Financial Statements of

ORANGEVILLE HYDRO LIMITED

And Independent Auditor's Report thereon

Year ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Orangeville Hydro Limited

Opinion

We have audited the financial statements of Orangeville Hydro Limited (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 25, 2025

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 371,378	$ 439,680
Accounts receivable (note 3)	5,074,198	5,175,906
Income taxes receivable	43,684	-
Unbilled revenue	3,392,574	3,087,796
Inventory	502,006	452,655
Prepaid expenses	299,648	193,664
Total current assets	9,683,488	9,349,701
Non-current assets:		
Property, plant and equipment (note 4)	27,507,144	25,924,403
Intangible assets (note 5)	329,200	205,861
Total non-current assets	27,836,344	26,130,264
Total assets	37,519,832	35,479,965
Regulatory debit balances (note 7)	1,580,034	3,257,885
Total assets and regulatory balances	$ 39,099,866	$ 38,737,850

See accompanying notes to financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position (continued)

December 31, 2024, with comparative information for 2023

	2024	2023
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 5,435,122	$ 4,995,668
Income taxes payable	-	108,890
Long-term debt due within one year (note 9)	560,614	3,638,054
Customer deposits	125,000	150,000
Other payables	191,256	186,292
Total current liabilities	6,311,992	9,078,904
Non-current liabilities:		
Long-term debt (note 9)	14,481,161	11,949,595
Employee future benefits (note 10)	326,225	452,416
Customer deposits	347,942	338,547
Contributions in aid of construction (note 11)	3,171,493	2,736,694
Deferred tax liability (note 6)	749,582	561,380
Total non current liabilities	19,076,403	16,038,632
Total liabilities	25,388,395	25,117,536
Equity:		
Share capital (note 12)	8,290,714	8,290,714
Accumulated other comprehensive income (loss)	67,255	(14,964)
Retained earnings	5,332,300	4,955,843
	13,690,269	13,231,593
Regulatory credit balances (note 7)	21,202	388,721
Total liabilities, equity and regulatory balances	$ 39,099,866	$ 38,737,850

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director ______________________________ Director

ORANGEVILLE HYDRO LIMITED

Statement of Comprehensive Income

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

	2024	2023
Revenue:		
Sale of energy (note 13)	$ 34,801,304	$ 32,072,635
Distribution revenue (note 13)	6,515,089	6,033,323
Other (note 13)	446,274	382,968
	6,961,363	6,416,291
	41,762,667	38,488,926
Operating expenses:		
Cost of power purchased	33,221,181	30,272,632
Operating and maintenance	1,272,322	1,134,731
Billing and collection	1,225,110	1,154,191
General and administrative	1,758,159	1,672,166
Depreciation and amortization	1,097,299	1,029,373
Loss on sale of property, plant and equipment and intangible assets	22,011	19,141
	5,374,901	5,009,602
	38,596,082	35,282,234
Income from operating activities	3,166,585	3,206,692
Finance costs (note 15)	(738,525)	(707,537)
Finance income (note 15)	80,607	57,217
Income before income taxes and undernoted items	2,508,667	2,556,372
Income tax expense (note 6)	(712,939)	(718,762)
Earnings before the undernoted items	1,795,728	1,837,610
Other income (expenses):		
Net movement in regulatory balances (other)	(1,310,332)	(1,176,653)
Tax on net movement in regulatory balances	397,077	351,069
	(913,255)	(825,584)
Net income for the year and net movement in regulatory balances	882,473	1,012,026
Other comprehensive income		
Remeasurement of post-employment benefits, net of tax	82,219	-
Other comprehensive income for the year	82,219	-
Total comprehensive income for the year	$ 964,692	$ 1,012,026

See accompanying notes to financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2023	$ 8,290,714	$ 4,317,609	$ (14,964)	$ 12,593,359
Net income and net movement in regulatory balances	-	1,012,026	-	1,012,026
Dividends	-	(373,792)	-	(373,792)
Balance at December 31, 2023	$ 8,290,714	$ 4,955,843	$ (14,964)	$ 13,231,593

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2024	$ 8,290,714	$ 4,955,843	$ (14,964)	$ 13,231,593
Net income and net movement in regulatory balances	-	882,473	-	882,473
Other comprehensive income	-	-	82,219	82,219
Dividends	-	(506,016)	-	(506,016)
Balance at December 31, 2024	$ 8,290,714	$ 5,332,300	$ 67,255	$ 13,690,269

See accompanying notes to financial statements.

