

2023-2027 Business Plan



Energizing Our Community's Future

Table of Contents

1. Executive Summary	3
2. Mission, Vision and Values	3
• Vision Statement	3
• Mission Statement	3
• Values Statement	3
3. SWOT Analysis	4
• Strengths	4
• Weaknesses	4
• Opportunities	4
• Threats and Uncertainties	5
• Capability	5
4. Strategic Objectives	6
• Safety	6
• Customer Focus	6
• Operational Effectiveness	6
• Public Policy Responsiveness	7
• Financial Performance	7
5. About the Utility	7
• Corporate Structure and Organizational Chart of the Utility	8
6. Economic Overview and Customer Description	9
• Economic Overview of the Service Area	9
• Customer Description	9
7. Performance Metrics and Future Plans	11
• 2021 Scorecard Management Discussion and Analysis	11
• General Scorecard Overview	11
• Pacific Economics Group (PEG) Report	12
• Distribution Revenue	13
• Historical and Proposed Revenues	15
• Bill Impacts	16

8. Capital Spending 17

- Key Objectives for Capital Expenditures 17
- 2023 Capital Budget 18
- 2023-2027 Capital Expenditure Plan 20

9. Operational Costs 22

- 2023 Operations, Maintenance, and Administration Budget 23
- 2023-2027 Operating, Maintenance, and Administration Expenditure Plan 25

10. Personnel 28

11. Financial Summary 29

- Revenues 30
- Expenses 30
- Capital Structure 31
- Rates/Return 31
- Dividends 31

12. Pro-Forma Financial Statements 32

13. Conclusion 34

1.Executive Summary

Orangeville Hydro Limited's Business Plan for 2023-2027 is developed in conjunction with the strategic plan, goal setting and target planning. This business plan is also based on Ontario Energy Board (OEB) initiatives and governmental public policy responsiveness as well as our internal conception of the utility to meet certain other objectives in creating efficiencies. These objectives are met while maintaining safety, excellent customer service objectives and focus, system reliability, and stable financial performance.

The key areas that are reviewed within this Business Plan are:

- Mission statement, Vision statement and Values statement
- Strategic Objectives
- SWOT Analysis
- Local economic overview and customer description
- Performance metrics
- Future Capital and Operating plans
- Financial Summary

2. Mission, Vision, and Values

Orangeville Hydro's strategies are in harmony with our corporate values, our vision, our mission statement as well as our approach to a balanced scorecard within an evolving electricity marketplace.

Mission

To provide safe, reliable, efficient delivery of electrical energy while being accountable to our shareholders...the citizens of Orangeville and Grand Valley.

While we must operate as a business and be profitable for our shareholders, our main reason for existing is to provide safe, reliable, and economic electricity services to the people of the Town of Orangeville and the Town of Grand Valley. That is what distinguishes us from other large, remotely owned and controlled energy companies.

Vision

To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, customer satisfaction, sustainability, and financial performance.

Values Statement

To continue into the future as a profitable electricity distribution enterprise the following principles are core values of our Company:

We value professionalism and safety in our service and our work.

We value people - our customers, employees, board members, and shareholders.

We value our community - its environment and its economic progress.

We value integrity, honesty, respect, and communications.

We value local control, local accountability, local employment, and local purchasing; and
We value easy accessibility for our customers.

3. SWOT Analysis

An essential element of our strategy is to ensure Orangeville Hydro Limited is ready to embrace change and disruption in our sector. In a period of significant transformation, the ability to not only accommodate change, but to make the most of it, is likely to be a distinguishing characteristic of those utilities that continue to thrive. We will advocate and lobby for public policy that benefits our customers now and in the future.

Strengths

We have positive relationships with our shareholders - the people of Orangeville and Grand Valley, individual customers, and their elected representatives.

We have a core of high-quality employees, effective management, and solid relations between the staff and the Board of Directors.

We have a well-maintained distribution system because of effective capital planning and maintenance efforts. This is proven by strong historical reliability statistics.

As a small organization, we have the advantage of being flexible and nimble when it comes to implementing change and reacting to threats quickly.

We have a high level of quality customer service and customer satisfaction, based on survey results.

We have a strong relationship with local organizations, including the Home Builders Association, Dufferin Board of Trade, the County of Dufferin, Social Services, and service clubs.

We have stability within our revenues due to operating within a regulated environment as well as our customer demographics. 64% of our revenue is received from our residential customers and the remainder is received by a diverse mix of small commercial, institutional, municipal, and industrial customers. Our largest customer accounts for 1.6% of our total distribution revenue.

Intensification is occurring within our service territory which is contributing to consistent customer growth and increasing the efficiency of our distribution system.

Due to historical diligence in our succession planning, our workforce is in a stable position with exceptional leadership in place.

Weaknesses

We have limited land for large residential and industrial developments within our service area.

The strict regulated environment limits the scope of potential business opportunities.

We have a lean workforce. Therefore, when a departure or a leave of absence occurs the impact is significant and challenging.

Opportunities

We have an opportunity to maintain a high standard of service for our customers, contribute to the welfare of our local community, and return profits to the citizens of Orangeville and Grand Valley for their local benefit rather than remote corporate gain.

We can help increase our customers' knowledge regarding the safe use of electricity and conservation solutions to reduce their energy costs.

The opportunities for customer interaction and control are growing daily, as are our customers' expectations for choice, convenience, and responsiveness. Orangeville Hydro can be a solutions provider to improve our customer's experience.

Investigate expanding our service area by working with developers surrounding the existing service area and applying for Service Area Amendments.

The COVID-19 pandemic and recovery has created an environment to find creative solutions to serve our customers and continue the operation of all business activities under different circumstances such as working remotely. The pandemic recovery is an opportunity to challenge the status quo and find more new ways of operating as an organization.

Threats and Uncertainties

The COVID-19 coronavirus pandemic has created new threats and uncertainties regarding impacts to staffing levels, distribution revenue, operational capabilities, and our customers' ability to pay.

The COVID-19 coronavirus pandemic recovery has created new threats and uncertainties such as a supply chain crisis and a high inflationary economic environment.

The Ontario electrical sector is subject to the current direction of the provincial government which shifts due to the four-year provincial election cycle. The changes in government create uncertainty for the direction of the Ministry of Energy and other Ministries that affect the electrical sector.

The implementation of various rules and regulations by the Ontario Energy Board will make it difficult for distribution companies to collect from customers that default on their bill payments and increase the risk of bad debts.

Revenue recovery is based on approval from the Ontario Energy Board. Their expectations and requirements are continually changing and placing downward pressure on revenue recovery.

There are increased uncertainties regarding technological advances, climate change, and cyber security (world-wide threats) that need to be considered.

Capability

A highly skilled, properly trained, and knowledgeable workforce is essential to Orangeville Hydro's continued success. Like many other companies and utilities, Orangeville Hydro's continuing comprehensive succession planning is aimed at anticipating and fulfilling current and potential employee needs, through planning, talent attraction, effective deployment of resources, performance management, and development.

4. Strategic Objectives

We will use the following strategies to overcome our weaknesses and threats and capitalize on our strengths and opportunities. These strategies will also be in harmony with the corporate values, vision, and mission statement.

Safety

Health and safety will continue to be a paramount for the company.

We provide safe work practice training for all employees consistent with industry best practices. We will continue to seek new ways to further communicate and promote a safety culture to our employees, our customers, and our community both inside and outside the workplace.

Customer Focus

As the customer's role within the electricity system evolves, successful utilities will be those who recognize that customers are not all the same. A willingness to invest in the skills, culture, technology, and practices needed to leverage those tools will be a key difference between leading and trailing utilities in a more customer-centric landscape.

We will adapt and tailor the service delivery methods to the specific needs of individual customers and leverage technology to enhance the customer experience and increase operational agility.

Tools exist for Orangeville Hydro to understand and engage our customers at an individual level, and provide a truly personalized service. Leveraging the power of big data, evolving social media platforms, and the convenience of mobile technology, we can anticipate our customers' needs with increasing precision to create a more effortless customer experience.

Operational Effectiveness

We will continue to leverage the benefits of collaboration with the CHEC membership, Electricity Distributors Association, Utility Collaborative Services, and Utilities Standards Forum.

We will continue to network with other boards, stakeholders, and other utilities to develop and share best practices.

We will investigate areas that are within our control to reduce or curtail costs to better utilize resources.

We will ensure our infrastructure is maintained properly by implementing our 2022-2026 Distribution System Plan as well as our annual Distribution Maintenance Program.

We will invest heavily in our staff and rely on them to help us accomplish our goals through the following activities:

- We will keep our people informed;
- We will make sure our people understand what we expect from them and why they are important to the organization;
- We will support our people by providing them with information, tools, equipment, standard policies & procedures, and training;
- We will utilize a pay-for-performance model for the management team and attempt to link their compensation with their performance and the performance of the company;
- We will continue to carry out our succession planning processes

Public Policy Responsiveness

We will ensure our distribution system can accommodate Distributed Energy Resources (PV solar, combined heat and power, battery storage, and small natural-gas generators) and electric vehicle technology.

We will support low-carbon energy generation and use within our service area.

We will become a net-zero emissions company by 2050 to help Canada and Dufferin County reach their current climate targets.

We will continue to successfully deliver Provincial Programs to our customers such as future Conservation & Demand Management Programs, the Industrial Conservation Initiative, the Energy Affordability Program, the Ontario Electricity Support Program, and the Low-Income Energy Assistance Program.

We will deliver obligations mandated by government legislation and regulatory requirements.

We will investigate improved and additional business activities to improve shareholder value, empower the customer, and advance with innovation.

Financial Performance

We will maximize financial viability by investigating efficiencies and maintaining prudent cost savings.

We will aim to remain a top cohort utility for cost performance within the OEB's Cost Performance benchmarking report.

We will continue to maintain just and reasonable rates for our customers while aiming to achieve or exceed our deemed rate of return.

We will continue to ensure we have a high level of performance relative to our industry peers by continually reviewing the OEB LDC Yearbook data, OEB Activity & Program-based Benchmarking data, and our year-to-year trending.

We will investigate feasible opportunities to grow the regulated distribution business.

5. About the Utility

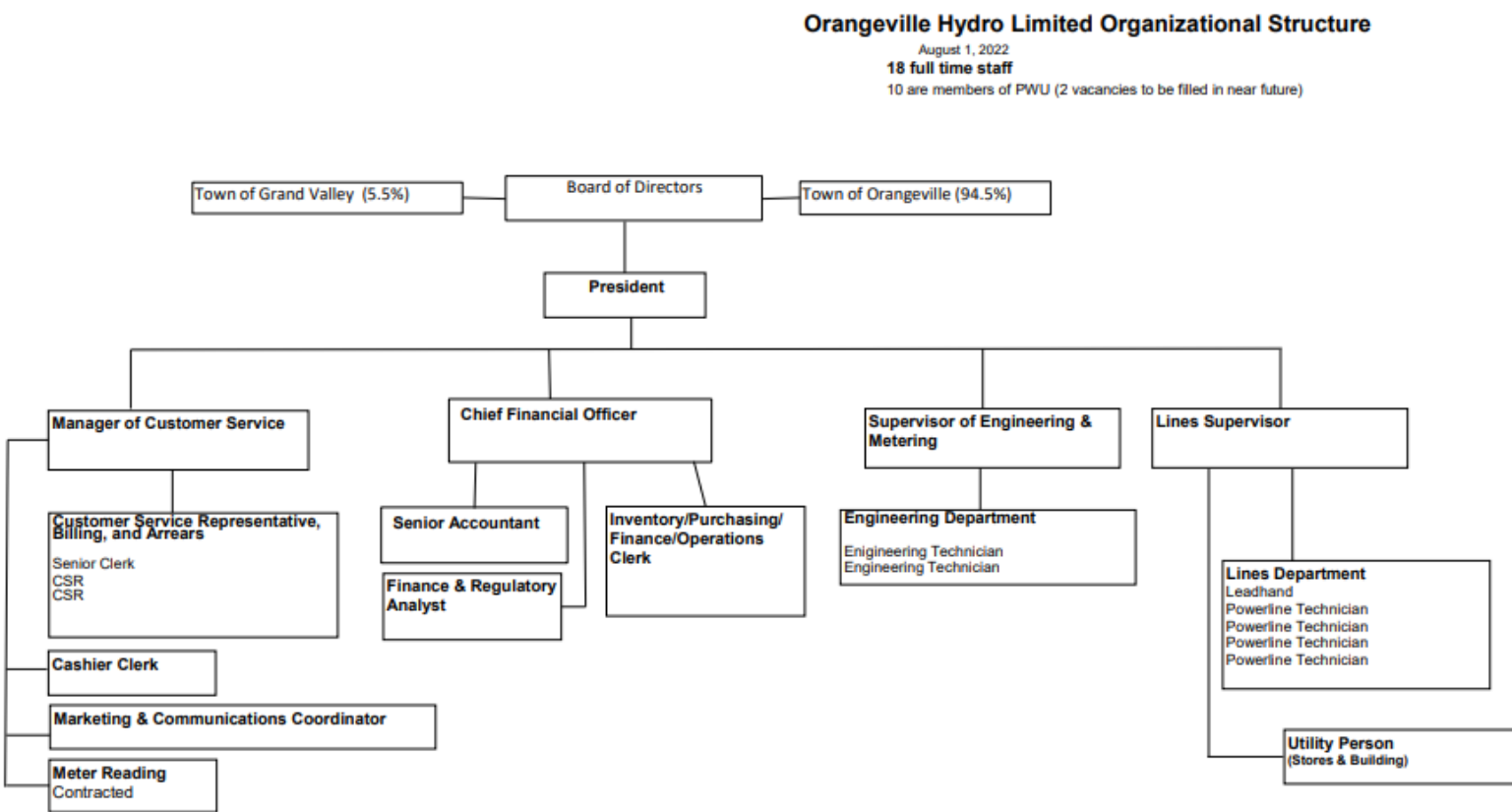
The Energy Competition Act, 1998 required local distribution utilities like Orangeville Hydro to become incorporated according to the Ontario Business Corporations Act by November 7, 2000. Hence on October 2, 2000, the Town of Orangeville passed a by-law transferring all assets and liabilities of the Orangeville Hydro-Electric Commission to Orangeville Hydro Limited (Orangeville Hydro). Orangeville Hydro is considered a local distribution company or a wires company. In 2009, Orangeville Hydro and Grand Valley Energy Inc. merged. Since then, Orangeville Hydro has been owned by the Town of Orangeville (94.5%) and the Town of Grand Valley (5.5%). Orangeville Hydro is licensed by the Ontario Energy Board to operate as an electricity distribution company within the current boundaries of the Town of Orangeville and the former Village of Grand Valley. Successful Service Area Amendments have allowed Orangeville Hydro to grow our service area beyond our original limits of the former Village of Grand Valley.

