



SPECIAL COUNCIL MEETING

Tuesday, June 24, 2025, 5:30 p.m.

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2. ADOPTION OF THE AGENDA	
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Niagara-on-the-Lake Energy Inc.

2025 Annual General Meeting



Corporate Structure

Board of Directors

1. Lord Mayor Gary Zalepa
2. Councillor Adriana Vizzari
3. Jim Ryan (Chair)
4. Philip Wormwell
5. Bruce Zvaniga (Interim CAO)
6. Marc Devlin
7. Marcelo Gruosso



Agenda

1. 2024 Activities and 2025 Plans
2. NRBN Sale
3. Rates vs. Profitability
4. Reliability performance (Outages)
5. Electrification
6. Corporate Resolutions

2024 Activity

- No lost time incidents
- Completed Line 1, Line 2 and Concession 7 project – completes overhead voltage conversion except the Firelanes
- Smaller projects included part of John St (underground), Firelane 12 and Carlton St. (overhead)
- 3 Switches and 6 tripsavers
- Began more targeted asset replacement program
- Customer information session on October 9 (EVs and heat pumps)
- New 4 bay garage
- New bucket truck

2025 Plans

- No lost time incidents
- Projects include Firelanes 2 and 4 (overhead), Mississauga St. (underground) and King St. and Johnson St. (underground)
- Continue more targeted asset replacement program
- Commence meter update program
- 3 new reclosures and 3 tripsavers
- New After Hours call centre
- New Customer facing system
- Back-up SCADA system
- New EV pick-up (Ford Lightning)



- Sold on February 5, 2024 to Cogeco
- Variety of reasons for sale
- Proceeds of \$8.36 million cash and a \$4.27 million note repayable at end of 2026
- Continued representation on NRBN Board until 2026
- All ESNI debts repaid and tax on sale paid
- Dividend to town of \$3 million
- Remaining proceeds to be used for investments

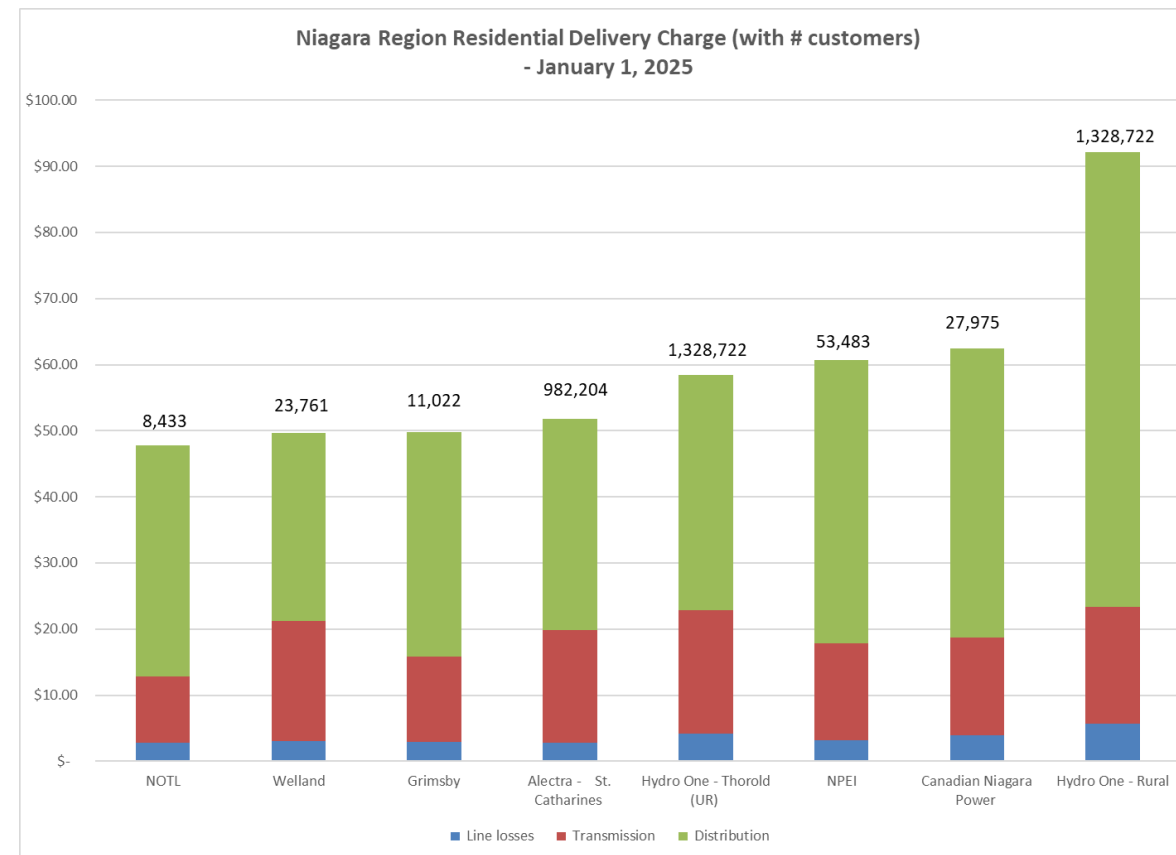
NOTL Hydro – Rates vs. Profit

PRESENTED BY:

Niagara
on-the-Lake
HYDRO

NOTL Hydro could be making higher profits and be worth more as a business. There are things NOTL Hydro could have done over the past 20 years to make this happen. The Board of NOTL Hydro has not given this direction as all of these potential actions would have increased the rates of NOTL Hydro.

NOTL Hydro is managed to balance investing in the system and having low rates. The goal is to make the prudent investments needed to keep reliability strong while not overinvesting so as to drive up rates.

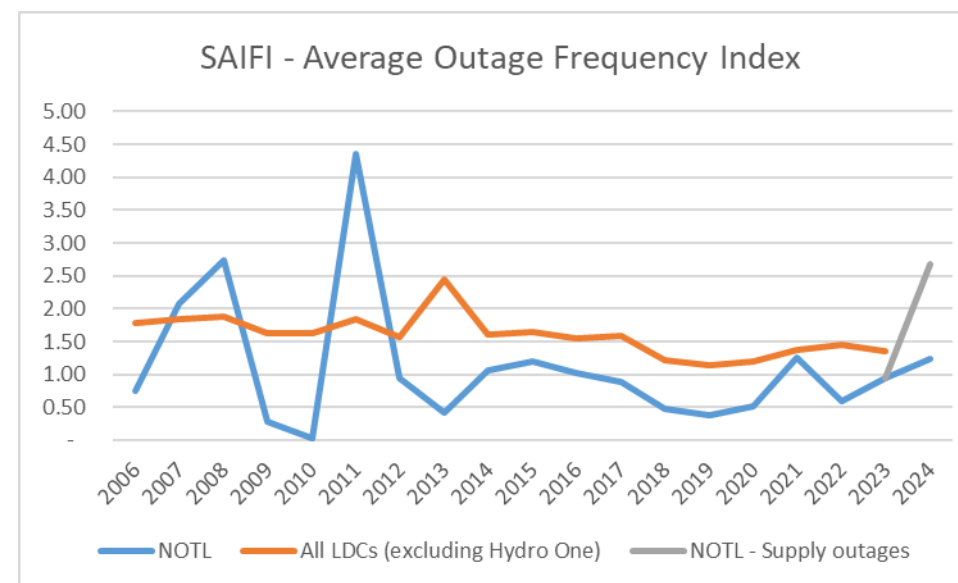
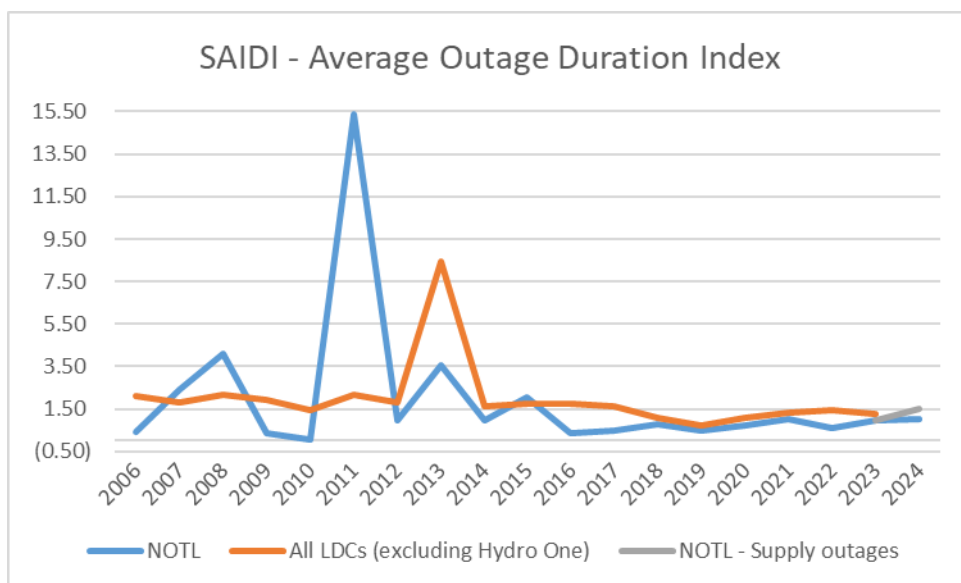


