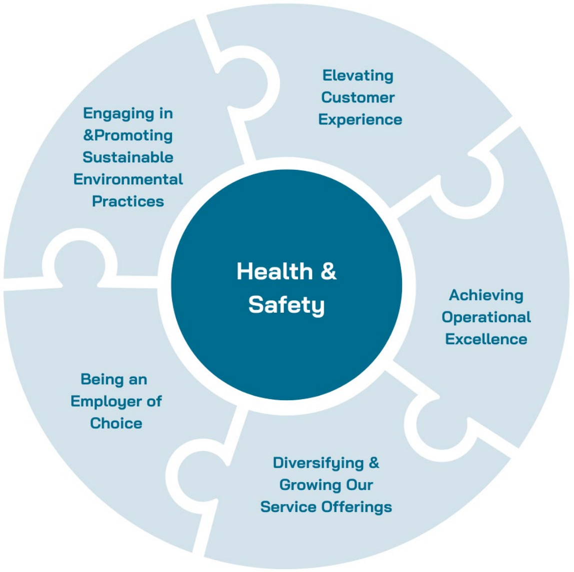
To be a leader in providing energy choice.

Our Values

At NT Power we value:

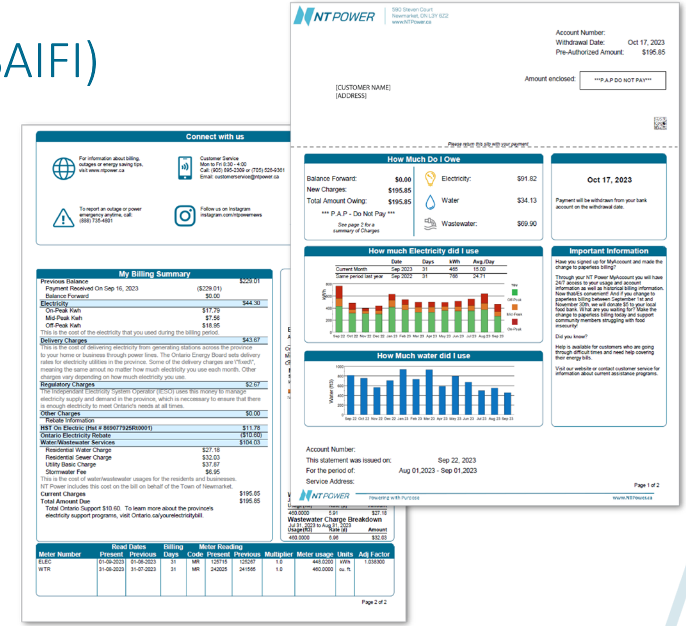
- Creative employees working collaboratively
- Delivering an exceptional customer experience
- Anticipating solutions to meet the evolving needs of our customers and communities Pursuing environmental and financial sustainability
- Being bold and innovative in our thinking

While prioritizing health and safety in everything we do.



Customer Experience

- Outage Communications
- Outage Reporting (SAIDI & SAIFI)
- Bill Redesign



Looking Ahead

- New Distribution System Plan Completed for 2025-2027
- Yonge Street Project
- Metrolinx Project
- Outage Management System (OMS)
- 3 Transformers & 1 New Station
- Environmental Social Governance (ESG)

Questions

2023 Report on Bill S-211 Fighting Against Forced Labour and Child Labour in Supply Chains Act

NT POWER

Report Dated: April 19, 2024

Newmarket-Tay Power Distribution Ltd. is filing this report jointly with its majority shareholder, Newmarket Hydro Holdings Inc.

Structure, Activities and Supply Chains

Corporate Structure & Employees

Newmarket-Tay Power Distribution Ltd.

Newmarket-Tay Power Distribution Ltd. (NT Power) was incorporated on May 1, 2007, by amalgamation of the former entities: Newmarket Hydro Ltd. and Tay Hydro Electric Distribution Company Inc. Subsequently, on September 7, 2018, NT Power purchased (and amalgamated with) the former entity Midland Power Utility Corporation. NT Power is owned by Newmarket Hydro Holdings Inc. (NHHI), which holds a 93% controlling interest, and Tay Hydro Inc., which holds a 7% non-controlling interest.

The principal activity of NT Power is to distribute electricity to the residents and businesses in the Town of Newmarket, Town of Midland, and the Township of Tay. NT Power employs approximately 80 people. This workforce is engaged directly via employment contracts, and some members of the workforce may also be part of a Collective Bargaining agreement. The employment contracts and workplace policies are regularly reviewed to ensure compliance with workplace laws.