ORANGEVILLE HYDRO LIMITED
Statement of Cash Flows

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

	2024	2023
Cash provided by (used in):		
Operating activities:		
Net Income and net movement in regulatory balances	$ 882,473	$ 1,012,026
Items not involving cash:		
Depreciation and amortization	1,194,828	1,130,699
Loss on sale of property, plant and equipment and intangible assets	22,011	19,142
Net finance costs	657,918	650,320
Income tax expense	712,939	718,762
Tax on net movement in regulatory	(397,077)	(508,112)
Employee future benefits	(14,329)	17,942
Contributions received from customers revenue recognized	(84,033)	(73,015)
	2,974,730	2,967,764
Changes in non-cash operating working capital:		
Accounts receivable	101,708	(739,700)
Unbilled revenue	(304,778)	153,775
Inventory	(49,351)	(2,124)
Prepaid expenses	(105,984)	(25,420)
Accounts payable and accrued liabilities	439,454	(1,338,777)
Customer deposits	(15,605)	-
Other payables	4,964	1,951
Customer deposits	-	(11,367)
Income taxes payable	(12,000)	-
	58,408	(1,961,662)
Regulatory balances	1,310,332	1,333,696
Interest paid	(738,525)	(707,537)
Interest received	80,607	57,217
Income tax recovered (paid)	(297,877)	62,816
	3,387,675	1,752,294
Financing activities:		
Repayment of long-term debt	(545,874)	(543,959)
Dividends paid	(506,016)	(373,792)
	(1,051,890)	(917,751)
Investing activities:		
Purchase of property, plant and equipment	(2,777,925)	(2,450,750)
Proceeds on disposal of property, plant and equipment	11,000	-
Purchase of intangible assets	(155,994)	(31,113)
Contributions received from customers	518,832	491,764
	(2,404,087)	(1,990,099)
Decrease in cash	(68,302)	(1,155,556)
Cash, beginning of year	439,680	1,595,236
Cash, end of year	$ 371,378	$ 439,680

See accompanying notes to financial statements.

Reporting entity:

Orangeville Hydro Limited (the "Company") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The address of the Corporation's registered office is 400 C Line, Orangeville, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in the Town of Orangeville and Town of Grand Valley. The Corporation is owned by the Town of Orangeville and Town of Grand Valley.

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

1. Basis of presentation:

(a) Statement of compliance:

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

The financial statements were approved by the Board of Directors on April 17, 2025.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

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

1. Basis of presentation (continued):

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

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

(i) Note 2(b) - measurement of unbilled revenue
(ii) Notes 4, 5 - estimation of useful lives of its property, plant and equipment and intangible assets
(iii) Note 7 - recognition and measurement of regulatory balances
(iv) Note 10 - measurement of defined benefit obligations: key actuarial assumptions
(v) Note 16 - recognition and measurement of provisions and contingencies

(e) Rate regulation:

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

Rate setting

Distribution revenue

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

1. Basis of presentation (continued):

(e) Rate regulation (continued):

Rate setting (continued)

Distribution revenue (continued)

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.
As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

The Corporation last filed a COS application in September 2023 for rates effective May 1, 2024 to April 30, 2025.

Electricity rates

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

2. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

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

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

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

The Corporation has not entered into derivative instruments.

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

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Sale and distribution of electricity (continued)

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

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

Other revenue

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

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Inventory:

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

2. Significant accounting policies (continued):

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2015 are measured at the deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

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

2. Significant accounting policies (continued):

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

The estimated useful lives are as follows:

Asset	Rate
Buildings	20 to 60 years
Distribution equipment	15 to 60 years
Vehicles	8 to 15 years
Other tools and equipment	10 to 60 years
Computer equipment	5 years

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost (carrying value as elected under IFRS 1) established on the transition date, less accumulated amortization. All other intangible assets are measured at cost.

Computer software that is acquired or developed by the Corporation after January 1, 2015, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost. Management has determined that land rights have an indefinite life. Land rights are tested for impairment when events or circumstances indicate their carrying amount exceeds their fair value. As at December 31, 2024, management has not identified any events or circumstances indicating that land rights are impaired.