Reliability

PRESENTED BY:

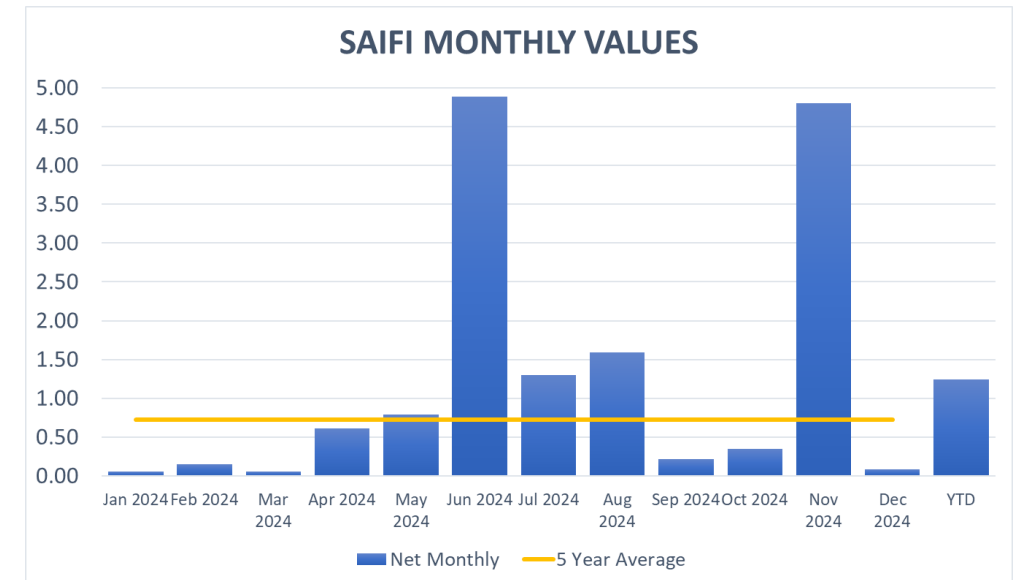
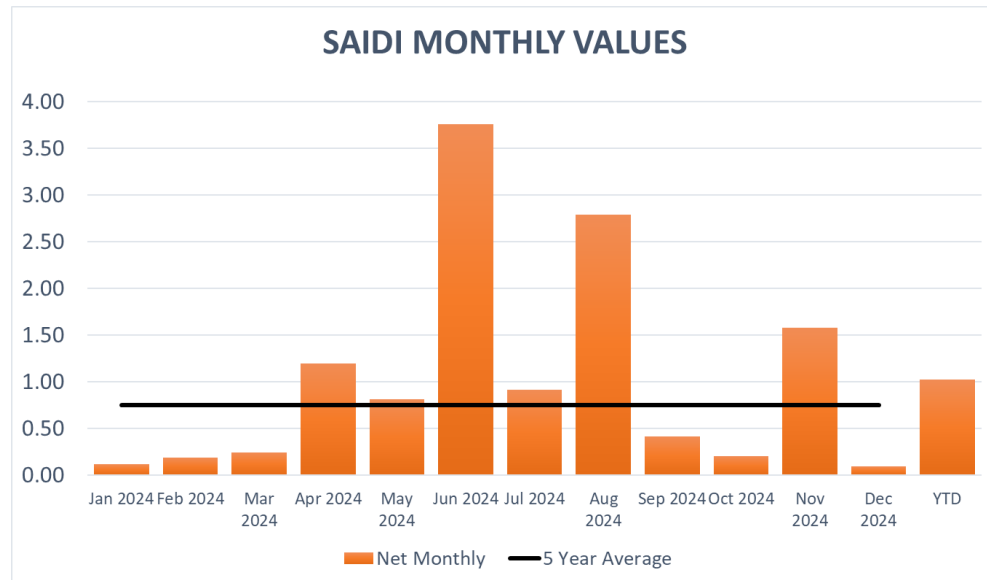
Niagara
on-the-Lake
HYDRO

We had more outages last year though three were the result of loss of supply from Hydro One.

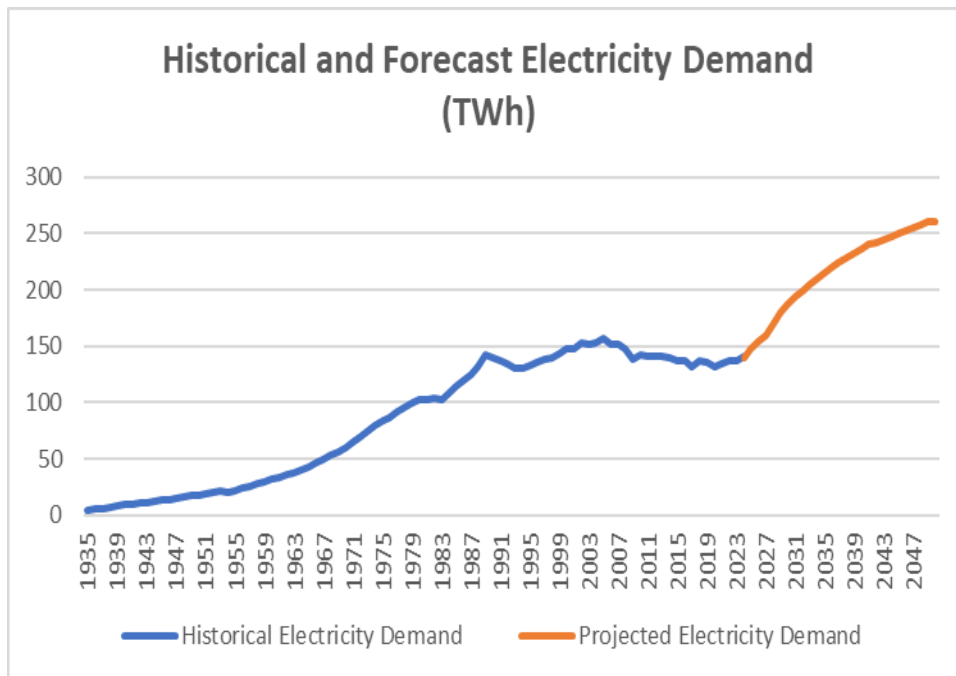


Reliability

Outages were bad in the summer and November. Causes included loss of supply, trees, accidents, wildlife and equipment problems.