Orangeville Hydro must operate its business in compliance with all applicable laws, including the Electricity Act, 1998, the Ontario Energy Board Act, 1998, the Ontario Business Corporations Act, and the rules, policies and requirements of the OEB. These include the Distribution System Code, the Affiliate Relationships Code, the Retail Settlement Code, the Standard Supply Service Code, the Accounting Procedures Handbook and the Uniform System of Accounts as well as the applicable Rate Handbook and Filing Requirements.

Coporate Structure and Organizational Chart of the Utility

Orangeville Hydro employs 20 full time highly trained staff and is an active partner in the community.

Table 1: Corporate Structure and Organizational Chart



6.Economic Overview and Customer Description

Economic Overview of the Service Area

Orangeville Hydro's service area has a population of approximately 35,000 and is expected to grow to 42,540 by 2036 according to forecasts contained within the Dufferin County Official Plan (2017). This growth is constrained beyond these numbers due to the limited residential land development in the Town of Orangeville and the limited municipal water service and municipal sewage service in both the Town of Orangeville and the Town of Grand Valley.

The Town of Orangeville is the urban hub of Dufferin County. The population of approximately 31,000 people sustains strong commercial retail stores that includes big box stores, nationwide commercial retail stores, and small locally owned retail stores. Orangeville has a strong group of manufacturers in sectors such as plastics, food products, woodworking, aerospace, and automotive. The economic base of the Town of Orangeville is diversified between many sectors.

The Town of Grand Valley is a fast-growing area within Dufferin County. Orangeville Hydro services the urban settlement area and Hydro One services the surrounding rural farmlands. The urban settlement area of the Town of Grand Valley has a population near 4,000 and is growing through both intensification and greenfield developments. The Town of Grand Valley is an urban hub with businesses for shopping, dining, and services.

Customer Description

Orangeville Hydro's breakdown of customers by class is shown below:

Table 2: Customers by Class December 31, 2021

Customer Class	Number of Customers
Residential	11,483
General Service < 50 kW	1,168
General Service > 50 kW	124
Sentinel Lights	35
Street Lights	3
Unmetered Scattered Load	31
Generation	42
Total	12,886

Orangeville Hydro has a steadily growing base of residential customers with new subdivisions being energized in both Orangeville and Grand Valley. There is also significant redevelopment and intensification occurring within both communities. The intensification projects will continue to increase Orangeville Hydro's density metrics such as customers per kilometer of line and customers per square kilometer. Orangeville Hydro has a diverse manufacturing sector, with several large industrial customers in the plastics and food product manufacturing sectors.

Table 3: Average Monthly Consumption per Customer (kWh)

Customer Class	2014	2015	2016	2017	2018	2019	2020	2021
Residential	720	699	690	661	709	685	732	723
General Service < 50 kW	2,640	2,609	2,630	2,605	2,680	2,625	2,523	2,507
General Service > 50 kW	74,861	79,164	77,689	83,342	84,012	83,963	87,180	90,963
Sentinel Lights	64	60	52	59	58	57	57	57
Street Lights	55	51	30	27	26	26	26	25
Unmetered Scattered Load	462	348	318	361	338	338	338	335

Orangeville Hydro has witnessed steady consumption usage for most of our customer classes. A fluctuation in residential usage can be due to conservation activities, installation of more efficient equipment, improved building code requirements in new homes, intensification decreasing the average size of a household, our customers converting from electrical heating equipment to natural gas, and residential customers working from home. The usage is not necessarily consistent as weather patterns such as extreme heat waves or extended periods of extreme cold are not consistent year to year. Residential consumption decreased slightly in 2021 as compared to 2020, when due to the Covid-19 pandemic there were more people working from home and warmer summer weather. Residential distribution rates are based on a fixed service charge, and therefore provide a stable revenue source.

The average usage of a General Service >50kW customer has increased from 2014 compared to 2021 as our large customers have expanded, and there are a couple of new large customers that have opened recently.

The average monthly consumption for a streetlight connection significantly decreased in 2016 due to the High-Pressure Sodium to LED light conversions that occurred in late 2015 & 2016.

7. Performance Metrics and Future Plans

2021 Scorecard Management Discussion and Analysis

The performance outcomes outlined in the RRFE are measured on the LDCs scorecard which is published annually. In 2021 Orangeville Hydro exceeded most of its performance targets. A discussion of the scorecard results follows the reproduction of the scorecard below.

The scorecard is published annually by the Ontario Energy Board around August 31, therefore the next scorecard which will include 2022 audited results will be posted around August 31, 2023.

Scorecard - Orangeville Hydro Limited

8/16/2022

Performance Outcomes	Performance Categories	Measures	2017	2018	2019	2020	2021	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	100.00%	100.00%	100.00%	100.00%	99.24%	🟢	90.00%	
		Scheduled Appointments Met On Time	99.83%	99.76%	100.00%	100.00%	99.25%	🟢	90.00%	
		Telephone Calls Answered On Time	99.99%	99.94%	99.90%	99.11%	99.21%	🟢	65.00%	
	Customer Satisfaction	First Contact Resolution	99.96	99.9	99.9	99.9	99.83%	🟢		
		Billing Accuracy	99.93%	99.99%	100.00%	99.84%	99.82%	🟢	98.00%	
		Customer Satisfaction Survey Results	74.8	78.2%	78.2	76	76			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	86.20%	86.20%	85.50%	85.50%	84.50%	🟢		
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	🟢		C
		Serious Electrical Number of General Public Incidents	0	0	0	0	1	🔴		0
		Incident Index Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.450	🔴		0.000
	System Reliability	Average Number of Hours that Power to a Customer is Interrupted ²	0.32	0.29	0.33	1.01	1.75	🔴		0.55
		Average Number of Times that Power to a Customer is Interrupted ²	0.45	0.16	0.39	0.75	0.91	🔴		0.65
	Asset Management	Distribution System Plan Implementation Progress	92	87%	96%	102	87%			
		Efficiency Assessment	2	2	2	2	1			
	Cost Control	Total Cost per Customer ³	\$553	\$551	\$568	\$535	\$550			
		Total Cost per Km of Line ³	\$30,933	\$31,233	\$32,501	\$30,612	\$31,921			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time ⁴	100.00%							
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%				🟡	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	1.52	1.56	1.74	1.41	0.78			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	1.17	1.05	1.15	1.12	1.12			
		Profitability: Regulatory Return on Equity	9.36%	9.36%	9.36%	9.36%	9.36%			
		Deemed (included in rates) Achieved	10.60%	11.92%	10.36%	11.83%	9.46%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

4. Value displayed for 2021 reflects data from the first quarter, as the filing requirement was subsequently removed from the Reporting and Record-keeping Requirements (RRR).

Legend:

5-year trend
 🟢 up 🟡 down 🟠 flat
 Current year
 🟢 target met 🟠 target not met

General Scorecard Overview

In 2021, Orangeville Hydro exceeded most performance targets. Aging distribution infrastructure continues to be a challenge for many utilities today. Like most utilities in Ontario, Orangeville Hydro must replace aging infrastructure at a steady pace to meet this challenge. Therefore, Orangeville Hydro strategically plans to manage the renewal and growth of the distribution system in a cost-effective manner. In addition, vegetation control, including line clearing activities, were continued in the year to reduce the vulnerability and improve the reliability of the distribution system to external uncontrollable events, such as weather.

Orangeville Hydro continues to focus on providing value to our customers. Orangeville Hydro offers "Customer Connect" to assist our customers with interactive information that will permit them to better monitor, understand, and control their electricity consumption. Orangeville Hydro is continually improving our website, which allows customers an improved experience when interacting with us. Orangeville Hydro's social media presence has increased, to provide immediate updates for outages as well as current news. Orangeville Hydro makes every effort to engage its customers on a regular basis to ensure that we are aware of their needs and that they are receiving the best value for their dollar.

In 2022, Orangeville Hydro will continue its efforts to improve its overall scorecard performance results as compared to prior years. This performance improvement is expected because of continued investment in both the infrastructure and in the response to the customers' needs.

Pacific Economics Group (PEG) Report

The PEG report compares utilities' cost efficiencies on a consistent basis. The report is issued annually and is publicly available on the OEB website. The PEG report provides a ranking of the utilities included in the study, summarizes the results, and provides insight into the trends in utility efficiency scoring. Orangeville Hydro has moved up to Group 1 efficiency ranking for 2021, after moving to Group 2 in 2017 (as per PEG 3-year average). The utility is continuously looking for ways of finding efficiency in its Operations, Maintenance and Administration costs thus reducing rates.

Table 4: PEG Past Performance (Stretch Factor)

	2014	2015	2016	2017	2018	2019	2020	2021
Stretch Factor Cohort - Annual result	3	3	3	2	2	2	2	1
Associated Stretch Factor Value	0.30	0.30	0.30	0.15	0.15	0.15	0.15	0.00

The summary of cost performance results shows the actual total cost on an annual basis used to complete the PEG analysis. A negative percentage difference means that actual total costs are less than predicted costs. Total cost is a calculation of adjusted OM&A expenses, plus capital costs and other variables. Shown below, the differential between actual total cost and predicted costs becomes increasingly larger with each year, which is why in 2021 Orangeville Hydro was moved to Group 1. Moving to a higher group would historically have provided Orangeville Hydro with a larger increase in distribution revenue as a bonus for increased cost efficiencies.

Annually, distribution rate increases are using two values: Price Escalator and Stretch Factor. The distribution rates are increased by the Price Escalator percentage and decreased by the Stretch Factor percentage. This means the higher the PEG report rating, the lesser the rates will be decreased by the Stretch Factor, therefore allowing a higher increase in distribution revenues. Unfortunately, currently the PEG report rating does not affect Orangeville Hydro, because in 2020, when Orangeville Hydro received its Cost of Service deferral approval for 2021 rates, the OEB determined that Orangeville Hydro will complete its next IRM rate application using the Annual IR methodology. This means that until we complete our next Cost of Service rate application, the Stretch Factor will always be set at the highest value of .6%, therefore reducing distribution rates by this amount.

Table 5: Summary of Cost Performance Results

	2014	2015	2016	2017	2018	2019	2020	2021
Actual Total Cost	\$ 6,743,925	\$ 6,848,039	\$ 6,904,089	\$ 6,836,145	\$ 6,933,646	7,182,788	6,795,755	7,022,686
Percentage Change on previous year		1.5%	0.8%	-0.98%	1.43%	3.59%	-5.39%	3.34%
Percentage Difference (Cost Performance) per PEG Analysis	-4.0%	-7.6%	-10.2%	-14.3%	-20.0%	-20.7%	-28.8%	-29.6%
Three year average performance			-7.3%	-10.7%	-14.8%	-18.3%	-23.2%	-26.4%

Distribution Revenue

The Ontario Energy Board compiles an annual Yearbook which contains various financial and non-financial statistics of all utilities in the province. This report allows comparison between Orangeville Hydro and LDCs with similar characteristics, as well as neighbouring LDCs. The following charts highlight the efforts taken by Orangeville Hydro to keep the distribution revenue rates for our customers lower than many other LDCs, and significantly lower than Hydro One. A three-year average from 2019-2021 was chosen to reduce the effect of anomalous data points that occur within a single year.