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

Asset	Rate
Computer software	5 years

2. Significant accounting policies (continued):

(f) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

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

(ii) Non-financial assets (continued):

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

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

2. Significant accounting policies (continued):

(h) Provisions:

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

(i) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory deferral debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral debit account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred. When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The regulatory deferral credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

2. Significant accounting policies (continued):

(j) Post-employment benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

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

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

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

2. Significant accounting policies (continued):

(k) Leased assets:

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

For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

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

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

Short-term leases and low value assets:

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

2. Significant accounting policies (continued):

(l) Finance income and finance costs:

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

Finance costs comprise interest expense on borrowings and net interest expense on post-employment benefits. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(m) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

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

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

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

3. Accounts receivable:

		2024		2023
Trade customer accounts receivable	$	4,984,638	$	4,729,298
Other receivables		134,560		481,608
Provision uncollectible accounts		(45,000)		(35,000)
	$	5,074,198	$	5,175,906

4. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Cost of deemed cost					
Balance at January 1, 2024	$ 2,224,128	$ 30,781,305	$ 1,722,639	$ -	$ 34,728,072
Additions	325,034	2,264,150	186,164	2,577	2,777,925
Disposals/ retirements	(20,849)	(34,190)	(53,874)	-	(108,913)
Balance at December 31, 2024	$ 2,528,313	$ 33,011,265	$ 1,854,929	$ 2,577	$ 37,397,084
Balance at January 1, 2023	$ 2,156,960	$ 28,414,271	$ 1,697,003	$ 35,065	$ 32,303,299
Additions	67,168	2,393,013	25,636	-	2,485,817
Disposals/ retirements	-	(25,979)	-	(35,065)	(61,044)
Balance at December 31, 2023	$ 2,224,128	$ 30,781,305	$ 1,722,639	$ -	$ 34,728,072
Accumulated depreciation					
Balance at January 1, 2024	$ 794,185	$ 6,891,071	$ 1,118,413	$ -	$ 8,803,669
Depreciation	80,365	940,770	141,038	-	1,162,173
Disposals	(8,891)	(17,067)	(49,944)	-	(75,902)
Balance at December 31, 2024	$ 865,659	$ 7,814,774	$ 1,209,507	$ -	$ 9,889,940
Balance at January 1, 2023	$ 721,205	$ 6,012,334	$ 977,146	$ -	$ 7,710,685
Depreciation	72,980	889,865	141,267	-	1,104,112
Disposals	-	(11,128)	-	-	(11,128)
Balance at December 31, 2023	$ 794,185	$ 6,891,071	$ 1,118,413	$ -	$ 8,803,669
Carrying amounts					
At December 31, 2024	$ 1,662,654	$ 25,196,491	$ 645,422	$ 2,577	$ 27,507,144
At December 31, 2023	1,429,943	23,890,234	604,226	-	25,924,403

5. Intangible assets:

	Computer software	Land rights	Total
Cost of deemed cost			
Balance at January 1, 2024	$ 284,261	$ 139,807	$ 424,068
Additions	138,709	17,285	155,994
Balance at December 31, 2024	$ 422,970	$ 157,092	$ 580,062
Balance at January 1, 2023	$ 271,373	$ 139,807	$ 411,180
Additions	31,113	-	31,113
Disposals	(18,225)	-	(18,225)
Balance at December 31, 2023	$ 284,261	$ 139,807	$ 424,068
Accumulated amortization			
Balance at January 1, 2024	$ 218,207	$ -	$ 218,207
Amortization	32,655	-	32,655
Balance at December 31, 2024	$ 250,862	$ -	$ 250,862
Balance at January 1, 2023	$ 205,554	$ -	$ 205,554
Amortization	26,588	-	26,588
Disposals	(13,935)	-	(13,935)
Balance at December 31, 2023	$ 218,207	$ -	$ 218,207
Carrying amounts			
At December 31, 2024	$ 172,108	$ 157,092	$ 329,200
At December 31, 2023	66,054	139,807	205,861

6. Income tax expense:

Current tax expense (recovery):