Electrification



Electricity demand is expected to grow 75% (2.2% per year) by 2050 due to a number of trends including:

- Increased demand for electricity due to conversion to non-carbon sources of power for transportation, heating and industrial processes
- Increased demand for electricity due to growing digital economy (cloud-based systems, AI, data centres) and population growth
- Increased demand of electricity due to new or growing industries (greenhouses, cyber-currencies, mining)

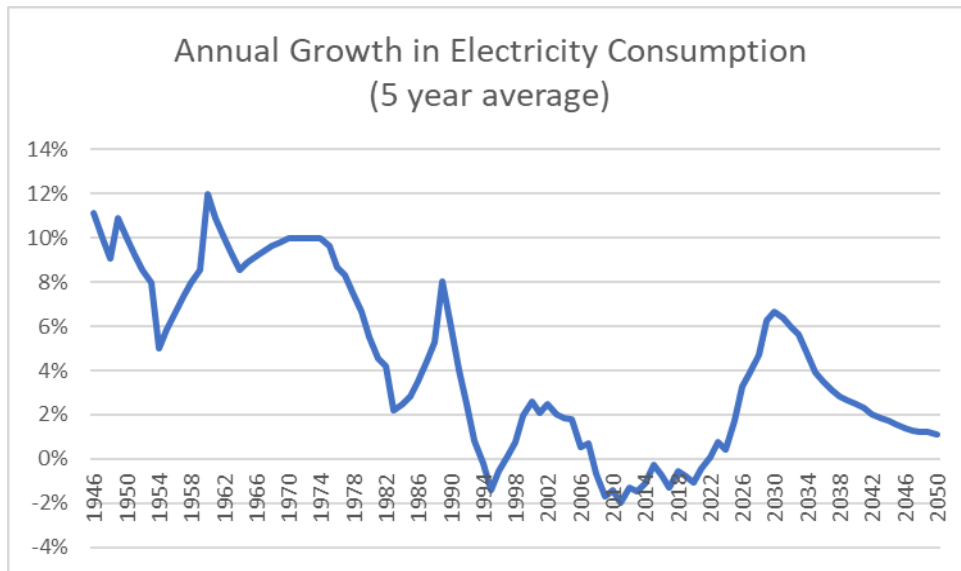
At the same time climate change is putting added stress on electricity grid

This has led to a lower tolerance for outages due to the greater reliance on electricity and electronic devices

Electrification

PRESENTED BY:

Niagara
on-the-Lake
HYDRO



Solution is mix of growing the grid, hardening the grid and making better use of the grid

- NOTL Hydro in good shape with regards to growth due to investments that have been made in the transmission stations...concerns remain with transmission capacity
- More investments in NOTL needed to selectively harden the grid. These include:
 - The ongoing voltage conversion program and the conversion of overhead to underground in urban areas
 - Selective replacement of poles, insulators and other end-of-life assets
- More investments in NOTL needed to make better use of the grid
 - Continued investments in smart grid devices like switches
 - Investments in software to manage the smart grid
- Caution: Investing too much or too fast can drive up rates

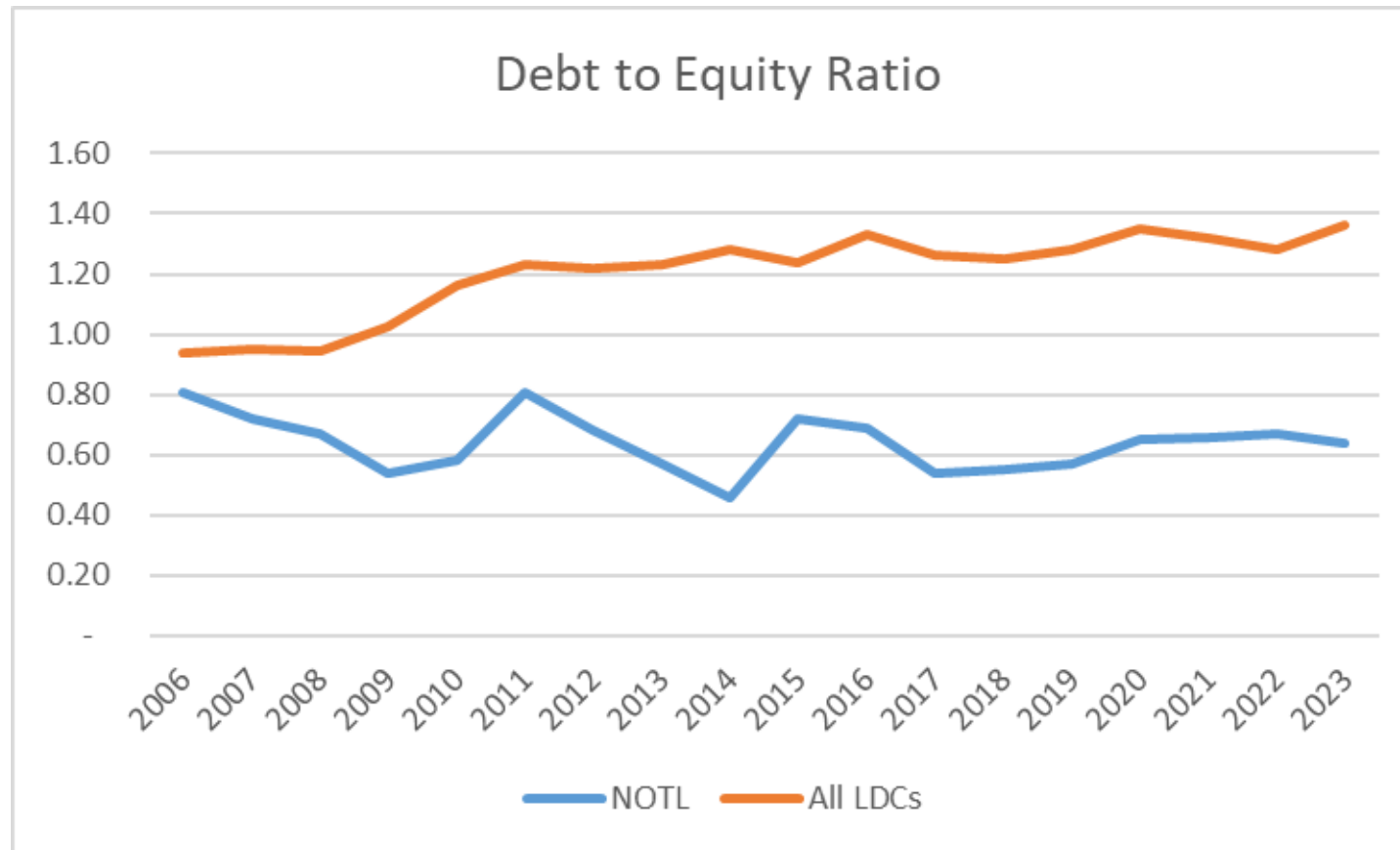
Corporate Resolutions

1. Approval of minutes from 2024 AGM
2. Approval of 2024 Audited Financial Statements
3. Appointment of Directors
4. Appointment of Auditor for 2025
5. Confirmation of all acts