Table 6: Distribution Revenue - Residential Customer rate per month

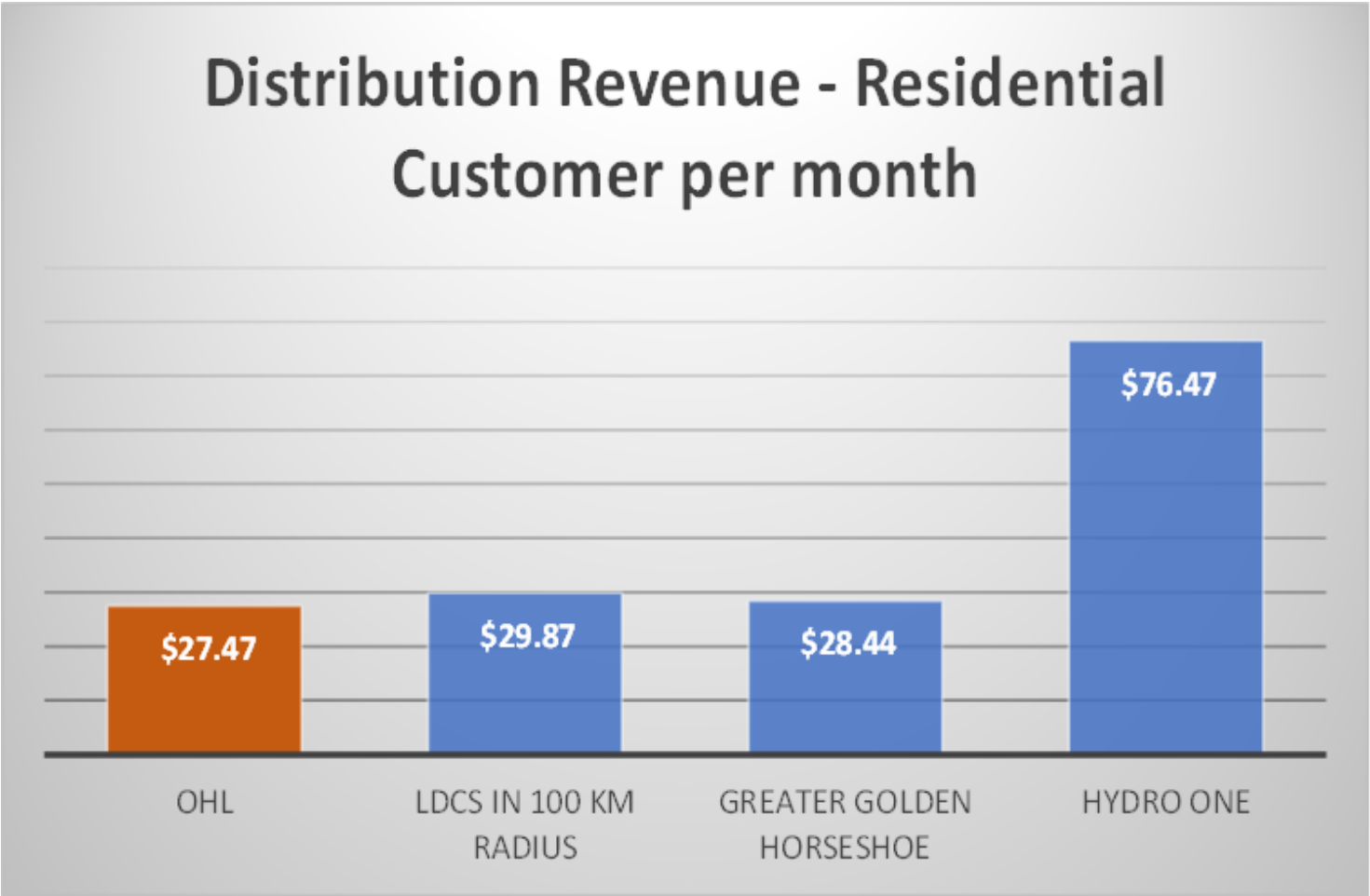


Table 7: Distribution Revenue – General Service < 50 kW Customer rate per month

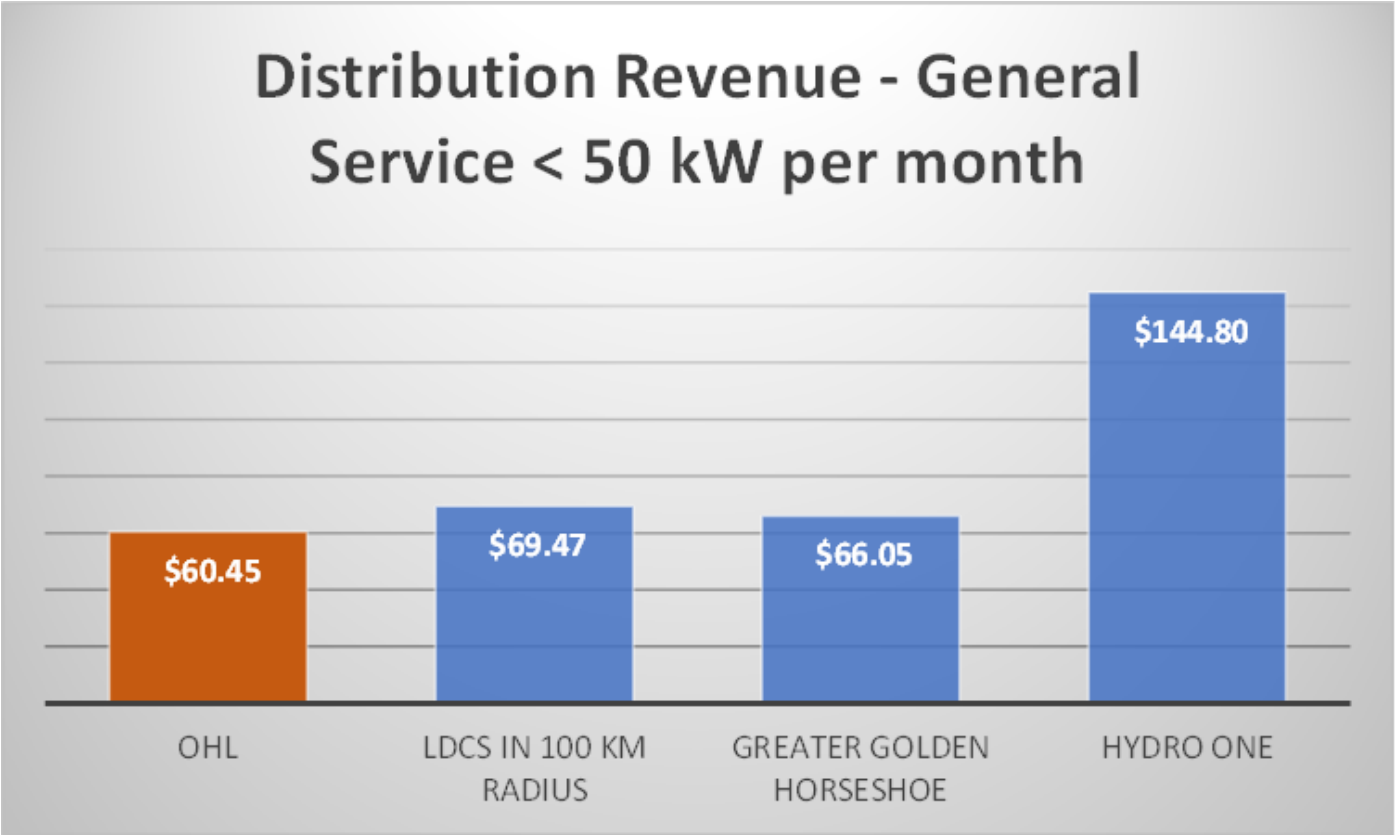
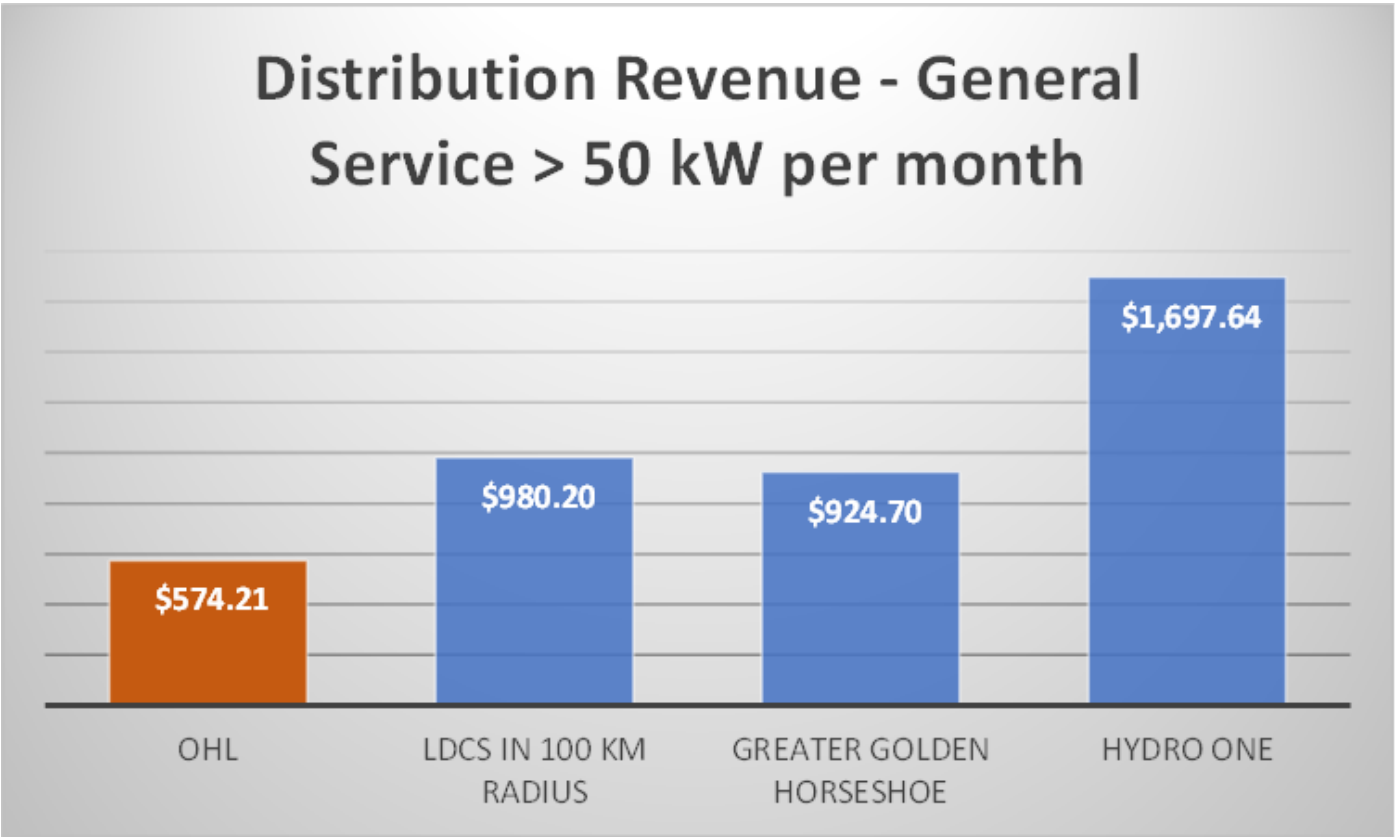


Table 8: Distribution Revenue – General Service > 50 kW Customer rate per month



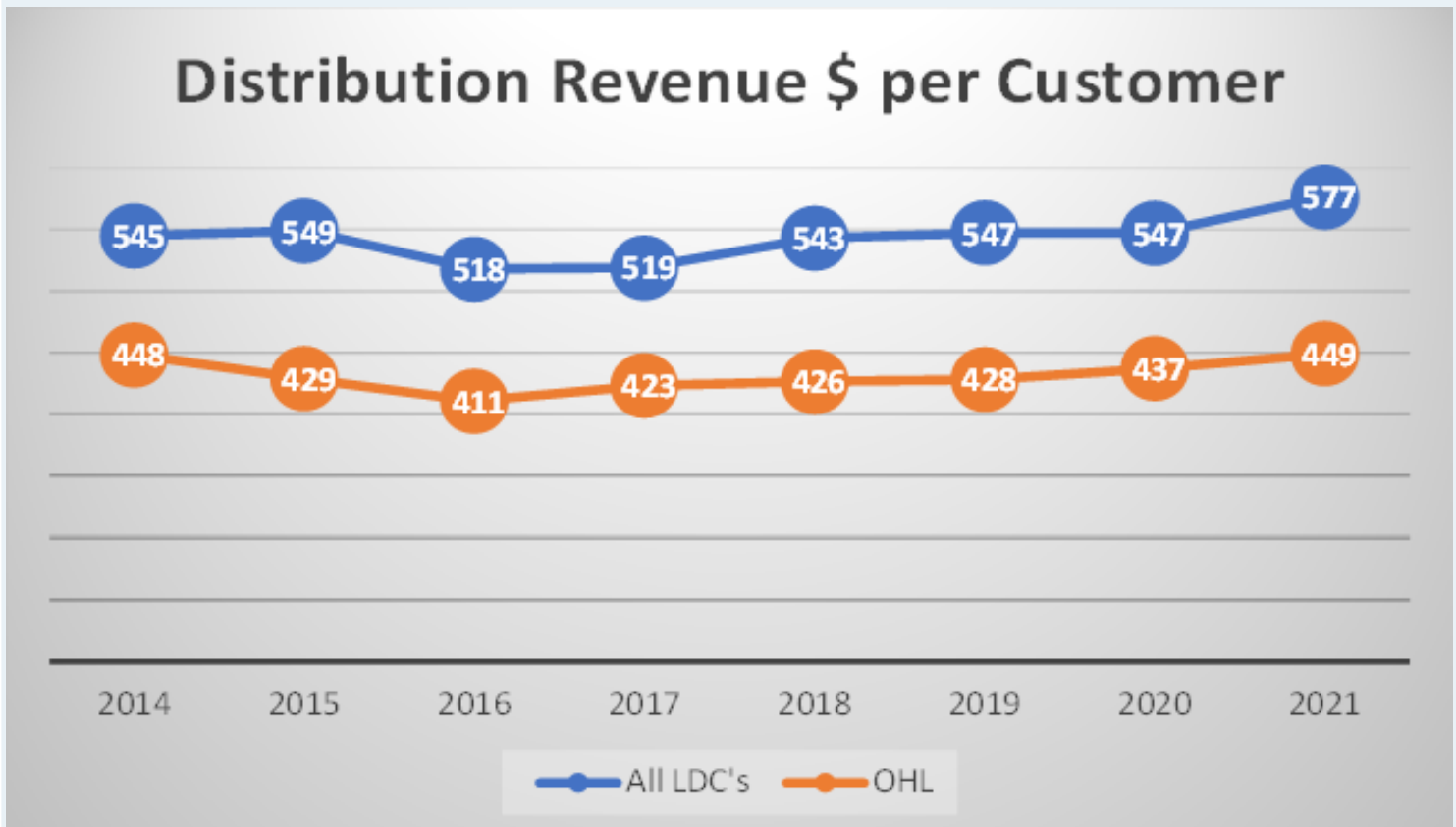
Historical and Proposed Revenues

The historical customer growth has allowed Orangeville Hydro's overall distribution revenue to increase without significantly increasing the distribution revenue per customer.