	2024	2023
Current tax expense (recovery)	$ 554,380	$ 570,077
Deferred tax expense	158,559	148,685
Income tax expense	$ 712,939	$ 718,762

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	$ 2,508,667	$ 2,556,372
Statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	$ 664,797	$ 677,439
Increase (decrease) in income taxes resulting from:		
Permanent differences	2,812	3,957
Other	45,330	(2,514)
Adjustment for prior years	-	39,880
Income tax expense	$ 712,939	$ 718,762

Significant components of the Corporation’s deferred tax balances:

	2025	2024
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (845,707)	$ (690,611)
Post-employment benefits	86,450	119,890
Other	9,675	9,341
	$ (749,582)	$ (561,380)

7. Regulatory account balances:

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

Regulatory deferral account debit balances	January 1, 2024	Additions	Recovery/ reversal	December 31, 2024	Remaining recovery/ reversal years
Retail settlement variances	$ 2,084,774	$ (156,634)	$ (1,670,779)	$ 257,361	1
IFRS transition	176,058	2,687	(178,745)	-	-
Regulatory variances disposition	338,016	146,217	-	484,233	-
Deferred income tax	561,512	188,070	-	749,582	-
Other	97,525	50,839	(59,506)	88,858	-
	$ 3,257,885	$ 231,179	$ (1,909,030)	$ 1,580,034	

Regulatory deferral account debit balances	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Retail settlement variances	$ 3,613,156	$ (477,643)	$ (1,050,739)	$ 2,084,774	-
IFRS transition	168,651	7,407	-	176,058	-
Regulatory variances disposition	306,945	31,071	-	338,016	-
Deferred income tax	414,450	147,062	-	561,512	-
Other	2,298	36,790	58,437	97,525	-
	$ 4,505,500	$ (255,313)	$ (992,302)	$ 3,257,885	

Regulatory deferral account credit balances	January 1, 2024	Additions	Recovery/ reversal	December 31, 2024	Remaining recovery/ reversal years
Change in asset useful lives	20,093	-	(20,093)	-	-
Other	368,628	3,588	(351,014)	21,202	-
	$ 388,721	$ 3,588	$ (371,107)	$ 21,202	

7. Regulatory account balances (continued):

Regulatory deferral account credit balances	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Retail settlement variances	$ -	$ 740,633	$ (740,633)	$ -	-
Change in asset useful lives	20,093	-	-	20,093	-
Other	439,589	(129,398)	58,437	368,628	-
	$ 459,682	$ 611,235	$ (682,196)	$ 388,721	

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. A COS application has been approved by the OEB to recover $1,666,708 for the Group 1 deferral accounts and $113,029 for the Group 2 deferral accounts for the 2024 rate application. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation’s deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which were based on Bankers' Acceptances three-month rate plus a spread of 25 basis points to September 30, 2024 and based on the three-month T-Bill rate plus a spread of 25 basis points from October 1, 2024 to December 31, 2025. In 2024, the rate ranged from 4.40% to 5.49% (2023 - 4.73% to 5.39%). Commencing in 2025, the rate will be based on the three-month T-Bill rate plus a spread of 25 basis points from January 1, 2025 to March 31, 2025 and based on the Bloomberg ticker BVCAUA3M BVLI Index (3-month) from April 1, 2025 onward.

8. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable – energy purchases	$ 2,569,932	$ 2,378,347
Water and sewer charges payable	1,217,902	892,810
Other	1,647,288	1,724,511
	$ 5,435,122	$ 4,995,668

9. Long-term debt:

	2024	2023
TD Bank term loan payable, interest at 4.87%, payable in monthly instalments of $16,642, due 2027	$ 1,874,842	$ 1,979,893
TD Bank term loan payable, interest at 5.07%, payable in monthly instalments of $10,284 plus interest, due 2027	2,159,574	2,282,979
TD Bank term loan payable, interest at 5.68%, payable in monthly instalments of $20,040, due 2029	3,092,180	3,183,994
TD Bank term loan payable, interest at 3.60%, payable in monthly instalments of $10,118, due 2027	1,553,610	1,617,684
TD Bank term loan payable, interest at 4.20%, payable in monthly instalments of $10,780, due 2029	1,691,524	1,748,342
TD Bank term loan payable, interest at 2.58%, payable in monthly instalments of $4,409, due 2025	856,897	887,208
TD Bank term loan payable, interest at 3.62%, payable in monthly instalments of $5,071, due 2031	919,965	946,894
TD Bank term loan payable, interest at 4.92%, payable in monthly instalments of $15,961, due 2027	2,893,183	2,940,655
	15,041,775	15,587,649
Less current portion of long-term debt	560,614	3,638,054
	$ 14,481,161	$ 11,949,595

The TD Bank term loans holds as security a general security agreement representing a first charge on all assets and undertakings of the Corporation and assignment of general liability insurance for the Corporation.