Appendices

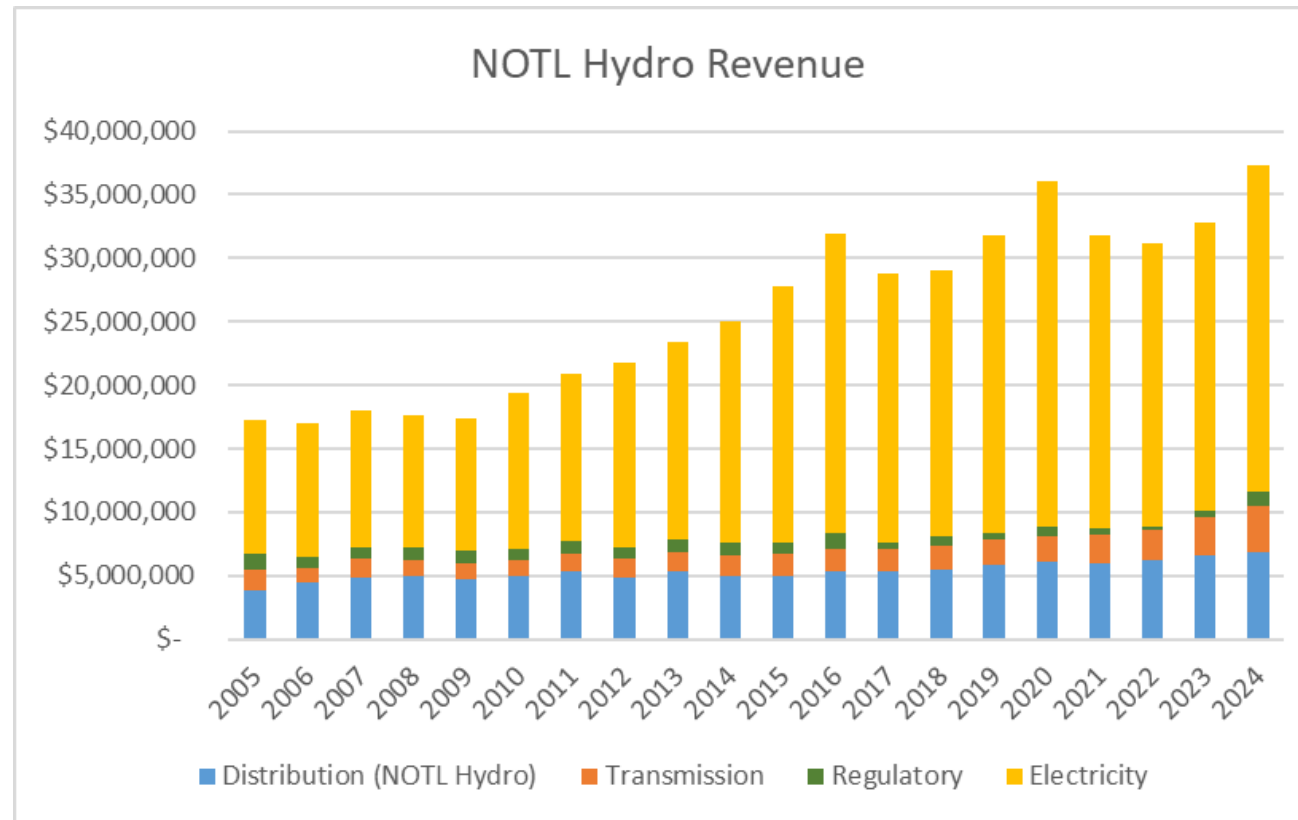
Debt Levels

NOTL Hydro maintains a low debt level which provides flexibility in case of need or opportunity



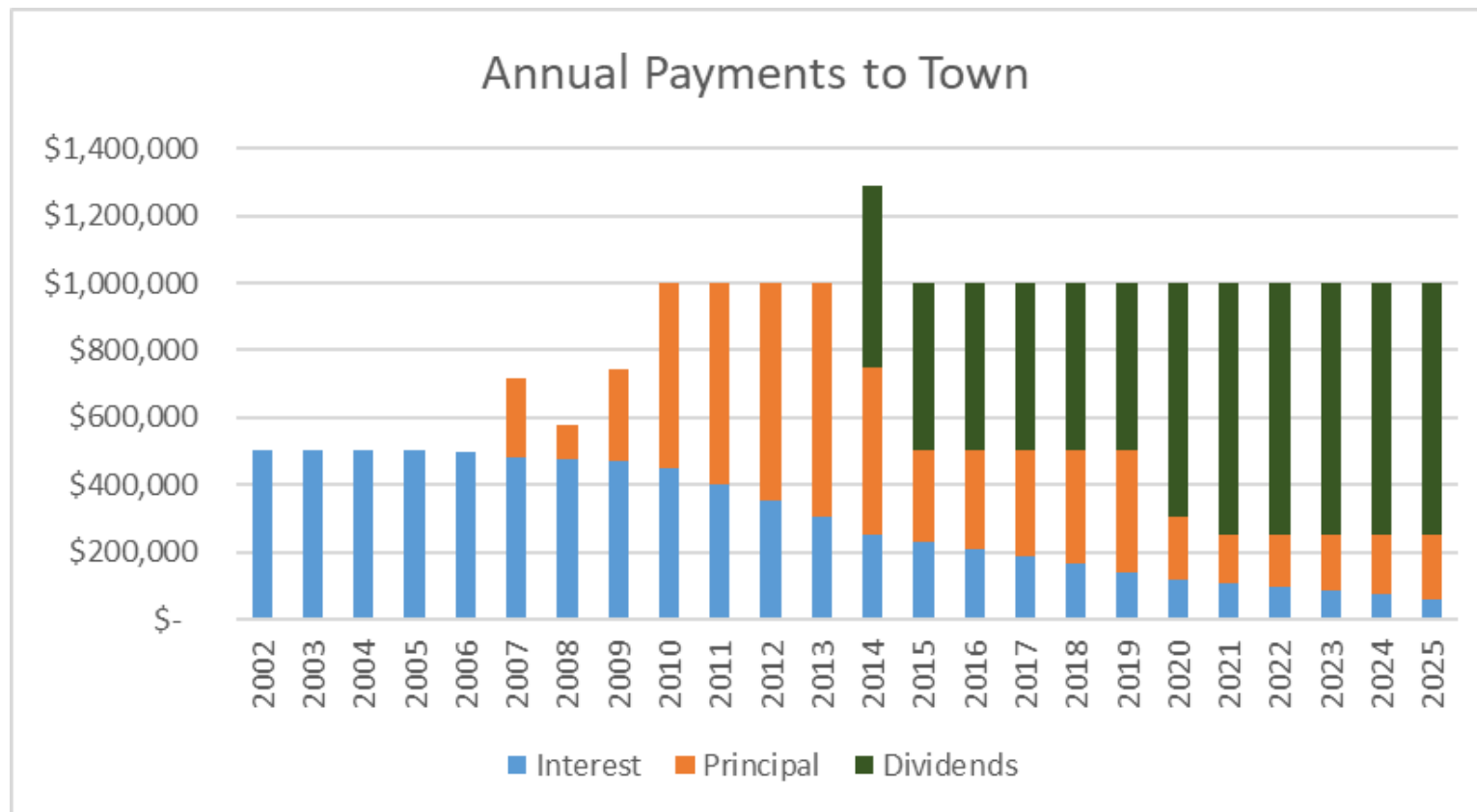
NOTL Hydro Revenue

Only 19% of hydro revenue kept by NOTL Hydro. Remainder goes to pay for the electricity itself, its transmission and various regulatory costs.