Table 9: Historical and Proposed Distribution Revenues

		Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Forecast 2022	Budget 2023
Residential	Fixed Rate	\$ 15.25	\$ 15.45	\$ 18.19	\$ 21.00	\$ 23.72	\$ 26.62	\$ 27.11	\$ 27.54	\$ 28.28	\$ 29.18
	Variable Rate	\$ 0.0131	\$ 0.0133	\$ 0.0102	\$ 0.0069	\$ 0.0035	\$ -	\$ -	\$ -		
	Customers	10,407	10,570	10,730	11,084	11,285	11,360	11,409	11,483	11,564	11,636
	kWh	89,859,649	88,658,010	88,848,347	87,913,227	96,120,656	93,470,023	100,184,806	99,647,947	99,850,202	100,430,846
	Revenues	\$ 3,187,626	\$ 3,090,922	\$ 3,200,973	\$ 3,352,629	\$ 3,602,177	\$ 3,631,125	\$ 3,757,300	\$ 3,889,196	\$ 3,975,201	\$ 4,179,253
GS<50	Fixed Rate	\$ 31.21	\$ 31.62	\$ 32.19	\$ 32.71	\$ 33.00	\$ 33.45	\$ 34.07	\$ 34.62	\$ 35.55	\$ 36.69
	Variable Rate	\$ 0.0095	\$ 0.0096	\$ 0.0098	\$ 0.0100	\$ 0.0101	\$ 0.0102	\$ 0.0104	\$ 0.0106	\$ 0.0109	\$ 0.0112
	Customers	1,141	1,132	1,129	1,149	1,164	1,163	1,164	1,168	1,167	1,179
	kWh	36,140,162	35,440,740	35,626,425	36,041,070	37,480,006	36,623,491	35,247,190	35,138,692	36,547,089	36,589,097
	Revenues	\$ 795,437	\$ 751,287	\$ 765,543	\$ 919,218	\$ 782,960	\$ 822,922	\$ 847,950	\$ 872,387	\$ 903,521	\$ 933,115
GS>50	Fixed Rate	\$ 160.00	\$ 162.08	\$ 165.00	\$ 167.64	\$ 169.15	\$ 171.43	\$ 174.60	\$ 177.39	\$ 182.18	\$ 188.01
	Variable Rate	\$ 2.1482	\$ 2.1761	\$ 2.2153	\$ 2.2507	\$ 2.2710	\$ 2.3017	\$ 2.3443	\$ 2.3818	\$ 2.4461	\$ 2.5244
	Customers	137	138	141	132	134	132	124	124	126	126
	kWh	125,765,970	130,146,426	130,517,952	131,013,598	134,083,745	133,361,535	129,723,990	135,353,629	135,244,618	135,151,350
	Revenues	\$ 816,710	\$ 826,561	\$ 888,196	\$ 870,180	\$ 857,752	\$ 868,499	\$ 836,472	\$ 878,648	\$ 926,644	\$ 932,210
Sentinel Lights	Fixed Rate	\$ 3.12	\$ 3.16	\$ 3.22	\$ 3.27	\$ 3.30	\$ 3.34	\$ 3.40	\$ 3.45	\$ 3.54	\$ 3.65
	Variable Rate	\$ 12.1717	\$ 12.3299	\$ 12.5518	\$ 12.7526	\$ 12.8674	\$ 13.0411	\$ 13.2824	\$ 13.4949	\$ 13.8593	\$ 14.3028
	Connections	141	151	152	151	155	157	158	158	158	158
	kWh	108,113	108,886	110,643	108,354	107,351	107,697	107,698	107,404	106,822	106,987
	Revenues	\$ 7,254	\$ 7,339	\$ 8,482	\$ 8,096	\$ 8,362	\$ 8,480	\$ 9,298	\$ 10,573	\$ 10,725	\$ 11,043
Streetlights	Fixed Rate	\$ 1.42	\$ 1.44	\$ 1.47	\$ 1.49	\$ 1.50	\$ 1.52	\$ 1.55	\$ 1.57	\$ 1.61	\$ 1.66
	Variable Rate	\$ 7.8391	\$ 7.9410	\$ 8.0839	\$ 8.2132	\$ 8.2871	\$ 8.3990	\$ 8.5544	\$ 8.6913	\$ 8.9260	\$ 9.2116
	Connections	2,915	2,851	2,845	2,890	2,939	2,939	2,962	2,982	2,968	2,980
	kWh	1,920,607	1,750,885	933,500	904,819	912,796	925,959	924,100	911,971	918,698	918,541
	Revenues	\$ 91,595	\$ 91,113	\$ 53,288	\$ 71,690	\$ 73,088	\$ 74,656	\$ 87,468	\$ 77,905	\$ 79,374	\$ 80,429
USL	Fixed Rate	\$ 5.95	\$ 6.03	\$ 6.14	\$ 6.24	\$ 6.30	\$ 6.39	\$ 6.51	\$ 6.61	\$ 6.79	\$ 7.01
	Variable Rate	\$ 0.0083	\$ 0.0084	\$ 0.0086	\$ 0.0087	\$ 0.0088	\$ 0.0089	\$ 0.0091	\$ 0.0092	\$ 0.0094	\$ 0.0097
	Connections	73	96	97	97	97	97	97	98	98	98
	kWh	404,627	400,512	370,442	398,917	393,393	393,393	393,393	393,393	393,393	393,393
	Revenues	\$ 10,158	\$ 10,401	\$ 10,939	\$ 10,928	\$ 40,430	\$ 10,787	\$ 11,076	\$ 11,603	\$ 11,775	\$ 11,849
TOTAL	kWh	254,199,128	256,505,459	256,407,308	256,379,985	269,097,947	264,882,097	266,581,177	271,553,035	273,060,822	273,590,215
	Revenues	\$ 4,908,779	\$ 4,777,622	\$ 4,927,421	\$ 5,232,741	\$ 5,364,768	\$ 5,416,469	\$ 5,549,565	\$ 5,740,311	\$ 5,907,240	\$ 6,147,899

Table 10: Historical Distribution Revenue per Customer



Bill Impacts

Since our last Cost of Service for 2014 rates, Orangeville Hydro's residential rate increases excluding rate riders have been near or below the rate of inflation. The transition to a fully fixed residential service charge has helped to ensure a stable source of revenue for Orangeville Hydro as well as ensuring more consistency for our residential customers' energy costs. In 2020, Orangeville Hydro chose to defer the recovery of May 1, 2020 rates, until November 1, 2020 to help ease the uncertainty of the COVID-19 pandemic. Overall residential bill impacts include rate riders, which are in place for the recovery of deferral and variance accounts from pass through charges (regulatory assets and liabilities). Orangeville Hydro did not dispose of all deferral and variance accounts in 2019 and 2020, which is why there is a larger bill impact in 2021 including rate riders, as these rates included dispositions for multiple years.

Table 11: Residential Bill Impacts (Distribution Only)

		Excluding Rate Riders (incl. SME charge)							
		2017	2018	2019	November 1, 2020	2021	November 1, 2021	2022	
Residential	Fixed Rate	\$ 21.79	\$ 24.29	\$ 27.19	\$ 27.92	28.35	28.11	28.85	
	Variable Rate	\$ 0.0069	\$ 0.0035	\$ -	\$ -	\$ -			
	Total (700 kWh)	\$ 26.62	\$ 26.74	\$ 27.19	\$ 27.92	\$ 28.35	\$ 28.11	\$ 28.85	
	Bill Impact	1.9%	0.5%	1.7%	2.7%	1.5%	-0.8%	2.6%	
		Including Rate Riders							
		2017	2018	2019	November 1, 2020	2021	November 1, 2021	2022	
Residential	Fixed Rate	\$ 21.96	\$ 24.46	\$ 27.35	\$ 28.08	28.67	28.27	29.01	
	Variable Rate	\$ 0.0064	\$ 0.0031	\$ 0.0011	\$ 0.0011	\$ 0.0094	\$ 0.0083	0.0039	
	Total (700 kWh)	\$ 26.44	\$ 26.63	\$ 28.12	\$ 28.85	\$ 35.25	\$ 34.08	\$ 31.74	
	Bill Impact	-3.3%	0.7%	5.6%	2.6%	22.2%	-3.3%	-6.9%	

8. Capital Spending

Key Objectives for Capital Expenditures

The key objectives for Orangeville Hydro's capital expenditures over the next five years include:

- Ensuring our existing and future customers enjoy the benefit of a safe and reliable distribution system,
- Ensuring our staff can work safely on and near the distribution system,
- Mitigating the inherent risks of a distribution system through an effective asset management program,
- Understand customer preferences – how our customers wish to receive service and how do they wish to interact with the utility to obtain the information they require and understand the goals, objectives, and priorities of the utility
- Ensuring our load, generation, and storage customers have access to the distribution system as well as a long-term secure supply of energy, and
- Ensuring all regulatory compliance obligations are achieved.

System access expenditures for 2022 to 2027 are expected to be comparable to the historical average of 2014 to 2021. System Access projects encompass customer requests for service connections and subdivisions. Growth will occur from new subdivisions, infill developments, and intensification developments. Considering these expenditures are based on customer demand, this forecast is subject to change.

System renewal expenditures for 2022 to 2027 are expected to be comparable to the historical average of 2014 to 2021. These expenditures are to improve the distribution system by either replacing assets or extending the original service life of the major assets such as poles, transformers, switches, switching cubicles, and revenue meters. Considering these expenditures can be affected by the quantity of major assets that fail in a specific year, this forecast is subject to change.

System service expenditures for 2022 to 2027 are expected to be comparable to the historical average of 2014 to 2021. These projects are planned to ensure the distribution system continues to meet operational objectives, while addressing future needs. The expenditures within this 5-year plan are significantly driven by Orangeville Hydro's voltage conversion program as well as conductor upgrades. In 2022 there is a significant increase from the original budget due to an expansion in the scope of work in reaction to the Wightman Fiber expansion in this area. Orangeville Hydro had planned underground work for 2023 and 2024 in the same area that Wightman Telecom was completing work in 2022. To reduce the impact to customers, avoid future installation conflicts, and generate shared savings, the conduit installation work was completed in 2022, ahead of schedule. The conduit that is installed in 2022 will be utilized in 2023.

General Plant expenditures for 2022 to 2027 are expected to be comparable to the historical average of 2014 to 2021. General Plant expenditures are for non-distribution assets, such as land, building, office equipment, computer hardware, vehicles, and small equipment. Intangibles are included in General Plant and include land rights and computer software.

2023 Capital Budget

Description	2023 Budget	2022 Budget	Variance 2023 Budget to 2022 Budget	2022 Forecast	Variance 2022 Forecast to 2022 Budget
System Access	375,676	224,843	150,833	197,029	(27,814)
System Renewal	407,649	541,020	(133,371)	639,022	98,002
System Service	784,604	1,095,187	(310,583)	2,087,595	992,407
General Plant	288,898	213,100	75,798	198,978	(14,122)
TOTAL	\$ 1,856,827	\$ 2,074,151	\$ (217,324)	\$ 3,122,624	\$ 1,048,473

Capital investments are necessary to ensure a safe and reliable distribution system and to meet our obligation to connect new customers. It is important to Orangeville Hydro that there is a strong understanding of the entire system to determine priority assets that require replacement or repair.

The 2023 Capital Budget of \$1,856,827 includes the completion of two significant System Service projects, which are: B120 - MS2 South Feeder Voltage Conversion-Edelwild/Avonmore/Johanna, and B122 - MS2 South Feeder Voltage Conversion-Edelwild/Rustic/Cedar/Lawrence. These projects are the continuation of Orangeville Hydro voltage conversion program. The System Renewal projects of \$407,649 are planned transformer, hardware, meter, and pole replacements. System Access costs of \$375,676 are mainly attributed to the connection of new residential subdivisions. The 2023 General Plant Budget of \$288,898 includes building and office equipment upgrades such as replacing the ceiling tiles in the building and cable re-wiring. This budget includes computer equipment and software upgrades, which includes an improvement to the customer online portal. A new truck to replace truck #34 is included, based on the Orangeville Hydro vehicle replacement policy. Throughout 2022, significant price increases have been realized on major capital items, this budget has incorporated the known increases.