Newmarket Hydro Holdings Inc.

NHHI is a holding company, with no active business of its own. It has two subsidiaries and a minority interest in a third company, as set out below:

1) NT Power (93% ownership)
2) NT Holdings Inc. (93% ownership)
3) Ecobility Inc. (20% minority ownership)

NT Holdings Inc. and Ecobility Inc. are not considered entities with reporting obligations under the Act.

NT Holdings Inc. (formerly ENVI Networks Inc.) started operations in 2018. Until the sale of its business in 2022, the NHHI's primary activity was to provide high speed internet to the Newmarket community by providing its customers with the necessary infrastructure and equipment to utilize the service. Today, NHHI's operations are effectively discontinued and are limited to facilitating cash flow exchanges between the company and the purchasing entity, all of which pertain to the sale of the business.

Ecobility Inc. is a discontinued business, which previously provided conservation and demand management services to electricity distributors in Ontario.

Activities

NT Power's mandate is to provide safe, reliable, efficient, and cost-effective delivery of electricity to approximately 45,0000 residents and businesses in its service territory, within the Town of Newmarket, Town of Midland, and the Township of Tay. NT Power is licensed and regulated by the Ontario Energy Board.

As a distributor, NT Power's role is to deliver electricity safely and reliably, at a reasonable cost. NT Power distributed approximately 837,000,000 kWh of electricity in 2023, with an average monthly peak demand of approximately 142,000 kW. As the point of contact for electricity with the end-use customer, NT Power invoices and receives revenue for the entire bulk electricity system, including generation, transmission, and distribution. The revenues collected for generation and transmission are remitted as a pass-through (with no profit) to the corresponding entities via the IESO.

NT Power is not in the business of importing goods. However, some imported goods may be used to support the distribution of electricity. It is NT Power's understanding that the Act is not intended to capture services that solely support the production or importation of goods.

Supply Chains

NHHI is a holding company and does not have operations of its own, and therefore, no supply chain to consider.

Regarding NT Power, the bulk electricity system in Ontario is broken into three main segments:

- Generation: the production of electricity through the operation of nuclear, hydroelectric, natural gas, solar, wind, and other facilities;
- Transmission: the bulk movement of the electricity from the generating site along high-voltage power lines over long distances; and
- Distribution: carrying the electricity from the transmission system to individual consumers.

Another important participant in the bulk electricity system, is the Independent Electricity Operator ("IESO"), which operates and monitors the province wide electricity grid is operated and monitored, directing the flow of electricity, balancing the hundreds of supply resources with demand.

As the owner, constructor, and maintainer of the distribution system within its territory, NT Power's total assets is based on the infrastructure assets which have an operating life of between 30 and 50 years. In 2023, capital assets totaled CAD $158 million. However, the capital expenditures in 2023, which more closely reflects the purchase of new assets, totaled CAD $7M, or 5% of total capital assets. A review of NT Power's 2023 purchases including those pertaining the electricity distribution system indicates that the majority of NT Power's purchases are from Canadian vendors.

Steps to Prevent and Reduce Risks of Forced Labour and Child Labour

NHHI is a holding company and does not have operations of its own. Of its investments and subsidiaries, only NT Power has operations with a supply chain that may be impacted by forced labour or child labour.

In 2023, NT Power relied on its existing policies and procedures to address any potential forced or child labour in its supply chains. NT Power became aware of the need to assess forced and child labour in the supply chain in late 2023 through the introduction of Bill S-211. While NT Power did not undertake a full review and assessment, NT Power does not believe there is a high risk of forced labour and child labour in its supply chain based on management's existing knowledge of first-tier suppliers.

NT Power is committed to working collaboratively with the suppliers it is in business with, along with industry stakeholders, to understand where risks are, and where there are required changes. NT Power is committed to improving its practices, wherever applicable, to combat forced labour and child labour.

Policies and Due Diligence Processes

Internal

NT Power is committed to being a workplace that is trusted by employees, customers, and shareholders. NT Power's mission is to be trusted by customers to provide simple, sustainable energy solutions. The Company encourages employee actions that align with its purpose, and to be a long-term community partner. NT Power maintains a respectful workplace free of discrimination, sexual harassment, and workplace harassment, and believe that all workplace incidents, illnesses, and environmental impacts are preventable and that no task or production schedule is more important than the mental and physical health of a worker, the safeguarding of the public, or the protection of the natural environment.