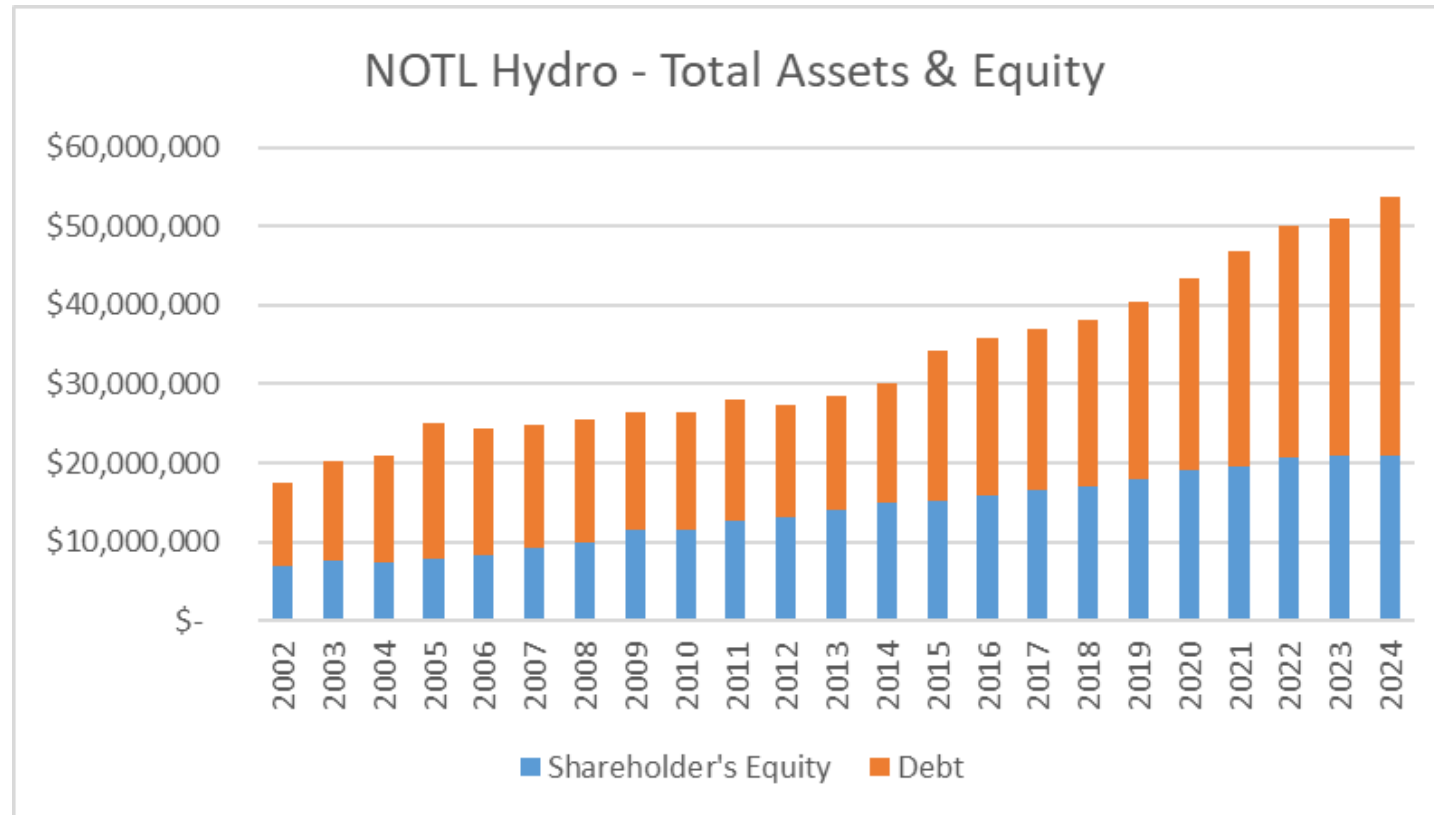
Annual Payment to Town

Annual Payments to Town of \$1 million helps lower property tax rates. Additional \$3 million paid in 2024 from NRBN sale proceeds.



Book Value of NOTL Hydro

The value of NOTL Hydro increases every year as earnings are re-invested in the system.



NIAGARA-ON-THE-LAKE ENERGY INC.
Annual General Meeting
June 24, 2025

Resolutions for approval.

1. 2024 Annual General Meeting Minutes

Resolved that the minutes of the last Annual General Meeting, held May 14, 2024 be approved.

2. Appointment of Directors.

Resolved that the following are appointed as Directors of the Corporation for the year ended December 31, 2025 or until their successor(s) has/have been duly elected.

Lord Mayor Gary Zalepa	- term of council
Councillor Adriana Vizzari	- term of council
Bruce Zvaniga	- term of council
Jim Ryan (Chair)	- 2025-2029
Philip Wormwell (NOTL Hydro only)	- 2023-2027
Marc Devlin (NOTL Hydro only)	- 2024-2028
Marcelo Gruosso (NOTL Hydro only)	- 2024-2028

3. Financial Statements

Resolved that the Financial Statements of the Corporation for the year ended December 31, 2024 are approved.

4. Appointment of Auditors

Resolved that KPMG, LLP are hereby appointed the auditors of the Corporation to hold office until the close of the next annual general meeting of the shareholders or until a successor is appointed, at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

5. Confirmation of Proceedings

Resolved that all acts, contracts, by-laws, proceedings, appointments, elections, payments and any other acts enacted, made, done, and taken by the directors and by the officers of the Corporation to the date hereof, are hereby approved, sanctioned and confirmed.

6. Termination

Resolved that the meeting be terminated.

Shareholder

Secretary



Department of Administration
1593 Four Mile Creek Road
P.O. Box 100, Virgil, ON L0S 1T0
905-468-3266 • Fax: 905-468-2959

www.notl.com

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**
OFFICE OF THE TOWN CLERK

THAT the minutes of the last Niagara-on-the-Lake Energy Inc. Annual General Meeting held May 14, 2024, be approved.



May 14, 2024, 5:30 p.m.

Council Members Present: Councillor Tim Balasiuk, Councillor Gary Burroughs, Councillor Wendy Cheropita, Councillor Sandra O'Connor, Councillor Adriana Vizzari, Councillor Erwin Wiens, Lord Mayor Gary Zalepa

Council Members Absent: Councillor Maria Mavridis, Councillor Nick Ruller,

Staff Present: Shaunna Arenburg - Deputy Clerk, Kirsten McCauley - Director of Community and Development Services, Kyle Freeborn - Director of Corporate Services/ Treasurer, Grant Bivol - Town Clerk/Manager of Legislative Services, Bruce Zvaniga, CAO (Interim)

1. CALL TO ORDER

Lord Mayor Zalepa called the meeting to order at 5:30 p.m.

Councillor Erwin Wiens joined the meeting virtually at 5:31 pm.

2. ADOPTION OF THE AGENDA

Moved by: Councillor Gary Burroughs

Seconded by: Councillor Tim Balasiuk

That the agenda be adopted as presented.

APPROVED

3. CONFLICT OF INTEREST

None were declared.

4. DELEGATIONS

4.1 Agenda Delegation

4.1.1 Tim Curtis, President, Niagara-on-the-Lake Energy Inc.

Tim Curtis, President, Niagara-on-the-Lake Energy Inc., introduced the members of the board and gave his presentation.

Council asked questions of clarification.

Mr. Curtis answered the questions from Council.

5. MOTIONS

5.1 2023 Annual General Meeting Minutes

Moved by: Councillor Gary Burroughs

Seconded by: Councillor Tim Balasiuk

That the minutes of the last Niagara-on-the-Lake Energy Inc. Annual General Meeting held June 13, 2023, be approved.

APPROVED

5.2 Appointment of Directors

Moved by: Councillor Adriana Vizzari

Seconded by: Councillor Sandra O'Connor

That the Town Clerk be authorized to vote all shares of Niagara-on-the-Lake Energy Inc. held by The Corporation of the Town of Niagara-on-the-Lake in support of the Niagara-on-the-Lake Energy Inc. Corporate Resolution approving the appointment of:

- Lord Mayor Gary Zalepa - term of council
- Councillor Adriana Vizzari - term of council
- Bruce Zvaniga - term of council
- Jim Ryan (Chair) - 2021-2025
- Philip Wormwell (NOTL Hydro only) - 2023-2027
- Marc Devlin (NOTL Hydro only) - 2024-2028
- Marcelo Gruosso (NOTL Hydro only) - 2024-2028

to the Board of Directors of Niagara-on-the-Lake Energy Inc. attached as Appendix A.