2023 Capital Budget by Category

Category	Reference Number	Project Description	Total Project	Contributed Capital
System Access	C01-2023	Various General Service Capital Contribution Projects	80,000	(60,000)
System Access	C02-2023	Various Residential Capital Contribution Projects	30,000	(25,000)
System Access	F01-2023	Estimated Distributed Energy Resources Projects	8,000	(8,000)
System Access	S01-2023	Various Subdivisions	587,774	(237,098)
System Access Total:			705,774	(330,098)

System Renewal	B00-2023	Failed Transformer Replacement	117,300
System Renewal	H00-2023	Major Component Replacement	100,000
System Renewal	M00-2023	Meter Replacement and additions	54,349
System Renewal	P00-2023	Pole Replacement	136,000
System Renewal Total:			407,649

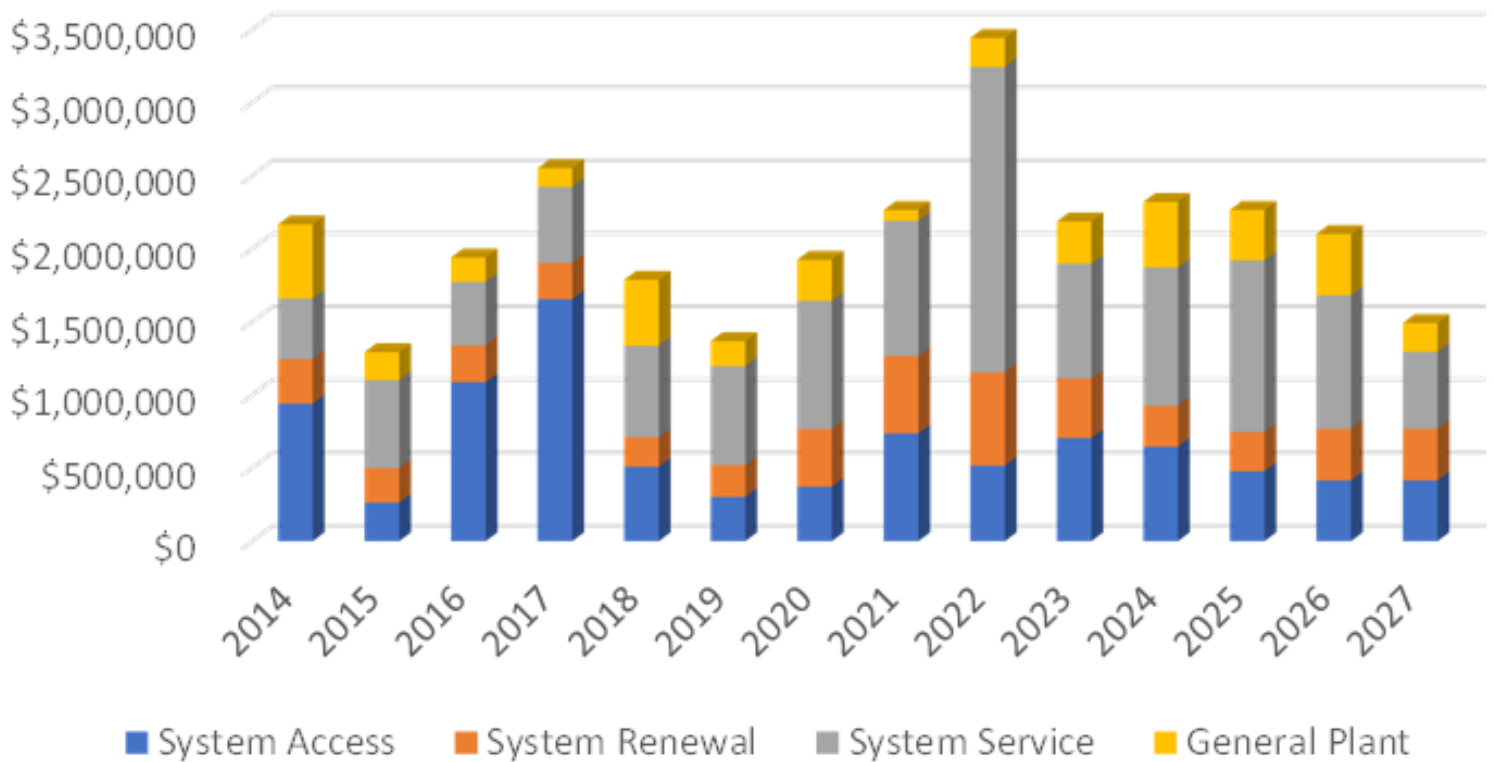
System Service	B120-2023	MS2 South Feeder Voltage Conversion-Edelwild/Avonmore/Johanna	366,687
System Service	B122-2023	MS2 South Feeder Voltage Conversion-Edelwild/Rustic/Cedar/Lawrence	417,918
System Service Total:			784,604

General Plant	GP 2023 - 1	Building	40,000
General Plant	GP 2023 - 2	Office Equipment	35,000
General Plant	GP 2023 - 3	Computer Equipment	37,000
General Plant	GP 2023 - 4	Computer Software	64,100
General Plant	GP 2023 - 5	Vehicles	55,000
General Plant	GP 2023 - 6	Stores Equipment	2,000
General Plant	GP 2023 - 7	Tools, Shop & Garage Equipment	6,000
General Plant	GP 2023 - 8	Measurement & Testing	42,000
General Plant	GP 2023 - 9	Miscellaneous Equipment	6,798
General Plant	GP 2023 - 10	Land Rights	-
General Plant	GP 2023 - 11	Communication Equipment	1,000
General Plant Total:			288,898

Total 2023 Budget Capital Expenditures			2,186,925	(330,098)
Total 2023 Budget Capital Expenditures Less Contributed Capital			1,856,827	

2023-2027 Capital Expenditure Plan

Table 12: Capital Expenditures by Year and Type



Orangeville Hydro is required to submit a periodic Distribution System Plan (DSP), typically along with a cost of service rate application. This DSP is designed to present Orangeville Hydro's fully integrated approach to capital expenditure planning. This includes comprehensive documentation of its Asset Management (AM) process that supports its future five-year capital expenditure plan while assessing the performance of its historical five-year period.

The electric distribution system is capital intensive in nature and prudent capital investments and maintenance plans are essential to ensure the sustainability of the distribution network. Orangeville Hydro's DSP documents the practices, policies and processes that are in place to ensure decisions on capital investments and maintenance plans support Orangeville Hydro's desired outcomes cost-effectively and provides value to customers.

In every year of the DSP, a comprehensive capital plan is completed, which includes System Access capital contribution jobs, System Service conversion projects, System Renewal upgrade projects, and General Plant expenditures.

Table 13: Summary of Historical and Plan Capital Expenditures 2014-2027

Category	-----Historical (\$)-----							
	2014	2015	2016	2017	2018	2019	2020	2021
System Access	\$940,972	\$263,560	\$1,088,050	\$1,655,660	\$509,508	\$302,685	\$372,926	\$736,527
System Renewal	305,569	236,946	251,590	248,552	201,614	217,629	394,476	530,019
System Service	413,471	601,128	433,835	519,849	625,952	676,650	877,012	925,386
General Plant	507,152	191,473	167,516	127,549	450,696	171,264	280,525	73,302
Total Gross Expenditures	\$2,167,163	\$1,293,107	\$1,940,991	\$2,551,610	\$1,787,770	\$1,368,228	\$1,924,938	\$2,265,235
Contributed Capital	(\$538,014)	(\$200,284)	(\$395,789)	(\$633,962)	(\$198,868)	(\$114,921)	(\$239,979)	(\$349,139)
Net Capital Expenditures	\$1,629,149	\$1,092,823	\$1,545,201	\$1,917,648	\$1,588,902	\$1,253,307	\$1,684,959	\$1,916,096
System O&M	\$919,266	\$961,518	\$907,299	\$989,431	\$754,878	\$958,991	\$807,988	\$1,077,960

Category	-----Forecast (\$)-----					
	2022	2023	2024	2025	2026	2027
System Access	\$516,806	\$705,774	\$646,374	\$478,413	\$415,891	\$415,891
System Renewal	639,022	407,649	280,584	269,242	353,141	353,141
System Service	2,087,595	784,604	945,416	1,173,657	912,601	526,554
General Plant	198,978	288,898	448,500	344,900	419,900	196,900
Total Gross Expenditures	\$3,442,401	\$2,186,925	\$2,320,874	\$2,266,212	\$2,101,533	\$1,492,486
Contributed Capital	(\$319,778)	(\$330,098)	(\$157,847)	(\$174,059)	(\$224,389)	(\$224,389)
Net Capital Expenditures	\$3,122,624	\$1,856,827	\$2,163,027	\$2,092,153	\$1,877,144	\$1,268,097
System O&M	\$1,126,136	\$1,217,455	\$1,247,891	\$1,230,089	\$1,154,428	\$1,183,289

Details of major projects each year are below:

2024 System Service projects include:

- B121 - MS2 East Feeder Voltage Conversion-Maple, Madison Ave
- B123 - Voltage Conversion from step down transformer-Cardwell, Princess, Ontario, Dufferin
- B124 - MS2 East Feeder Voltage Conversion-Carlton, Lawrence Ave

Significant roof upgrades at 400 C Line office area are included in the General Plant budget

2025 System Service projects include:

- B125 – Broadway, Banting, Zina, Elizabeth, Birch Conversion
- B126 - Amelia St, Jackson Crt, College Ave Voltage Conversion

Significant roof upgrades at 400 C Line garage area are included in the General Plant budget

2026 System Service projects include:

- B127 – Westmorland, Fairview, Elm Voltage Conversion
- B128 – Meadow, Passmore, Pheasant Drive Voltage Conversion

A double bucket truck replacement is included in the General Plant budget

2027 System Service projects include:

- B128 – Continuation of Meadow, Passmore, Pheasant Drive Voltage Conversion

9. Operational Costs

Operating and maintenance work will maintain the focus on inspecting, testing, patrolling as well as the supervision of the distribution system and equipment such as sub-stations, transformers, and meters, along with engineering and mapping expenses. It also includes planned maintenance projects such as vegetation management in problem areas plus any costs that are a result of reactive work that occurs, such as repairing transformers and trouble calls. A well-maintained distribution system results in better system reliability which is one of our major initiatives. The Operating budget includes labour, material, and contractor costs.

Billing, Collecting and Meter Reading budget includes an allocated portion of the salary for the Manager of Customer Service to oversee the customer service department, customer service staff labour and benefits, stationery, postage, and billing system operating costs along with meter reading and smart metering costs. While our focus remains on the customer, Orangeville Hydro is always investigating efficiencies and striving to reduce costs.

The Community Relations budget covers our safety and conservation programs for 2 schools each year to educate students on either conservation or electrical safety. This budget also includes “On hold” informational messages to our customers, radio advertising and participation in local events, such as Christmas in the Park, Customer Education Day, Grand Valley Duck Race, and the Orangeville Farmers market.

Administration is an integral part of our business plan. This category budget includes costs for the Directors, President, and Chief Financial Officer, as well as finance and regulatory staff. Labour, benefits, training, conferences, office maintenance and supplies, and insurances for property and liability, Ontario Energy Board regulatory costs, association memberships, HR, legal and auditing consultants, and a portion of the IT professional are some of the other costs that drive the Administration budget. Orangeville Hydro will continue its membership in the Cornerstone Hydro Electric Concepts Co-operative (CHEC) as the membership translates into valuable collaboration cost savings. Membership in Utilities Standards Forum (USF) is extremely beneficial in providing engineering standards common to the entire industry, as well as regulatory and customer service networking between other local distribution companies. Membership in the Electricity Distributors Association (EDA) is also valuable with the association being the voice for Ontario’s electricity distributors.

2023 Operations, Maintenance, and Administration Budget

Description	2023 Budget	2022 Budget	Variance 2023 Budget to 2022 Budget	2022 Forecast	Variance 2022 Forecast to 2022 Budget
Operating	892,650	719,423	173,228	795,271	75,848
Maintenance	324,805	344,119	(19,314)	330,865	(13,254)
Distribution	1,217,459	1,063,542	153,917	1,126,136	62,593
Billing & Collecting	1,098,800	1,033,389	65,411	962,088	(71,301)
Community Relations	55,210	36,065	19,145	18,630	(17,435)
Administration	1,466,009	1,479,404	(13,396)	1,447,643	(31,761)
Total	\$ 3,837,479	\$ 3,612,401	\$ 225,077	\$ 3,554,496	\$ (57,905)
Total Percentage Variance			6.2%		-1.6%

Overall, the 2023 OM&A Expenses Budget of \$3,837,479, is \$225,077 higher than the 2022 Budget of \$3,612,401 due to the expenditures described below. The 2022 Forecast of \$3,554,496 is \$57,905 lower than the 2022 Budget.

Salaries and wages are a significant aspect of the OM&A expenses, and Orangeville Hydro recognizes the value of a skilled and customer focused workforce. Orangeville Hydro is conscious of the importance of prudent operational spending and completes a monthly analysis to ensure actual spending is close to budgeted costs. Management attempts to find efficiencies to reduce OM&A spending where possible. Inflationary increases have been incorporated into the 2023 budget, as there have been widespread increases on many items throughout the budget.