NT Power complies with all applicable provincial and federal laws and regulations as a minimum standard. All employees acting on behalf of NT Power are expected to comply with this commitment and all related corporate policies, including:

Laws and Regulations:

- Employment Standards Act 2000;
- Labour Relations Act, 1995;
- Personal Information Protection and Electronic Documents Act (Canada), 2000;
- Ontario Human Rights Code, R.S.O. 1990; and
- Occupational Health and Safety Act as amended, R.S.O. 1990 ("OHSA).

Internal Codes & Policies:

- Code of Conduct;
- Health & Safety;
- Workplace Violence and Harassment Policy;
- Accessibility (AODA) Policies.

Hiring Practices & Policies:

Within the various policies and hiring procedures, NT Power adheres to the following extracted items:

- All open job opportunities are posted on a variety of website job boards, and on NT Power's website, inviting candidates to apply;
- Complying with provincial regulations, no one under the age of 16 will be employed, and co-op students must be enrolled full-time in a community college or university program;
- In no case shall an employee be required to work more than 60 hours in any one week;
- Barring exceptional circumstances, and subject to the Employment Standards Act, 2000, an employee cannot be required to work on a public or paid holiday;
- Employees are entitled to rearrange their work duties without loss of pay in order to observe the religious holiday(s) of their faith; and
- Employees are offered: sick leave, bereavement leave, pregnancy leave, parental leave, family medical leave.

NT power has employees represented by a union, providing the prompt and equitable resolution of employment related complaints, grievances and disputes, promoting co-operation and understanding between NT Power and members of the bargaining unit, and recognizing the mutual value of joint discussions and negotiations in matters pertaining to the improvement of working conditions, scale of wages, employee benefits and other employment-related matters.

As at the end of 2023, NT Power did not have specific employee training on forced labour and child labour.

As at the end of 2023, NT Power was primarily relying on existing policies and procedures to address forced labour and child labour. NT Power had not yet developed policies and procedures to assess the effectiveness in ensuring forced labour and child labour is not used in its supply chain.

External

NT Power strives to only work with suppliers and manufacturers that align with its key principles, behaviours, and core values. Working to maintain an open and competitive purchasing environment, NT Power has a Purchasing Policy in place to ensure reliable suppliers and contracts. One of the principles governing the Policy is to encourage suppliers to consider sustainability and social responsibility in the product or service offering. The Policy ensures that employees responsible for the purchasing of goods and services are operating within guidelines towards the procurement of equipment and supplies in accordance with industry standards and regulations.

Risk of Forced Labour and Child Labour, Mitigation of the Risk

Internal

Given the adherence to laws, and the polices and procedures in place for all employees, NT Power is confident that there is no forced labour or child labour within its employees, all of whom work and reside in Ontario, Canada.

External

NT Power purchases finished products or electricity distribution equipment that it then uses to assemble according to its own engineered designs to provide the service of electricity. The equipment and the assemblies of the equipment must be specifically designed due to the following main factors:

1) electricity is potentially dangerous to everyone and anything that is near it,
2) electricity is a necessary service that every residential, commercial, and industrial customer connected to the electricity system relies on; and
3) the system is installed and operates in the public domain, overhead along the streets, highways, and underground of the streets and houses.

In order to deliver a safe, reliable system that will withstand the outside environment in which it is situated for many decades, the majority of the equipment utilized is designed to an industry specification and must meet performance tests as per an industry standard, such as those developed by the Canadian Standards Association. As a further step of due diligence, all equipment used in NT Power's system is approved for use by a Professional Engineer as per Ontario Regulation 22/04, which includes an annual audit on the approval process. Therefore, production of electricity distribution equipment requires high quality and precision, which is achieved with a manufacturing sector that has high skill, training, and labour rates. As such, the electricity sector is not prone to forced labour or child labour.

Bill S-211 seeks to help eradicate child and forced labour contributions to the Canadian economy particularly in the areas as identified by the report *Ending child labour, forced labour and human trafficking in global supply chains: International Labour Organization, Organisation for Economic Co-operation and Development, International Organization for Migration and United Nations Children's Fund, 2019*. The report specifically identifies Africa, Asia, Latin America, and the Caribbean as areas of concern.

A review of NT Power's purchases including those pertaining to the electricity distribution system indicates that the majority of purchases are from Canadian vendors.