APPROVED

Councillor Wendy Cheropita joined the meeting at 5:50 pm.

5.3 2023 Financial Statements

Moved by: Councillor Gary Burroughs

Seconded by: Councillor Tim Balasiuk

That the Financial Statements of the Corporation for the year ended December 31, 2023 be approved.

APPROVED

5.4 Appointment of Auditors

Moved by: Councillor Gary Burroughs

Seconded by: Councillor Adriana Vizzari

That KPMG, LLP are hereby appointed the auditors of the Corporation to hold office until the close of the next annual general meeting of the shareholders or until a successor is appointed, at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

APPROVED

6. PROCEEDINGS BY-LAW

6.1 Proceedings By-law No. 2024-036

Moved by: Councillor Tim Balasiuk

Seconded by: Councillor Sandra O'Connor

That all acts, contracts, by-laws, proceedings, appointments, elections, payments and any other acts enacted, made, done, and taken by the directors and by the officers of the Corporation to the date hereof, are hereby approved, sanctioned and confirmed; and

That leave be given to introduce By-law No. 2024-036, and that the same be considered read a first, second and third time and passed any ruling of this Council to the contrary notwithstanding.

APPROVED

7. ADJOURNMENT

Moved by: Councillor Gary Burroughs

Seconded by: Councillor Wendy Cheropita

That this Council adjourn at 5:52 p.m. to the next regular Committee of the Whole meeting of May 14, 2024, and if a special meeting is required, it will be held at the call of the Lord Mayor.

APPROVED

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**
OFFICE OF THE TOWN CLERK

THAT the Town Clerk be authorized to vote all shares of Niagara-on-the-Lake Energy Inc. held by The Corporation of the Town of Niagara-on-the-Lake in support of the Niagara-on-the-Lake Energy Inc. Corporate Resolution approving the appointment of:

- | | |
|-------------------------------------|--|
| • Lord Mayor Gary Zalepa | - term of council |
| • Councillor Adriana Vizzari | - term of council |
| • Bruce Zvaniga | - current - July 6, 2025 |
| • Nick Ruller | - term of council - effective July 7, 2025 |
| • Jim Ryan (Chair) | - 2025-2029 |
| • Philip Wormwell (NOTL Hydro only) | - 2023-2027 |
| • Marc Devlin (NOTL Hydro only) | - 2024-2028 |
| • Marcelo Gruosso (NOTL Hydro only) | - 2024-2028 |

to the Board of Directors of Niagara-on-the-Lake Energy Inc.



Department of Administration
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**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**
OFFICE OF THE TOWN CLERK

THAT the Financial Statements of the Corporation for the year ended December 31, 2024
are approved.

Consolidated Financial Statements of

**NIAGARA-ON-THE-LAKE
ENERGY INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2024

**KPMG LLP**

Commerce Place
21 King Street West, Suite 700
Hamilton, ON L8P 4W7
Canada
Telephone 905 523 8200
Fax 905 523 2222

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Niagara-on-the-Lake Energy Inc.

Opinion

We have audited the consolidated financial statements of Niagara-on-the-Lake Energy Inc. (the Entity), which comprise:

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

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

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

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

April 2, 2025

NIAGARA-ON-THE-LAKE ENERGY INC.

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash (note 6)	\$ 750,334	\$ -
Accounts receivable (note 4)	3,693,986	2,685,464
Unbilled revenue	3,238,924	3,045,766
Derivative asset (note 11)	172,618	376,643
Material and supplies (note 5)	741,881	726,036
Prepaid expenses	188,964	150,486
Due from related parties (note 19)	55,455	86,440
Notes receivable (note 21)	4,582,675	-
Income taxes receivable	-	183,100
Other assets	100	100
Total current assets	13,424,937	7,254,035
Non-current assets:		
Property, plant and equipment (note 8)	42,989,787	40,538,979
Investments (note 21)	-	5,279,982
Total non-current assets	42,989,787	45,818,961
Total assets	56,414,724	53,072,996
Regulatory balances (note 9)	2,444,967	2,684,702
Total assets and regulatory balances	\$ 58,859,691	\$ 55,757,698

See accompanying notes to consolidated financial statements.

NIAGARA-ON-THE-LAKE ENERGY INC.

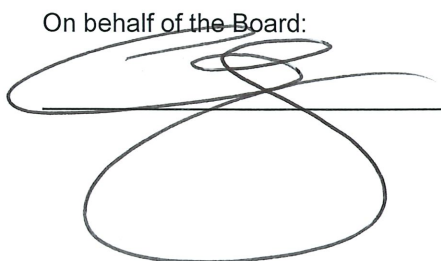
Consolidated Statement of Financial Position (continued)


December 31, 2024, with comparative information for 2023

	2024	2023
Liabilities		
Current liabilities:		
Bank indebtedness (note 6)	\$ -	\$ 960,846
Accounts payable and accrued liabilities (note 10)	7,340,821	5,733,593
Income taxes payable	909,767	-
Due to related party (note 19)	943,588	816,749
Customer deposits	362,158	464,713
Current portion of long-term debt (note 11)	9,602,974	10,526,880
Total current liabilities	19,159,308	18,502,781
Non-current liabilities:		
Long-term debt (note 11)	971,390	3,700,420
Post-employment benefits (note 7)	507,943	493,449
Deferred revenue	7,726,293	7,328,528
Deferred tax liability (note 13)	1,709,519	1,827,196
Total non current liabilities	10,915,145	13,349,593
Total liabilities	30,074,453	31,852,374
Equity:		
Share capital (note 12)	7,054,844	7,054,844
Retained earnings	20,833,272	16,519,683
Accumulated other comprehensive income	75,467	75,467
	27,963,583	23,649,994
Regulatory credit balances (note 9)	821,655	255,330
Total liabilities, equity and regulatory balances	\$ 58,859,691	\$ 55,757,698

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

NIAGARA-ON-THE-LAKE ENERGY INC.

Consolidated Statement of Comprehensive Income

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

	2024	2023
Revenue:		
Distribution revenue (note 16)	\$ 6,486,269	\$ 6,101,520
Other	1,204,145	603,102
	7,690,414	6,704,622
Sale of energy (note 16)	31,813,826	27,244,227
	39,504,240	33,948,849
Operating expenses (note 14):		
Operations and maintenance	1,801,999	1,412,503
Billing and collection	916,430	673,349
General administration	1,573,010	1,620,107
Depreciation and amortization (note 18)	1,363,057	1,308,863
	5,654,496	5,014,822
Cost of power	30,917,851	26,821,156
	36,572,347	31,835,978
Income from operating activities	2,931,893	2,112,871
Equity loss in Niagara Regional Broadband Network (note 21)	-	(213,112)
Finance costs (note 15)	(793,646)	(1,000,719)
Finance income (note 15)	403,156	112,382
Gain on sale of investment (note 21)	7,355,727	-
Income before income taxes and undernoted items	9,897,130	1,011,422
Income tax expense (note 13)	(1,027,481)	(13,709)
Income before the undernoted items	8,869,649	997,713
Other income (expense):		
Net movement in regulatory balances (note 9)	(1,046,394)	(428,380)
Regulatory recovery on deferred tax (note 9)	240,334	204,462
	(806,060)	(223,918)
Total comprehensive income for the year	\$ 8,063,589	\$ 773,795

See accompanying notes to consolidated financial statements.