The agreement with respect to the TD Bank term loans contain certain covenants regarding (i) leverage, (ii) liquidity, (iii) change in status of business, (iv) change in ownership, and (v) limitations on additional debt and encumbrance of assets.

The agreement with TD Bank also contains financial covenants that require the Corporation to maintain a maximum debt to capital ratio of 0.60 to 1 and a minimum debt service coverage ratio of 1.20x to be tested and calculated on a quarterly basis. The Corporation is in compliance with these covenants as at December 31, 2024.

9. Long-term debt (continued):

Principal repayments are due as follows:

2025	$ 560,614
2026	1,374,564
2027	7,965,895
2028	205,966
2029	4,165,468
Thereafter	769,268
	$ 15,041,775

10. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2024, the Corporation made employer contributions of $226,298 to OMERS (2023 - $197,916), of which has been recognized in profit or loss. The Corporation estimates that a contribution of $240,280 to OMERS will be made during the next fiscal year.

As at December 31, 2024, OMERS had approximately 600,000 members, of whom 20 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded, with an unfunded liability of $2.9 billion. This unfunded liability is likely to result in future payments by participating employers and members.

10. Post-employment benefits (continued):

(b) Post-employment benefits other than pension:

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

Reconciliation of the obligation	2024	2023
Defined benefit obligation, beginning of year	$ 452,416	$ 434,474
Included in profit or loss:		
Current service cost	7,397	18,316
Interest cost	5,271	12,554
	12,668	30,870
Included in OCI		
Actuarial gains arising from:		
Changes in financial assumptions	(111,862)	-
	353,222	465,344
Benefits paid	(26,997)	(12,928)
	$ 326,225	$ 452,416

Actuarial assumptions	2024	2023
Discount (interest) rate	4.75 %	3.00 %
Medical costs	5.10 %	4.90 %
Dental costs	5.40 %	5.10 %

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $42,600. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by $55,800.

11. Contributions in aid of construction:

	2024	2023
Contributions in aid of construction, beginning of year	$ 2,736,694	$ 2,317,945
Contributions in aid of construction received	518,832	491,764
Contributions in aid of construction recognized as other revenue	(84,033)	(73,015)
	$ 3,171,493	$ 2,736,694

12. Share capital:

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 8,290,714	$ 8,290,714

13. Revenues:

	2024	2023
Collection and other service charges	$ 127,004	$ 87,655
Water and sewer billing services	72,471	77,348
Rent	88,683	85,895
Other	158,116	132,070
Total other revenue	$ 446,274	$ 382,968

13. Revenues (continued):

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

	2024	2023
Residential	$ 18,448,572	$ 15,929,952
Commercial	22,631,051	21,853,827
Other	236,770	322,179
	$ 41,316,393	$ 38,105,958

14. Employee salaries and benefits:

	2024	2023
Salaries, wages and benefits	$ 2,319,696	$ 2,034,639
CPP and EI remittances	98,274	82,366
Contributions to OMERS	226,298	197,916
	$ 2,644,268	$ 2,314,921

15. Finance income and costs:

	2024	2023
Finance income:		
Interest income on bank deposits	$ 80,607	$ 57,217
Finance costs:		
Interest expense on long-term debt	(697,832)	(669,429)
Interest expense on customer deposits	(40,693)	(38,108)
	(738,525)	(707,537)
Net finance costs recognized in profit or loss	$ (657,918)	$ (650,320)

16. Commitments and contingencies:

Cornerstone Hydro Electric Concepts ("CHEC"):

CHEC is an association of fifteen LDCs modelled after a co-operative to share resources and proficiencies (note 17).