As NT Power is not aware of forced labour or child labour in its supply chain in 2023, it has not needed to take remediation measures, or needed to remediate for loss income to the most vulnerable families that are impacted from forced labour or child labour.

Newmarket-Tay Power Distribution Ltd. Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Newmarket-Tay Power Distribution Ltd. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name	David Charleson
Title	Board Chair
Date	April 19/2024
Signature	

"I have the authority to bind Newmarket-Tay Power Distribution Ltd."

NT POWER

Newmarket Hydro Holdings Inc. Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Newmarket Hydro Holdings Inc. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name	Ian McDougall
Title	Chief Administrative Officer (CAO)
Date	April 29, 2024
Signature	

"I have the authority to bind Newmarket Hydro Holdings Inc."

NT POWER

Powering with Purpose

2024-2028 Strategic Plan

Table of Contents

A Message from the President & CEO

NT Power's strategic plan for the next five years shares our vision for the future and re-affirms our commitment to our shareholders, communities, and the environment.

The strategic plan identifies five priorities that we believe are crucial in achieving our long-term goals. At the core of our strategic plan is our mission to provide energy choice and sustainability for our customers. Everyone should be empowered to make sustainable choices and have the opportunity to harness new and emerging energy technologies. We are dedicated to offering innovative solutions that meet the evolving needs of our customers while ensuring that the health and safety of our team and communities is at the heart of everything we do.

Our commitment goes beyond providing energy choice and ingrains community impact and engagement, customer experience, transparency, and championing our team members through a strong workplace culture and providing opportunities to innovate, create, and grow.

Thank you all for being a part of our journey and to our team for contributing to our shared success. Keep an eye out for updates as we work together towards achieving our strategic goals. Let's power on with purpose and together we can create a bright future.

Ysni Semsedini
President & CEO

A Message from the Chair of the Board

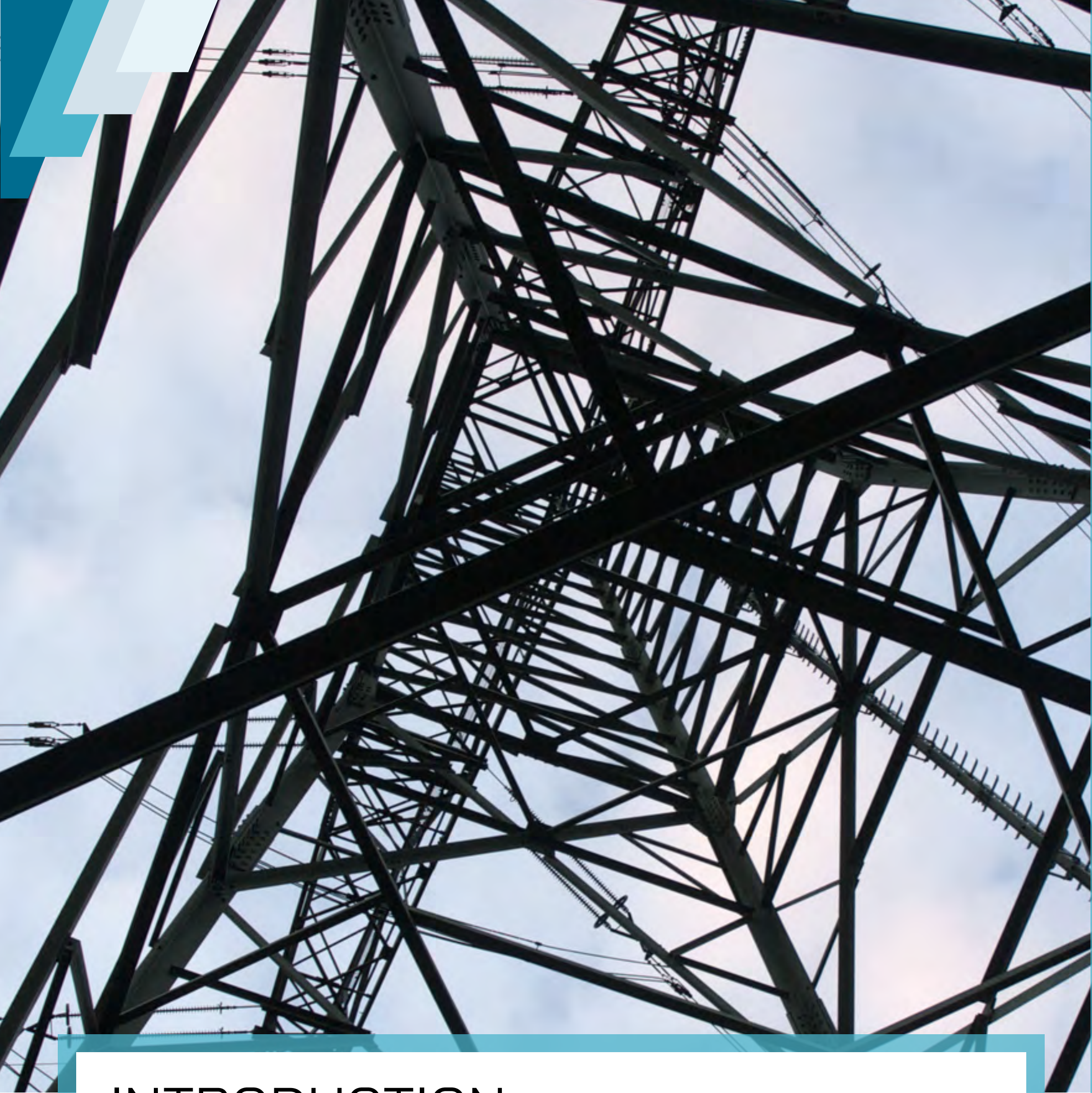
As we embark on our new strategic plan for 2024-2028, I am proud and excited by what we have accomplished as a company. This plan is a culmination of the collaboration between the board of directors and executive leadership, along with input from community leaders and customers. All parties concurred that the major area of focus for the plan should be centered around people and communities, growth-minded, rooted in sustainability, and steer the organization towards operational excellence. The resulting plan serves as a guide for NT Power through the next five years.