NIAGARA-ON-THE-LAKE ENERGY INC.

Consolidated Statement of Changes in Equity

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

	Share capital	Retained earnings	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2023	\$ 7,054,844	\$ 16,495,888	\$ 75,467	\$ 23,626,199
Net income and net movement in regulatory balances	-	773,795	-	773,795
Dividends	-	(750,000)	-	(750,000)
Balance at December 31, 2023	\$ 7,054,844	\$ 16,519,683	\$ 75,467	\$ 23,649,994
Balance at January 1, 2024	\$ 7,054,844	\$ 16,519,683	\$ 75,467	\$ 23,649,994
Net income and net movement in regulatory balances	-	8,063,589	-	8,063,589
Dividends	-	(3,750,000)	-	(3,750,000)
Balance at December 31, 2024	\$ 7,054,844	\$ 20,833,272	\$ 75,467	\$ 27,963,583

See accompanying notes to consolidated financial statements.

NIAGARA-ON-THE-LAKE ENERGY INC.

Consolidated 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	\$ 8,063,589	\$ 773,795
Items not involving cash:		
Depreciation and amortization	1,526,151	1,256,066
Amortization of deferred revenue	(204,989)	(173,193)
Loss on sale of property, plant and equipment and intangible assets	39,104	299,283
Net finance costs	390,490	888,337
Income tax expense	1,027,481	13,709
Deferred taxes	(117,677)	21,704
Employee future benefits	14,494	6,967
Contributions received from customers revenue recognized	602,754	1,265,728
Gain on sale of investment	(7,355,727)	-
Equity loss in Niagara Regional Broadband Network	-	213,112
	3,985,670	4,565,508
Changes in non-cash operating working capital:		
Accounts receivable	(1,008,522)	161,688
Unbilled revenue	(193,158)	(634,797)
Derivative asset	204,025	268,377
Material and supplies	(15,845)	(121,861)
Prepaid expenses	(38,478)	(10,022)
Notes receivable	(309,187)	-
Accounts payable and accrued liabilities	1,607,228	1,964,730
Income taxes payable	1,092,867	(35,247)
Customer deposits	(102,555)	(127,668)
Due to/from related parties	157,824	(4,744)
	1,394,199	1,460,456
Interest paid	(793,646)	(1,000,719)
Interest received	403,156	112,382
Income tax recovered	(1,027,481)	(13,709)
Regulatory balances	806,060	219,545
	4,767,958	5,343,463
Financing activities:		
Repayment of long-term debt	(3,652,936)	(1,769,049)
Dividends paid	(3,750,000)	(750,000)
	(7,402,936)	(2,519,049)
Investing activities:		
Purchase of property, plant and equipment	(4,021,095)	(3,855,734)
Proceeds on disposal of property, plant and equipment	5,031	180,980
Proceeds on disposal of investment	8,362,222	-
	4,346,158	(3,674,754)
Change in cash (bank indebtedness)	1,711,180	(850,340)
Bank indebtedness, beginning of year	(960,846)	(110,506)
Cash (bank indebtedness), end of year	\$ 750,334	\$ (960,846)

See accompanying notes to consolidated financial statements.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2024

Reporting entity:

Niagara-on-the-Lake Energy Inc. (the "Company") is wholly owned by The Corporation of the Town of Niagara-on-the-Lake (the "Town") and incorporated under the Business Corporations Act (Ontario), in accordance with the Electricity Act. The Corporation is located in the Town of Niagara-on-the-Lake. The address of the Corporation's registered office is 8 Henegan Road, Virgil, Ontario, L0S 1T0.

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

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

1. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

The financial statements were approved by the Board of Directors on March 28, 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.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(d) Use of estimates and judgments:

(i) Assumptions and estimation uncertainty:

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

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

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

- (i) Notes 2(e), (f) and 6 – estimation of useful lives of its property, plant and equipment and related impairment tests on long-lived assets
- (ii) Notes 2(i) and 8 – recognition and measurement of regulatory balances
- (iii) Notes 2(j) and 11 – measurement of defined benefit obligations: key actuarial assumptions
- (iv) Notes 2(h) and 17 – recognition and measurement of provisions and contingencies

(ii) Judgments:

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

- (i) Note 2(k) – leases: whether an arrangement contains a lease; lease term, underlying leased asset value
- (ii) Note 2(c) – determination of the performance obligation for contributions from customers and the related amortization period
- (iii) Notes 2(i) and 9 – recognition of regulatory balances

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(e) Rate regulation:

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

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

(i) Distribution revenue:

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(e) Rate regulation (continued):

(i) 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 filed a COS application on April 27, 2023 for rates effective January 1, 2024 to December 31, 2024. The application was ultimately approved by the OEB on September 21, 2023. On November 21, 2023 the OEB approved a rate increase for the rates effective January 1, 2024.

(ii) Electricity rates

The OEB sets electricity prices for certain low-volume consumers each year (November) based on an estimate of how much it will cost to supply the province with electricity for the next year. In 2017, the OEB set new lower Regulated Price Plan ("RPP") prices established under the Ontario Fair Hydro Act, 2017. On May 9, 2019, the Government of Ontario enacted Bill 87, the Fixing the Hydro Mess Act, 2020. The legislation amended the Ontario Rebate for Electricity Consumers Act, 2016, and the Ontario Fair Hydro Plan Act, 2017.

Effective November 1, 2019, the OEB set electricity prices under the RPP based on the estimated cost to supply the province with electricity. The Ministry of Energy, Northern Development and Mines set the amount of the rebate under the Ontario Rebate for Electricity Consumers Act, 2016 such that the monthly bill for a typical customer increased by the rate of inflation.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(e) Rate regulation (continued):

(ii) Electricity rates

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

All remaining consumers pay the market price for electricity or the rate pursuant to their contract with a retailer. The Corporation is billed for the cost of the electricity that its customers use by the Independent Electricity System Operator and passes this cost on to the customer at cost without a mark-up.

(iii) Retail transmission rates:

These are the costs of delivering electricity from generating stations across the Province to local distribution networks. These charges include the costs to build and maintain the transmission lines, towers, poles and operate provincial transmission systems. Revenues from retail transmission rates are passed through to the operators of transmission networks and facilities without a mark-up.

(iv) Wholesale market service rates:

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies:

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

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. The subsidiaries and the Corporation's ownership in these companies are as follows:

Niagara-on-the-Lake Hydro Inc. 100%

Energy Services Niagara Inc. 100%

All significant inter-company accounts and transactions have been eliminated.

(b) Financial instruments:

All financial assets and all financial liabilities with the exception of derivatives are recognized initially at fair value plus any directly attributable transaction costs. Derivatives are classified as financial liabilities or financial assets at fair value through profit or loss and recognized at fair value. Subsequently, non-derivative financial instruments are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 2(h).

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) 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.

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.

(d) Materials and supplies:

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(e) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the 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 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. Work in progress assets are not depreciated until the project is complete and the asset is available for use.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

The estimated useful lives are as follows:

Asset	Rate
Buildings	30-60 years
Transformer stations	45-55 years
Distribution lines – overhead	45-60 years
Distribution lines – underground	45-60 years
Distribution – transformers	45 years
Distribution – meters	15-40 years
Equipment and trucks	3-15 years

(f) 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.

(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.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) 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, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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.

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

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(i) Regulatory balances:

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

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

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve 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 as a loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material 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. Re-measurements 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.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(k) Leased assets:

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

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

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

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

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material 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 balance and gain on derivatives.