Distribution

This Operating and Maintenance budget will maintain the focus on inspecting, testing, patrolling as well as the supervision of the distribution system and equipment such as sub-stations, transformers, and meters, along with engineering and mapping expenses. It also includes planned maintenance projects such as vegetation management in problem areas plus any costs that are a result of reactive work that occurs, such as repairing transformers and trouble calls. A well-maintained distribution system results in better system reliability which is one of our major initiatives.

The Distribution budget includes labour, material and contractor costs. The 2023 Distribution Budget is higher than the 2022 Budget with an increase of \$153,917. This increase is mainly due to an additional staff member in the Engineering department, for succession planning purposes, as well as an increase in labour costs. The 2023 budget includes higher contractor costs to complete underground locates and customer requested Disconnect/Reconnects, a cable assessment program, a third of the IT contractor costs, and similar tree trimming costs as compared to the 2022 budget.

Billing, Collecting and Meter Reading

The 2023 Billing and Collecting Budget is higher than the 2022 Budget by \$65,411. The increase is due to an increase in labour costs as well as higher contractor website access costs for meter reading purposes, due to a reallocation of accounts with a portion of the costs moving from Operations and Maintenance to Meter Reading. The 2023 budget also includes higher bank charges due to an increased number of customers using electronic methods of payment and an increase in bill printing costs, as well as an increase in billing system support contractor costs.

Community Relations

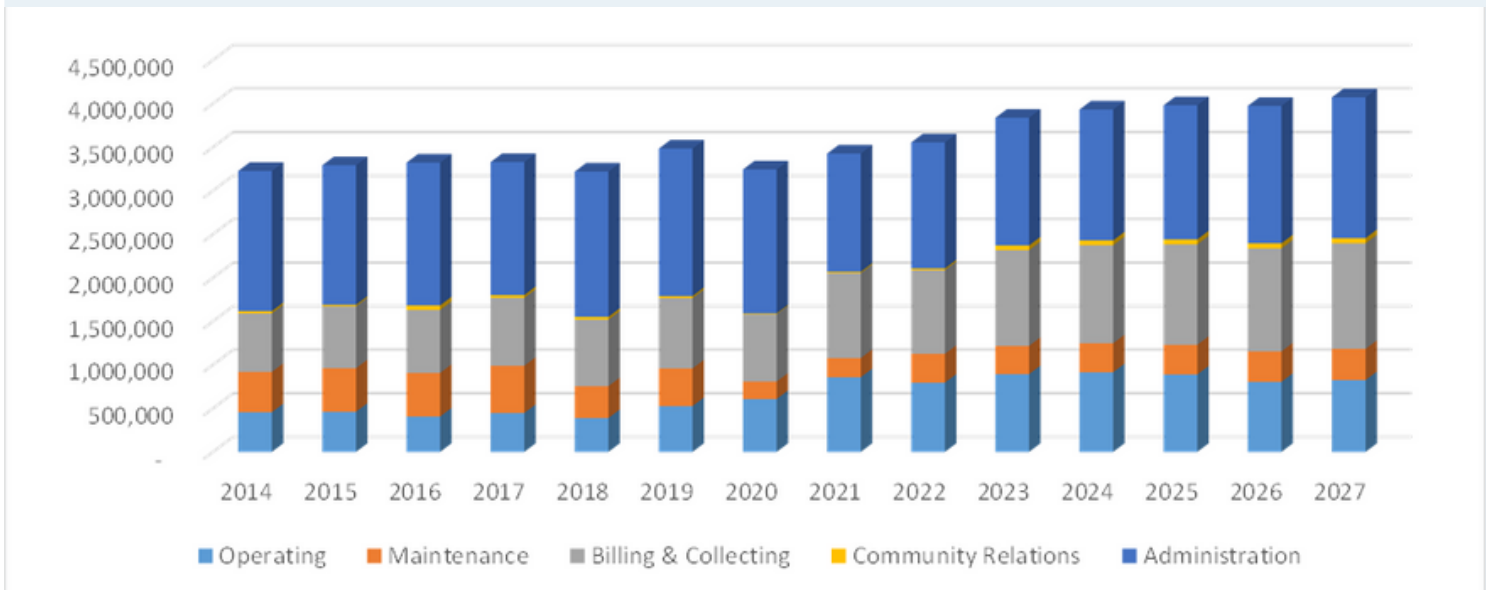
The 2023 Community Relations Budget is higher than the 2022 budget by \$19,145 and 2022 Forecast is lower than the 2022 Budget by \$17,435. The budget includes four planned community engagement events, as well as a percentage of the Marketing and Communications Coordinators' time, with the forecast being significantly lower, as no school programs took place, and lower labour costs for events were included.

Administration

The 2023 Administration Budget is \$13,396 lower than the 2022 Budget as it includes the removal of the costs of a meter settlement data provider, while offsetting this decrease is an increase in labour costs and a portion of labour costs for the Marketing and Communications Coordinator.

2023-2027 Operating, Maintenance, and Administration Expenditure Plan

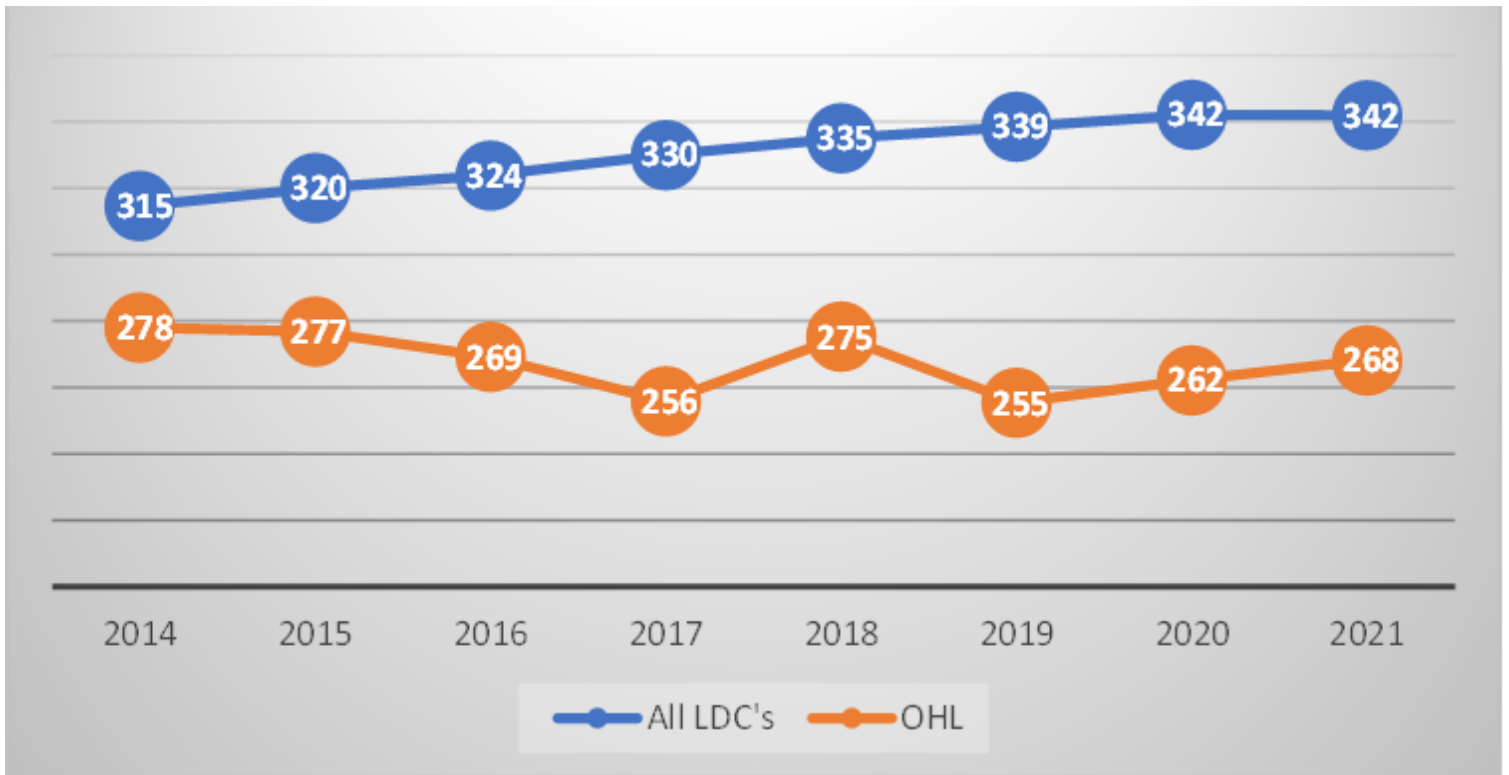
Table 14: OM&A Expenses by Year and Type



In the forecast from 2023 to 2027, an increase in most operating costs of a rate of 2.5% per year was used, other than union compensation, which is based on the collective agreement. After an increase of one staff member in 2022, the headcount remains at a steady level of 20 full-time employees going forward. With succession planning, this will decrease back to 19 staff within the 5-year horizon. Salaries and wages are a significant aspect of the OM&A expenses, and Orangeville Hydro recognizes the value of a skilled and customer focused workforce. Orangeville Hydro is conscious of the importance of prudent operational spending and completes a monthly analysis to ensure actual spending is close to budgeted costs. Management attempts to find ways to reduce OM&A spending where possible.

Orangeville Hydro's OM&A costs per customer historically is consistently lower than province-wide costs per customer. This is due to a steadily increasing customer base and OM&A expenses staying at fairly consistent levels.

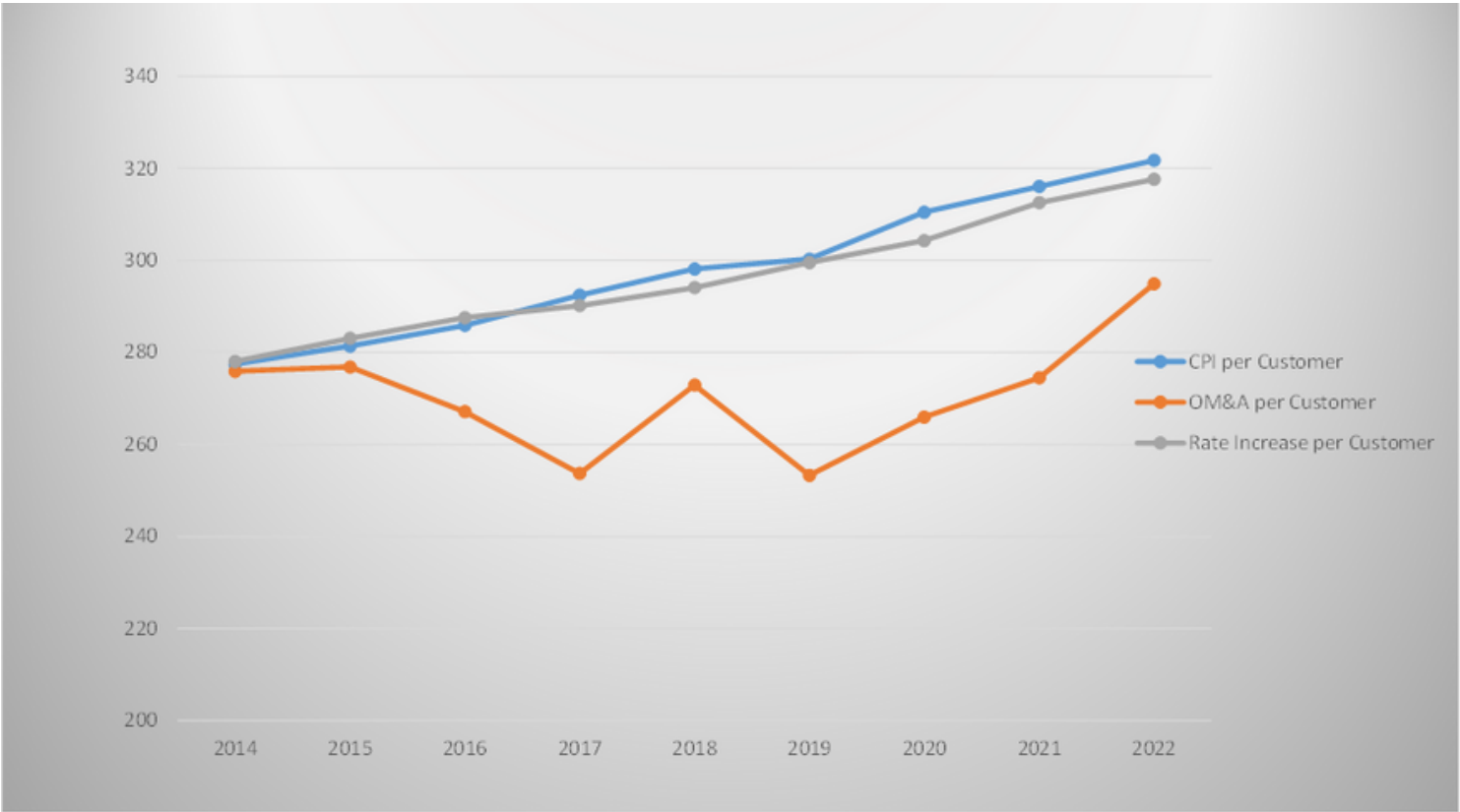
Table 15: OM&A Costs per Customer



OM&A costs as compared to CPI and OEB inflation factor increases

Orangeville Hydro compared its OM&A costs per customer from 2014 to 2022, as compared to historical Canada CPI rates and the OEB inflation factor for rate increases every year, also per customer. With a base year of 2014, OM&A fluctuates more significantly than CPI or OEB inflation factors, but overall has been consistently lower than both metrics.