Our customers and the communities we serve remain at the heart of everything we do, and we understand that energy is more than just a utility - it powers homes, businesses, and communities. That is why we will continue to listen to and adapt to the needs of our customers, ensuring that we are working towards providing the best possible service and solutions. As we look towards the future, I am confident that NT Power will continue to thrive and make a meaningful difference in the industry and the communities we serve.

Thank you to our shareholders, employees, and customers for your ongoing support. I am excited for what the next five years will bring as we work towards powering with purpose and making a positive impact. Together, we can lead the way in providing energy choice, an outstanding customer experience, enhanced sustainability, and value for our communities. The best is yet to come!

Dave Charleson

Dave Charleson
Board Chair



INTRODUCTION

NT Power is a municipally owned corporation that provides electricity distribution services to over 45,000 customers across the Town of Newmarket, Tay Township, and the Town of Midland.

NT Power was formed through a series of business combinations including an amalgamation between Newmarket Hydro Inc. and Tay Power Inc. in 2007, followed by a purchase of (and subsequent amalgamation with) the former Midland Public Utility Commission (PUC) in 2018. Today, NT Power's majority shareholder is the Town of Newmarket, while Tay Township holds a minority interest in the company. NT Power is licensed and regulated by the Ontario Energy Board (OEB).

The following Strategic Plan gives context and direction to NT Power for the 2024-2028 timeframe. This document provides a sightline, offering guidance on maintaining forward momentum and positioning the company for success through the coming years. The vision, mission, values, and five strategic priorities identified in this document provide a roadmap that empowers team members to make informed decisions to meet current and future demands, while excelling in a sector undergoing transformative change.

Our Board of Directors

Dave Charleson
Board Chair

Brian Gabel
Vice Chair

Cristine Prattas
Director

Dino Priore
Director

John Taylor
Director

Ted Walker
Director

David M. Wattling
Director

Our Executive Team

Ysni Semsedini
President & Chief Executive Officer

Alex Share
Chief Financial Officer

Stuart Smith
Chief Information Officer

Kelly McCann
VP of Customer & Employee Experience

Alex Braletic
VP of Engineering & Operations

A TIME OF TRANSFORMATION

TECHNOLOGY TRENDS

Digitization and technological advancements are happening at a resounding pace, creating new opportunities for building economies of scale, data-driven decision-making, sharing real-time information, and connecting with NT Power communities, collaborators, and colleagues. With a thoughtful and well-managed approach, the availability of technology has made it easier to be responsive to customer needs and design an engaging and positive consumer experience while allowing for increased flexibility, choice, and convenience in the services provided.