The Corporation may terminate its membership at any time upon the following terms:

(a) giving written notice 60 days in advance of termination; and

(b) by making a prepayment in full of the balance of its contract service costs to CHEC. The amount of prepayment cost shall be the total cost which the Corporation would have paid over the three year term of the agreement less amounts already paid by it to the date of the termination. The current three year term for CHEC commitment goes to December 31, 2026. The prepayment cost of termination is a settlement of the Corporation’s obligation under the agreement by reason of termination of its membership before the expiry of the term. The amount is liquidated damages and not a penalty for early termination and is intended to leave the remaining members in the same position as if the Corporation had not terminated the agreement. As at December 31, 2024, the obligation to CHEC includes the 2025 to 2027 membership dues of approximately $48,000 per year, $144,000 total.

Utility Collaborative Services Inc. ("UCS"):

The Corporation has the right to redeem its shares in UCS (note 17) by retraction upon the following terms:

(a) notice of such retraction shall be given 120 days prior to the effective date; and

(b) a redemption fee shall be paid equal to the previous three years’ worth of average purchases from UCS for services or products; or in alternative to paying such fees, the Corporation may elect in writing to provide three years’ written notice of the retraction, provided that the Corporation continues to receive services at the same or greater average volume as those received at the time the notice was given.

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2024, no assessments have been made.

17. Related party transactions:

(a) Parents and ultimate controlling party:

The common shares of Orangeville Hydro Limited are owned by the Town of Orangeville and Town of Grand Valley, the ultimate parents.

(b) Outstanding balances with related parties:

	2024	2023
Town of Orangeville - receivable	$ 157,512	$ 137,044
Town of Grand Valley - receivable	6,069	7,686
Town of Orangeville - payable	(1,183,721)	(860,836)
Town of Grand Valley - payable	(34,993)	(31,974)
	$ (1,055,133)	$ (748,080)

(c) Transactions with ultimate parents:

The Corporation provides water and sewage billing and collection services to the customers of the Town of Orangeville and Town of Grand Valley, as well as supplying street light energy and street lighting maintenance services to the Town of Orangeville and Town of Grand Valley. Revenue includes $496,497 (2023 - $455,854) from the Town of Orangeville and $44,003 (2023 - $39,357) from the Town of Grand Valley for these services.

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

17. Related party transactions (continued):

(d) Transactions with related parties:

The Corporation paid $84,809 (2023 - $71,668) in membership fees and shared GIS services to Cornerstone Hydro Electric Concepts Association Inc. ("CHEC"). CHEC is an association of fifteen electricity distribution utilities modelled after a cooperative to share resources and proficiencies.

The Corporation owns 100 common shares, at a cost of $100, in Utility Collaborative Services Inc. (UCS) which represents a 10% interest. At the time of purchase, due to the immaterial amount, the investment was expensed. The Corporation paid $241,579 (2023 - $211,490) in fees to UCS. UCS offers standards-based back office services and the collaboration allows leverage in the reduction of costs for items such as information technology hosting and software licensing.

(e) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid during the year is $563,424 (2023 - $510,296).

18. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the TD Bank long-term debt at December 31, 2024 is $15,180,431. The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2024 was 4.48%.

Financial risks:

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

18. Financial instruments and risk management (continued):

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Orangeville and Town of Grand Valley.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is $45,000 (2023 - $35,000). An impairment loss of $84,033 (2023 - $39,482) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2024, approximately $156,890 (2023 - $189,105) is considered 60 days past due. The Corporation has over 12,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB and through credit insurance. As at December 31, 2024, the Corporation holds security deposits in the amount of $472,942 (2023 - $488,547) which also includes deposits received from developers.

(b) Market risk:

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

A 1% increase in the interest rate at December 31, 2024 would have increased interest expense on the long-term debt by $150,418 (2023 - $158,596), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

18. Financial instruments and risk management (continued):

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $3,500,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, the Corporation has $3,500,000 available on this credit facility.

The Corporation also has a facility for $1,329,291 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $nil has been drawn and posted with the IESO (2023 - $nil).

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

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes equity and long-term debt. As at December 31, 2024, equity amounts to $13,690,269 (2023 - $13,231,593) and long-term debt amounts to $15,041,775 (2023 - $15,587,649).