Table 16: OM&A as compared to CPI and OEB Inflation Factor per Customer

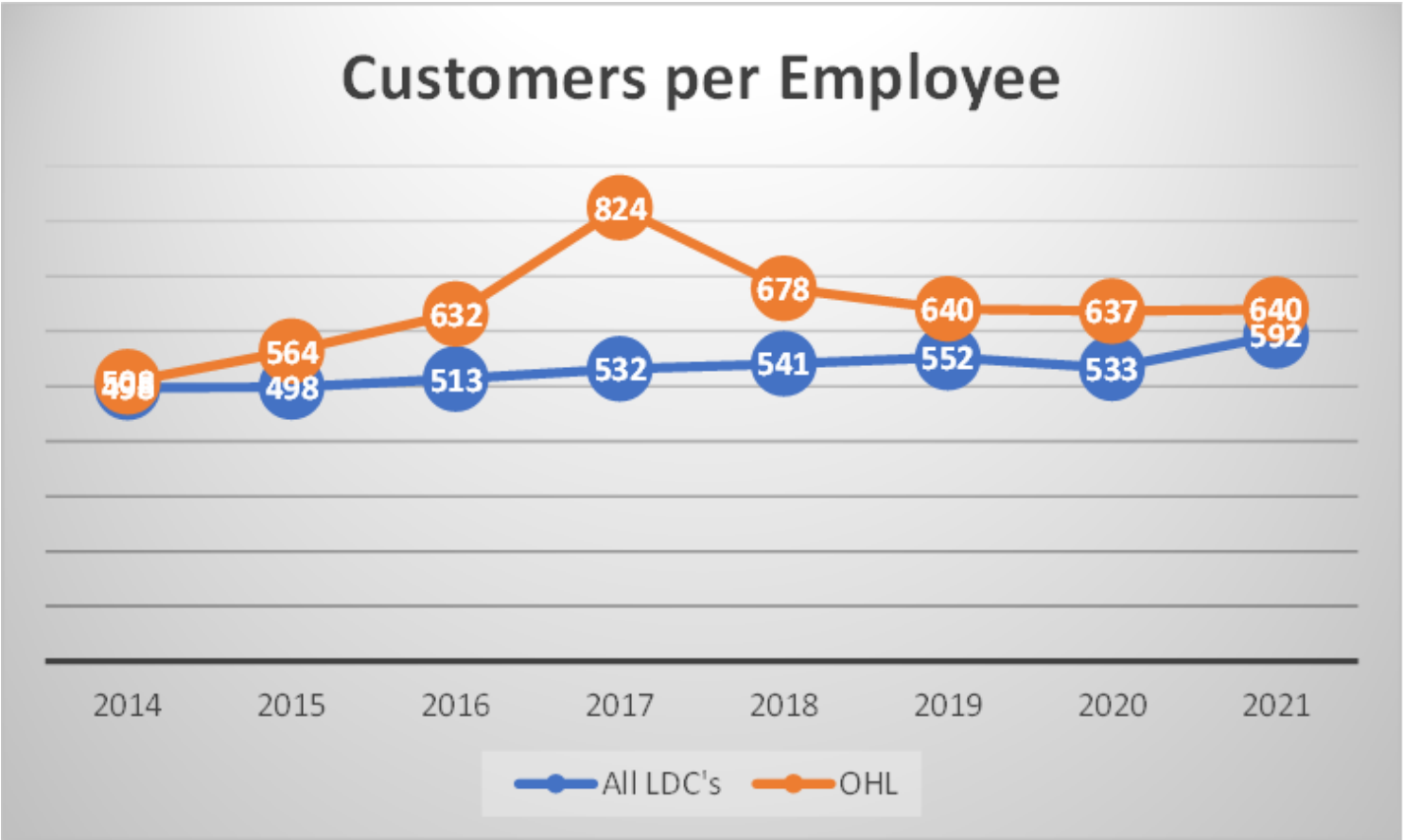


10. Personnel

Orangeville Hydro operates its business with a lean number of employees. This is proven through a comparison of Orangeville Hydro’s number of customers per employee compared to other LDCs in Ontario. The efficiency is achieved through ensuring our employees are highly skilled and trained, as well as collaborating with other LDCs through CHEC, UCS, USF, and EDA.

By the end of 2022, the full-time staff complement is expected to be 20. This number of employees is expected to remain consistent for the near future.

Table 17: Customers per Employee



11. Financial Summary

Table 18: Historical Financial Summary and Statistics

	Financial Summary							
	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Energy Sales	\$ 26,720,348	\$ 29,637,637	\$ 33,499,518	\$ 30,048,911	\$ 28,491,290	\$ 29,164,689	\$ 33,148,280	\$ 30,406,079
Distribution Revenue	\$ 4,954,958	\$ 4,839,850	\$ 5,200,350	\$ 5,219,614	\$ 5,444,878	\$ 5,674,628	\$ 5,664,418	\$ 5,796,532
OM&A Expenses	\$ 3,226,833	\$ 3,292,572	\$ 3,322,207	\$ 3,328,900	\$ 3,219,669	\$ 3,492,710	\$ 3,285,656	\$ 3,426,889
Capital Expenditures	\$ 2,167,163	\$ 1,293,107	\$ 1,940,991	\$ 2,551,610	\$ 1,778,360	\$ 1,368,228	\$ 1,924,938	\$ 2,265,235
Net Income	\$ 712,039	\$ 549,640	\$ 742,839	\$ 1,070,150	\$ 1,132,870	\$ 901,542	\$ 1,086,517	\$ 908,964
Shareholder Equity	\$ 9,261,741	\$ 9,508,537	\$ 9,865,747	\$ 10,289,603	\$ 10,994,887	\$ 11,329,992	\$ 11,965,738	\$ 12,331,443
Total Debt	\$ 11,303,321	\$ 10,910,584	\$ 10,505,200	\$ 12,043,169	\$ 11,554,844	\$ 13,009,817	\$ 13,418,780	\$ 13,805,822
Capital assets (PP&E)	\$ 17,089,439	\$ 17,320,291	\$ 18,337,875	\$ 19,850,847	\$ 20,620,014	\$ 20,934,988	\$ 21,786,371	\$ 22,952,526
Annual Dividends to Shareholders	\$ 423,796	\$ 302,844	\$ 385,629	\$ 646,294	\$ 447,092	\$ 566,435	\$ 450,771	\$ 543,259
Cumulative Dividends Paid	\$ 17,889,288	\$ 18,192,132	\$ 18,577,761	\$ 19,224,055	\$ 19,671,147	\$ 20,237,582	\$ 20,688,353	\$ 21,174,017
Number of customers	11,757	11,934	12,000	12,462	12,690	12,766	12,808	12,885
Number of employees (FTE per RRR)	23	21	19	15	19	20	20	20
	Financial Statistics							
	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Return on Equity (Financials)	7.69%	5.78%	7.53%	10.40%	10.30%	7.96%	9.08%	7.37%
Return on Equity (Regulated)	9.47%	6.40%	8.68%	10.60%	11.92%	10.34%	11.83%	9.46%
Debt %	55%	53%	52%	54%	51%	53%	53%	53%
Equity %	45%	47%	48%	46%	49%	47%	47%	47%
Debt to Equity	1.21	1.15	1.06	1.17	1.05	1.15	1.12	1.12
Debt to Assets %	41%	38%	36%	37%	38%	41%	39%	39%
Debt to Capital Assets %	66%	63%	57%	61%	56%	62%	62%	60%
OM&A expenses/customer	\$ 274	\$ 276	\$ 277	\$ 267	\$ 254	\$ 274	\$ 257	\$ 266
Customers/Employee	511	568	632	831	668	646	642	646

Table 19: Forecast Financial Summary and Statistics

	Financial Summary					
	2022	2023	2024	2025	2026	2027
	Forecast	Plan	Plan	Plan	Plan	Plan
Energy Sales	\$ 29,323,162	\$ 31,136,961	\$ 31,578,889	\$ 31,538,937	\$ 31,993,429	\$ 32,640,719
Distribution Revenue	\$ 6,029,813	\$ 6,199,929	\$ 6,323,472	\$ 6,449,482	\$ 6,578,007	\$ 6,709,098
OM&A Expenses	\$ 3,554,496	\$ 3,837,475	\$ 3,932,087	\$ 3,981,108	\$ 3,973,941	\$ 4,073,008
Capital Expenditures	\$ 3,440,616	\$ 2,186,925	\$ 2,320,874	\$ 2,266,212	\$ 2,101,533	\$ 1,492,486
Net Income	\$ 957,846	\$ 805,562	\$ 767,004	\$ 770,698	\$ 887,163	\$ 881,158
Shareholder Equity	\$ 12,803,625	\$ 13,130,265	\$ 13,494,488	\$ 13,881,684	\$ 14,383,497	\$ 14,821,074
Total Debt	\$ 16,110,641	\$ 15,382,707	\$ 16,607,769	\$ 15,791,817	\$ 17,417,770	\$ 16,713,283
Capital assets (PP&E)	\$ 25,221,591	\$ 26,215,189	\$ 27,276,291	\$ 28,236,921	\$ 29,041,585	\$ 29,242,392
Annual Dividends to Shareholders	\$ 485,664	\$ 478,923	\$ 402,781	\$ 383,502	\$ 385,349	\$ 443,581
Cumulative Dividends Paid	\$ 21,659,681	\$ 22,138,604	\$ 22,541,385	\$ 22,924,887	\$ 23,310,236	\$ 23,753,817
Number of customers	12,949	13,014	13,079	13,145	13,210	13,276
Number of employees (FTE per RRR)	21	21	21	21	21	21
	Financial Statistics					
	2022	2023	2024	2025	2026	2027
	Forecast	Plan	Plan	Plan	Plan	Plan
Return on Equity (Financials)	7.48%	6.14%	5.68%	5.55%	6.17%	5.95%
Return on Equity (Regulated)						
Debt %	56%	54%	55%	53%	55%	53%
Equity %	44%	46%	45%	47%	45%	47%
Debt to Equity	1.26	1.17	1.23	1.14	1.21	1.13
Debt to Assets %	43%	41%	43%	41%	42%	41%
Debt to Capital Assets %	64%	59%	61%	56%	60%	57%
OM&A expenses/customer	\$ 274	\$ 295	\$ 301	\$ 303	\$ 301	\$ 307
Customers/Employee	617	620	623	626	629	632

Revenues

Energy Sales include the pass through commodity costs and are budgeted to increase 2% year over year, based on 2021 electricity sales, which saw lower revenues as compared to 2020, but more in line with historical. Distribution revenue is budgeted in 2022 and 2023 to increase by an estimated number of customers for most customer classes, and then increased for the OEB Price Cap IR increase, which for 2023 is forecasted to be 3.2%. Future years are then conservatively increased by 2% to account for rate increases and customer growth. The residential service charge is now fully fixed, resulting in additional revenue stability in the future. After three accepted Cost of Service deferral requests, Orangeville Hydro is now on the Annual IR rate methodology, until it is necessary to complete another Cost of Service rate application. An analysis is completed on an annual basis to allow determination whether to defer a Cost of Service application, and it is expected that Orangeville Hydro will complete a Cost of Service rate application for 2024 rates.

Expenses

Cost of Power expenses, which offset the Energy Sales, are budgeted to increase at the same level as Energy Sales. Most OM&A expenses are expected to increase in 2023 by 3% and the remaining years by 2.5% to account for inflationary increases as well as additional cost increases, and wages for employees are planned to increase according to the Collective Agreement. Finance costs will increase due to the additional borrowing projected in 2022, 2024 and 2026.

Orangeville Hydro is in the process of a Compliance Review with the Ontario Energy Board with regards to a billing error from the incorrect proration of fixed charges. At the completion of the review, it is likely that Orangeville Hydro will reimburse customers for a yet undetermined amount of time of overbilling. This financial impact has not been quantified in this budget as it has not yet been finalized.

Capital Structure

In 2022, Orangeville Hydro borrowed \$3 million to sustain our increased capital works plan and fund regulatory related payments, such as Hydro One low voltage (LV), network (NW), and connection (CN) charges and fluctuating Power and Global Adjustment rates, which will take the debt to equity ratio to 56:44, a small deviation from the OEB deemed structure of 60:40. The Business Plan calls for another \$2 million increase in borrowing in 2024 and \$2.5 million in 2026. Orangeville Hydro will utilize the borrowing to maintain investment in our infrastructure, progression of technologies, and manage our net regulatory assets.

Rates/Return

A comprehensive review by the OEB of Orangeville Hydro's operating, maintenance, and administration costs along with recovery of income taxes and capital investments in our distribution system was completed in 2014. Orangeville Hydro earns a return on these investments at the cost of capital rate as deemed by the OEB to meet a certain revenue requirement to develop our distribution rates. Orangeville Hydro can earn a return on equity of 9.36% and to recover the OM&A costs to operate the utility efficiently. The regulated ROE is based on the regulated net income divided by the total rate base, which is calculated as the average property, plant, and equipment plus working capital. During our yearly planning process, management is continuously examining improvements thus intent on achieving a reasonable return on equity.