Communication & Information Sharing

The adoption of social media platforms as a means of sharing information and increasing communication touchpoints affords companies an opportunity to interact with the public more readily and develop a relationship between the brand and the community; however, these same platforms can also speed up the rate at which misinformation and bad news can spread. As the information is public-facing and widely available, organizations are equipped to monitor conversations and respond more quickly, which has led to an increase in consumer expectations that businesses will be highly responsive, regardless of the day or time. Businesses are mitigating social media risks by setting clear expectations within the company around the use of social media, online forums, and sharing sites, and by harnessing automation to connect with customers outside of the regular hours of operation.

A TIME OF TRANSFORMATION

TECHNOLOGY TRENDS

Generation & Distribution

Smart grid technology is constantly evolving and encompasses any remote sensor or grid-connected technology that communicates information and allows utilities to act based on that data. As the capabilities of the smart grid continue to develop and expand, it has the potential to greatly improve the overall health and efficiency of the electrical grid. Through its use, utilities are becoming more effective at supplying electricity, managing costs and peak demand, integrating renewable and customer-generated power, and understanding how different jurisdictions work together. Furthermore, incorporating smart grid technology to manage Distributed Energy Resources can significantly contribute to reducing metrics such as the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) while also optimizing operations based on grid constraints. This is just the beginning of the potential benefits that smart grid technology can bring to the energy industry, and its continued development will undoubtedly shape the future of our electrical infrastructure.

Business Efficiency

Artificial Intelligence (AI) and machine learning tools are becoming increasingly common in the workplace. Many organizations are investigating the possible applications and positive effects that it could have on day-to-day functions through automation and increased productivity while remaining cautious about pitfalls or negative implications that some early adopters have experienced as a result of leveraging this developing technology.

Along with all the positive aspects of the evolution of technology, this shift to an online and connected world has driven the need for enhanced security measures to protect valuable information and systems from breaches and fraudulent activity. By leveraging and managing technology, organizations can monitor the health of internal networks, quickly administer updates to secure exposed assets and implement automated training and education programs for employees.

A TIME OF TRANSFORMATION
ECONOMIC AND SOCIAL TRENDS

Globalization has led to increased connection, interdependence, and cooperation, creating cultural, social, economic, political, technological, environmental, and financial impacts.

In Canada, international migration is anticipated to continue to be the primary driver of population growth. Ontario's population projections predict that Simcoe County and York Region will both experience rapid population growth in the coming years.

Consumer demands placed on the companies that provide them with goods and services have elevated over time, and along with providing satisfactory services and products, there is positive pressure for businesses to be socially responsible and more transparent with their operations. These expectations have led to opportunities for increased involvement and positive contributions to assist communities and individuals in having their needs met. This includes taking a proactive approach to ensure customers are aware of and have access to funding, programs, and rebates that can assist them when facing financial instability and increased economic pressure due to the rising cost of living.

The benefits of having a solid commitment to corporate social responsibility (CSR) that encompasses environmental, social, and workplace initiatives not only affect consumer choices and sentiment but also employee satisfaction, attraction, and retention as a growing number of people are considering an organization's purpose, values, and image when seeking employment. Companies operate in a competitive market, and attracting skilled employees can be challenging. Those taking a people-focused approach, demonstrating exemplary leadership, dedication to CSR stewardship, and incorporating strategies for increasing diversity, equity, and inclusion (DEI) are gaining an edge and creating operational sustainability.

A TIME OF TRANSFORMATION

INDUSTRY TRENDS

The energy and utility industry is at a pivotal point in a time of decarbonization, electrification, and energy transition. As noted by Ontario's Independent Electricity System Operator (IESO) in its Pathways to Decarbonization Report published on December 15, 2022, electricity demand is expected to increase at unprecedented rates and will require significant investment in new infrastructure in a relatively short period to meet emissions reductions targets. There is an opportunity for progressive innovation to address evolving customer expectations and infrastructure to predict, enable, and support the future of energy supply and delivery.

Decentralization of the sector is on the rise with a paradigm shift to a more dynamic energy ecosystem with a multiplicity of pathways and participants. Infrastructure and services will need to adjust with upgrades, redeployment, diversification, and changing regulatory requirements.

Technological advancements and automation are fueling grid modernization and smart technologies are enabling the impactful use of data, all leading to enhanced efficiency, reliability, responsiveness, and service. Additionally, renewable energy integration and distributed energy resources (DER) are challenging traditional grid models and offering more latitude for the formation of micro grids and greater demand management.