Dividends

Historically Orangeville Hydro has provided special dividends to the shareholders in 2005, 2008, 2013 and 2017 amounting to \$3.6 million. From 2000 to 2022, Orangeville Hydro has provided the Town of Orangeville with over \$21.2 million in dividends and from 2006-2022 the Town of Grand Valley has received over \$513,000 in dividends. In the 2023-2027 Business Plan there are no projected special dividends, although consideration over the plan years may be made. Over the horizon of this plan the dividends are estimated at an average of \$419,000 per year to 2027. Cash position is constantly monitored with respect to our regulatory environment and vigilance is taken to ensure we can support our future capital requirements.

12. Pro-Forma Financial Statements

ORANGEVILLE HYDRO LIMITED

Statement of Comprehensive Income
Year ended December 31

	2021 Actual	2022 Forecast	2023 Budget	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Revenue							
Distribution revenue	\$ 5,796,532	\$ 6,029,813	\$ 6,199,929	\$ 6,323,472	\$ 6,449,482	\$ 6,578,007	\$ 6,709,098
Other	290,963	267,033	288,069	292,498	294,509	297,207	300,411
	6,087,495	6,296,846	6,487,998	6,615,970	6,743,991	6,875,215	7,009,509
Sale of energy	30,406,079	29,323,162	31,136,961	31,578,889	31,538,937	31,993,429	32,640,719
Total revenues	36,493,574	35,620,008	37,624,959	38,194,859	38,282,929	38,868,644	39,650,227
Operating expenses							
Operating and maintenance	1,034,443	1,126,136	1,217,455	1,247,891	1,230,089	1,154,428	1,183,289
Billing and collecting	1,000,099	962,088	1,098,800	1,125,227	1,153,358	1,182,192	1,211,747
Community relations		18,630	55,210	56,591	58,005	59,456	60,942
General and administrative	1,352,259	1,447,643	1,466,010	1,502,378	1,539,656	1,577,865	1,617,030
Depreciation and Amortization	930,022	985,319	1,046,335	1,110,285	1,159,057	1,146,825	1,137,848
	4,316,823	4,539,816	4,883,810	5,042,372	5,140,165	5,120,766	5,210,856
Cost of power purchased	30,596,804	29,609,925	30,200,496	30,802,879	31,417,309	32,044,028	32,683,281
Total expenses	34,913,627	34,149,741	35,084,306	35,845,251	36,557,474	37,164,794	37,894,137
Income from operating activities	1,579,947	1,470,267	2,540,653	2,349,609	1,725,454	1,703,850	1,756,090
Finance income	6,828	24,408	24,652	25,022	25,397	25,778	26,165
Finance costs	(487,681)	(528,835)	(571,319)	(592,568)	(600,428)	(627,569)	(642,483)
Income before income taxes	1,099,094	965,840	1,993,986	1,782,063	1,150,423	1,102,060	1,139,772
Income tax expense	(309,123)	(227,277)	(475,075)	(423,436)	(288,610)	(253,841)	(290,335)
Net income for the year	789,971	738,563	1,518,911	1,358,626	861,813	848,219	849,437
Net movement in regulatory balances	218,534	286,763	(936,465)	(776,010)	(121,628)	50,598	42,562
Tax on net movement	(37,177)	(67,480)	223,117	184,388	30,513	(11,654)	(10,842)
	181,357	219,283	(713,348)	(591,622)	(91,115)	38,944	31,720
Net income for the year and net movement in regulatory balances, being total comprehensive income	\$ 971,328	\$ 957,846	\$ 805,562	\$ 767,004	\$ 770,698	\$ 887,163	\$ 881,158
Other comprehensive income							
Remeasurements of defined benefit plan	(62,364)						
Other comprehensive income for the year, net of tax	(62,364)						
Total income and other comprehensive income for the year	908,964	957,846	805,562	767,004	770,698	887,163	881,158

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position
December 31

	2021 Actual	2022 Forecast	2023 Budget	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Assets							
Current assets							
Cash	\$ 302,534	\$ 558,892	\$ 327,969	\$ 1,681,602	\$ 476,293	\$ 1,856,802	\$ 1,449,190
Accounts receivable	4,563,544	4,506,330	4,546,146	4,586,361	4,626,978	4,668,001	4,709,434
Unbilled revenue	2,804,229	2,832,271	2,860,594	2,889,200	2,918,092	2,947,273	2,976,745
Inventory	357,927	359,717	361,515	363,323	365,140	366,965	368,800
Prepaid expenses	135,433	136,788	138,155	139,537	140,932	142,342	143,765
Other	71	78	85	94	103	114	125
Total current assets	8,163,737	8,394,074	8,234,465	9,660,117	8,527,538	9,981,496	9,648,060
Non-current assets							
Property, plant and equipment	22,743,104	25,008,939	25,973,571	26,983,422	27,965,135	28,793,088	29,019,304
Intangible assets	209,422	212,653	241,619	292,869	271,786	248,497	223,089
Total non-current assets	22,952,526	25,221,591	26,215,189	27,276,291	28,236,921	29,041,585	29,242,392
Total assets	31,116,263	33,615,666	34,449,654	36,936,407	36,764,459	39,023,081	38,890,452
Liabilities							
Current Liabilities							
Accounts payable and accrued liabilities	\$ 4,916,405	\$ 4,960,318	\$ 5,007,670	\$ 5,055,490	\$ 5,104,666	\$ 5,154,373	\$ 5,204,619
Long-term debt due within one year	5,140,633	641,534	657,771	729,552	749,188	829,478	848,827
Customer deposits	200,000	201,000	202,005	203,015	204,030	205,050	206,076
Other payables	171,832	171,871	173,590	175,326	177,079	178,850	180,638
Income taxes payable	11,288	15,150	15,302	15,455	15,609	15,765	15,923
Total current liabilities	10,440,159	5,989,873	6,056,337	6,178,837	6,250,573	6,383,516	6,456,082
Non-Current Liabilities							
Long-term debt	8,665,189	15,469,107	14,724,936	15,878,217	15,042,629	16,588,293	15,864,456
Employee future benefits	418,481	427,085	435,689	444,293	452,897	461,501	470,105
Customer deposits	314,847	216,995	198,965	180,755	162,362	143,786	125,024
Contributions in aid of construction	2,322,027	2,371,556	2,629,573	2,709,918	2,802,787	2,941,559	3,075,344
Deferred tax liability	241,921	241,921	241,921	241,921	241,921	241,921	241,921
Total non-current liabilities	11,962,464	18,726,664	18,231,085	19,455,104	18,702,596	20,377,059	19,776,851
Total Liabilities	22,402,623	24,716,538	24,287,421	25,633,942	24,953,169	26,760,576	26,232,933
Equity							
Share capital	8,290,714	8,290,714	8,290,714	8,290,714	8,290,714	8,290,714	8,290,714
Retained earnings	4,055,694	4,590,239	4,916,879	5,281,102	5,668,298	6,170,111	6,607,688
Accumulated other comprehensive income	(14,964)	(77,328)	(77,328)	(77,328)	(77,328)	(77,328)	(77,328)
Total equity	12,331,443	12,803,625	13,130,265	13,494,488	13,881,684	14,383,497	14,821,074
Total liabilities and equity	34,734,067	37,520,163	37,417,686	39,128,429	38,834,853	41,144,073	41,054,007
Regulatory credit balances							
	314,884	(58,222)	7,178	(109,721)	(109,721)	(109,721)	(109,721)
Total liabilities, equity and regulatory balances	\$ 35,048,950	\$ 37,461,944	\$ 37,424,867	\$ 39,018,711	\$ 38,725,135	\$ 41,034,355	\$ 40,944,289

ORANGEVILLE HYDRO LIMITED
Statements of Cash Flows

Year ended December 31

	2021 Actual	2022 Forecast	2023 Budget	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Operating activities							
Net income and net movement in regulatory balances	\$ 971,328	\$ 957,846	\$ 805,562	\$ 767,004	\$ 770,698	\$ 887,163	\$ 881,158
Adjustments for:							
Depreciation and amortization	1,032,581	1,085,402	1,150,327	1,216,772	1,262,581	1,253,870	1,248,679
Loss on disposal of property, plant and equipment	86,337	66,151	23,000	22,700	22,396	22,086	21,773
Net finance costs	480,853	504,427	546,667	567,546	575,031	601,791	616,318
Income tax expense	309,123	227,277	475,075	423,436	288,610	253,841	290,335
Tax on net movement in regulatory	37,177	67,480	(223,117)	(184,388)	(30,513)	11,654	10,842
Employee future benefits	(12,660)	8,604	8,604	8,604	8,604	8,604	8,604
Contributions received from customers	(67,211)	(67,117)	(72,081)	(77,502)	(81,190)	(85,617)	(90,604)
	\$ 2,837,528	\$ 2,850,070	\$ 2,714,038	\$ 2,744,172	\$ 2,816,217	\$ 2,953,391	\$ 2,987,104
Changes in non-cash operating working capital:							
Accounts receivable	131,975	57,214	(39,816)	(40,215)	(40,617)	(41,023)	(41,433)
Unbilled revenue	(59,015)	(28,042)	(28,323)	(28,606)	(28,892)	(29,181)	(29,473)
Inventory	5,141	(1,790)	(1,799)	(1,808)	(1,817)	(1,826)	(1,835)
Prepaid expenses	2,165	(1,354)	(1,368)	(1,382)	(1,395)	(1,409)	(1,423)
Other current assets	(15)	(7)	(8)	(9)	(9)	(10)	(11)
Accounts payable and accrued liabilities	(74,205)	43,913	47,352	47,820	49,176	49,707	50,246
Other payables	3,325	39	1,719	1,736	1,753	1,771	1,788
Customer deposits	(114,872)	(96,852)	(17,025)	(17,200)	(17,377)	(17,556)	(17,737)
	\$ (105,500)	\$ (26,879)	\$ (39,268)	\$ (39,662)	\$ (39,178)	\$ (39,528)	\$ (39,878)
Regulatory balances	(218,535)	(286,763)	936,465	776,010	121,628	(50,598)	(42,562)
Income tax paid	(330,872)	(290,895)	(251,807)	(238,895)	(257,942)	(265,339)	(301,019)
Interest paid	(487,681)	(528,835)	(571,319)	(592,568)	(600,428)	(627,569)	(642,483)
Interest received	6,828	24,408	24,652	25,022	25,397	25,778	26,165
Net cash from operating activities	\$ 1,701,768	\$ 1,741,106	\$ 2,812,761	\$ 2,674,079	\$ 2,065,693	\$ 1,996,135	\$ 1,987,326
Investing activities							
Purchase of property, plant and equipment	(2,264,237)	(3,406,576)	(2,122,825)	(2,221,874)	(2,233,312)	(2,068,633)	(1,459,586)
Proceeds on disposal of property, plant and equipment	1,839	20,000	20,000	20,300	20,605	20,914	21,227
Proceeds on disposal of intangible assets	0	0	0	0	0	0	0
Purchase of intangible assets	(22,675)	(34,040)	(64,100)	(99,000)	(32,900)	(32,900)	(32,900)
Contributions received from customers	349,139	116,646	330,098	157,847	174,059	224,389	224,389
Net cash used by investing activities	\$ (1,935,934)	\$ (3,303,970)	\$ (1,836,827)	\$ (2,142,727)	\$ (2,071,548)	\$ (1,856,230)	\$ (1,246,870)
Financing activities							
Proceeds from long-term debt	1,000,000	3,000,000		2,000,000		2,500,000	
Repayment of long-term debt	(612,959)	(695,181)	(727,934)	(774,938)	(815,952)	(874,047)	(704,487)
Dividends paid	(543,258)	(485,664)	(478,923)	(402,781)	(383,502)	(385,349)	(443,581)
Net cash from financing activities	\$ (156,217)	\$ 1,819,155	\$ (1,206,857)	\$ 822,281	\$ (1,199,454)	\$ 1,240,604	\$ (1,148,068)
Change in cash	(390,385)	256,290	(230,923)	1,353,634	(1,205,309)	1,380,509	(407,612)
Cash, beginning of year	692,919	302,534	558,892	327,969	1,681,602	476,293	1,856,802
Cash, end of year	\$ 302,534	\$ 558,892	\$ 327,969	\$ 1,681,602	\$ 476,293	\$ 1,856,802	\$ 1,449,190

13. Conclusion

The 2023 Budget presents a steady and resilient financial outlook in 2023 within an unpredictable inflationary environment. The 2023 Budget has been prepared with conservative assumptions with regards to growth, along with trying to account for unknown inflationary fluctuations.

The 2023-2027 Business Plan provides a consistent and stable financial outlook. Orangeville Hydro continually reviews its business and operational goals against its workforce needs, its financial strength, and the impact on its customers. All projected revenues and expenses have been closely examined to ensure accuracy, with conservative assumptions with regards to growth as well as alignment with the definitions within the Ontario Energy Board Accounting Procedures Handbook. Orangeville Hydro continues to be focused on maintaining the adequacy, reliability, and quality of service to its distribution customers through effective capital and operational spending.