Climate change remains top of mind as companies strive to align their operations with the goal of the Canadian government to achieve net-zero emissions by 2050, and the increase in significant weather events puts emphasis on the importance of collaboration within the energy industry, sharing of best practices, bolstering grid resilience, and building sustainable operations. Decarbonization and the need for environmental sustainability has led utilities to commit to minimize their impact, while also encouraging a culture of conservation, and enabling customers greater control through the provision of tools to monitor and manage personal energy use, and energy efficiency programs. Environmental sustainability has become a social imperative and Environmental, Social, and Governance (ESG) considerations are integral to the power distribution industry.

Technology, innovation, and brave thinking will be catalysts to providing needed solutions and sustainable growth, all while keeping focused on ensuring cost-effective and reliable service with an exceptional customer experience and workforce wellbeing.

A TIME OF TRANSFORMATION

ORGANIZATIONAL TRENDS

Organizationally, NT Power is poised for transformative leadership and growth. Over the past several years there has been a significant emphasis on building a robust executive team and staff complement positioned to lead a progressive corporation. In addition, there continues to be a strong commitment for asset reinvestment, with a focus on enhancing resilience and enabling innovation. With the needed people power, intentional infrastructure investment, and purposeful growth to leverage resources and capacity, NT Power is committed to delivering value to our vested parties well into the future.

STRATEGIC DIRECTION

Our strategic directions have been created under the leadership of our Board and Executive Team with input from our key influencers.

Our purpose statement defines our motivation.

Our vision statement reflects the future we want to achieve, to drive transformation and innovation of the sector to provide energy choices.

Our mission statement describes what we will do to make this future happen, by serving our customers to meet their evolving needs with sustainable solutions.

Our values inform our decisions and guide our interactions.

Together these statements form the foundation of NT Power, reminding us of who we are and what we do, and keeping us focused on the future we want to achieve.

OUR PURPOSE

To foster thriving sustainable communities.

OUR MISSION

To be trusted by our customers to provide simple, sustainable energy solutions.

OUR VISION

To be a leader in providing energy choice.

OUR VALUES

At NT Power we value:

- Creative employees working collaboratively
- Delivering an exceptional customer experience
- Anticipating solutions to meet the evolving needs of our customers and communities
- Pursuing environmental and financial sustainability
- Being bold and innovative in our thinking

While prioritizing health and safety in everything we do.

STRATEGIC PRIORITIES

Our five strategic priorities provide the framework for the efforts required to realize our vision and mission and, along with our values, guide our projects and planning over the next 5 years.

STRATEGIC PRIORITY

ELEVATING CUSTOMER EXPERIENCE

OUR GOAL

- To build a trusted relationship with our customers and communities by consistently providing an exceptional customer experience and growing brand recognition.

OUR OBJECTIVES

- Be a trusted partner within the communities we serve and create opportunities for meaningful interactions with our customers
- Build a brand that puts NT Power top of mind as a leader in customer service excellence, trusted energy resource, source of information, and power provider
- Provide an exceptional customer experience

OUR INITIATIVES

- Implement plans for public relations, brand awareness, and community outreach
- Design and action a plan for management of key customer accounts and to increase customer engagement
- Scope and implement a responsive outage management system (OMS)
- Enhance training to ensure staff are informed and empowered to address the more expansive and complex nature of customer inquiries
- Increase customer self-serve options

STRATEGIC PRIORITY

ACHIEVING OPERATIONAL EXCELLENCE

OUR GOAL

- To be recognized as an industry leader in executing our core business of electricity distribution.

OUR OBJECTIVES

- Add value to our shareholders and communities by delivering strong and consistent returns underpinned by superior operational performance and cost effectiveness
- Ensure business operations are data driven and guided by strategic vision
- Foster a culture of continuous improvement
- Ensure regulatory compliance with all governing bodies

OUR INITIATIVES

- Complete and action a robust and well-defined Distribution System Plan (DSP) which considers the impacts of electrification, climate change and non-wires solutions
- Implement a continuous improvement program
- Establish and implement a utility peer benchmarking and monitoring program
- Engage third party audit for review and assessment of our operational and regulatory processes

STRATEGIC PRIORITY

DIVERSIFYING & GROWING OUR SERVICE OFFERINGS

OUR GOAL

- To scale in a strategic manner that expands resources and capacity allowing us to champion innovative solutions while ensuring exceptional core services.

OUR OBJECTIVES

- Grow through merger and partnership opportunities with like-minded utilities that will provide increased resourcing, funding, and operational efficiencies while at the same time decreasing risk

- Realize diversification through the establishment of affiliate businesses closely connected to the energy industry

OUR INITIATIVES

- Identify ideal characteristics for potential mergers and partnerships

- Develop and execute a merger and partnership strategy

- Identify potential new business opportunities and their value proposition

- Invest in diversifying opportunities

STRATEGIC PRIORITY

BEING AN EMPLOYER OF CHOICE

OUR GOAL

- To be an employer of choice for top talent, and a workplace where our team members are proud champions of our brand.

OUR OBJECTIVES

- Foster a safe, inclusive workplace culture, where employees are empowered to be creative, collaborative, bold and innovative in their thinking
- Attract and retain top talent that builds strategic organizational capacity
- Be a top employer

OUR INITIATIVES

- Create a comprehensive DEI strategy
- Develop and monitor comprehensive training and development programs that nurture professional growth
- Establish a fulsome Employee Wellness Program
- Implement a Rewards and Recognition Program
- Design an informative annual employee survey, and address and action resulting items of note
- Establish a top employer framework

STRATEGIC PRIORITY
ENGAGING IN & PROMOTING SUSTAINABLE ENVIRONMENTAL PRACTICES

OUR GOAL

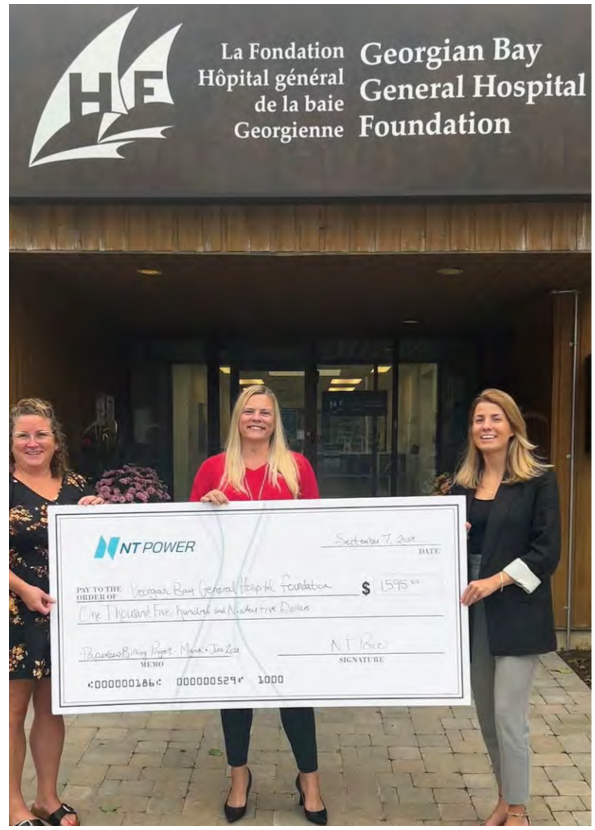
- To be a leader in the community and amongst utilities in embracing and enabling the decarbonized economy.

OUR OBJECTIVES

- Enable and guide our customers to an electricity first model that would see the reduction of CO2 emissions through increased electric vehicle adoptions, promotion of transit electrification, modernization of industrial processes, and electrification of residential and commercial spaces
- Reduce our corporate and community environmental footprints
- Become a leader in piloting emerging sustainability initiatives that contribute to community decarbonization efforts

OUR INITIATIVES

- Develop an ESG framework
- Complete a carbon footprint assessment of our operations
- Respond to the carbon footprint findings by addressing the areas of greatest impact and assessing against the ESG framework
- Ensure our DSP incorporates a sensitivity analysis for climate change, outcomes of the carbon footprint assessment, electric vehicle penetration, and capital and operating requirements necessary to address capacity and infrastructure resilience more proactively
- Develop resources and create partnerships to aid our customers in understanding alternative and sustainable energy choices
- Participate to re-establish electricity distributor leadership in conservation



POWERING WITH PURPOSE

NT Power is motivated to foster thriving sustainable communities and to be a leader in providing energy choice by provisioning and supporting innovative projects. We will play a leadership role as the utility sector transforms, while continuing to prioritize our team, our shareholders, the communities that we serve, and the delivery of cost-effective and reliable services. We will view decisions through a lens that puts health and safety first, as we pursue bold and progressive thinking to provide simple sustainable energy solutions. We will power forward with purpose.