Finance costs comprise interest expense on borrowings and realized losses on derivatives. Finance costs are recognized in profit or loss unless capitalized for 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.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. New standards and interpretations not yet effective:

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

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

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

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

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

IFRS 18 Presentation and Disclosures in Financial Statements

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

- entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method. The Corporation is in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's statement of comprehensive income, statement of cash flows and the additional disclosure required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labeled as 'other'.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

4. Accounts receivable:

	2024	2023
Customer trade receivables	\$ 3,723,986	\$ 2,715,464
Less: loss allowance	(30,000)	(30,000)
	<u>\$ 3,693,986</u>	<u>\$ 2,685,464</u>

5. Material and supplies:

The amount of inventory consumed by the Corporation and recognized as an expense during the year was \$55,791 (2023 - \$37,595).

6. Cash:

	2024	2023
Cash balances	\$ 3,729,197	\$ 679,677
Bank overdrafts used for cash management purposes*	(2,978,863)	(1,640,823)
Petty cash	-	300
	<u>\$ 750,334</u>	<u>\$ (960,846)</u>

*The Corporation's bank overdraft is executed by way of a demand operating revolving credit facility with a credit limit of \$5,000,000 and bears interest at the Term CORRA rate for each applicable CORRA period plus 1.695% per annum and is secured by a general security agreement on the assets of the Corporation. As at December 31, 2024, \$2,536,808 (2023 - \$1,216,736) is drawn on the credit facility.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

7. 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 benefit pension plan with equal contributions by the employer and its employees. 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. The latest actuarial valuation as at December 31, 2024 reported a funding deficit of \$2.9 billion (2023 - \$4.2 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2024 calendar year at rates ranging from 9.0% to 14.6% depending on the level of earnings. In 2024, the Corporation made employer contributions of \$210,391 to OMERS (2023 - \$205,200), of which \$47,804 (2023 - \$56,813) has been capitalized as part of PP&E and the remaining amount of \$162,587 (2023 - \$148,387) has been recognized in profit or loss. The Corporation estimates that a contribution of \$224,042 to OMERS will be made during the next fiscal year.

(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 re-measurements recognized for post-employment benefit plans.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

7. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

Reconciliation of the obligation	2024	2023
Defined benefit obligation, beginning of year	\$ 493,449	\$ 486,482
Included in profit or loss:		
Current service cost	23,951	22,800
Interest cost	24,082	23,585
	48,033	46,385
	541,482	532,867
Benefits paid	(33,539)	(39,418)
	\$ 507,943	\$ 493,449
Actuarial assumptions	2024	2023
Discount (interest) rate	5.05 %	5.05 %
Salary levels	3.30 %	3.30 %
Medical costs	5.30 %	5.10 %
Dental costs	5.60 %	5.40 %

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by approximately \$51,900. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by approximately \$63,400.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Property, plant and equipment:

	Land and buildings	Distribution equipment	Equipment and trucks	Construction- in-progress	Total
<i>Cost of deemed cost</i>					
Balance at January 1, 2024	\$ 1,737,665	\$ 42,501,405	\$ 3,650,427	\$ 1,249,899	\$ 49,139,396
Additions	-	2,933,792	681,181	4,053,680	7,668,653
Transfers	-	-	-	(3,647,561)	(3,647,561)
Disposals/ retirements	(8,690)	(210,832)	(247,639)	-	(467,161)
Balance at December 31, 2024	\$ 1,728,975	\$ 45,224,365	\$ 4,083,969	\$ 1,656,018	\$ 52,693,327
Balance at January 1, 2023	\$ 1,547,255	\$ 39,612,133	\$ 3,142,095	\$ 1,788,696	\$ 46,090,179
Additions	190,410	3,306,386	521,813	3,536,095	7,554,704
Transfers	-	-	-	(4,074,892)	(4,074,892)
Disposals/ retirements	-	(417,114)	(13,481)	-	(430,595)
Balance at December 31, 2023	\$ 1,737,665	\$ 42,501,405	\$ 3,650,427	\$ 1,249,899	\$ 49,139,396
<i>Accumulated depreciation</i>					
Balance at January 1, 2024	\$ 214,349	\$ 6,018,868	\$ 2,367,200	\$ -	\$ 8,600,417
Depreciation	33,267	1,191,641	301,244	-	1,526,152
Disposals	(8,690)	(167,057)	(247,282)	-	(423,029)
Balance at December 31, 2024	\$ 238,926	\$ 7,043,452	\$ 2,421,162	\$ -	\$ 9,703,540
Balance at January 1, 2023	\$ 184,302	\$ 5,280,083	\$ 2,121,368	\$ -	\$ 7,585,753
Depreciation	30,047	973,448	252,571	-	1,256,066
Disposals	-	(234,663)	(6,739)	-	(241,402)
Balance at December 31, 2023	\$ 214,349	\$ 6,018,868	\$ 2,367,200	\$ -	\$ 8,600,417
<i>Carrying amounts</i>					
At December 31, 2024	\$ 1,490,049	\$ 38,180,913	\$ 1,662,807	\$ 1,656,018	\$ 42,989,787
At December 31, 2023	1,523,316	36,482,537	1,283,227	1,249,899	40,538,979

Impairment charges of \$nil were recognized in operating income.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. 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
Settlement variances	\$ 632,106	\$ 259,969	\$ (416,286)	\$ 475,789	1
Other regulatory accounts	591,759	(75,484)	(248,268)	268,007	5
Income tax	1,460,837	240,334	-	1,701,171	-
	\$ 2,684,702	\$ 424,819	\$ (664,554)	\$ 2,444,967	

Regulatory deferral account debit balances	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Settlement variances	\$ 1,139,871	\$ (276,104)	\$ (231,661)	\$ 632,106	1
Other regulatory accounts	568,832	8,898	14,029	591,759	5
Income tax	1,256,375	204,462	-	1,460,837	
	\$ 2,965,078	\$ (62,744)	\$ (217,632)	\$ 2,684,702	

Regulatory deferral account credit balances	January 1, 2024	Additions	Recovery/ reversal	December 31, 2024	Remaining recovery/ reversal years
Settlement variances	\$ (36,921)	\$ (328,334)	\$ (427,883)	\$ (793,138)	1
Other regulatory accounts	(218,409)	(902,546)	1,092,438	(28,517)	-
	\$ (255,330)	\$ (1,230,880)	\$ 664,555	\$ (821,655)	

Regulatory deferral account credit balances	January 1, 2023	Additions	Recovery/ reversal	December 31, 2023	Remaining recovery/ reversal years
Settlement variances	\$ (109,200)	\$ 66,099	\$ 6,180	\$ (36,921)	1
Other regulatory accounts	(206,961)	(263,461)	252,013	(218,409)	1-5
	\$ (316,161)	\$ (197,362)	\$ 258,193	\$ (255,330)	

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Regulatory account balances (continued):

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using historical data. 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.

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for regulatory accounting treatment in accordance with IFRS 14 and the OEB's prescribed accounting procedures for electricity distributors. The regulatory balances are comprised of regulatory debit variances of \$2,444,967 (2023 - \$2,684,702) and regulatory credit balances for \$821,655 (2023 - \$255,330) for a net regulatory asset of \$1,623,312 (2023 - asset of \$2,429,372).

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points, with the exception of the tax balances. In 2024, the rate was 5.49% for the period January to June, 5.20% for the period July to September and 4.40% for the period October to December (2023 - 4.73% to 5.49%).

The regulatory balances for the Corporation consist of the following:

(a) Settlement variances:

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

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

In the Corporation's 2024 COS application, submitted in 2023, the Corporation obtained OEB approval for the disposition of the 2022 audited balances as they were above the OEB's prescribed materiality level. The OEB authorized the Corporation to dispose of a net credit balance of \$1,116,780 through rate riders over a one-year period that took effect January 1, 2024.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Regulatory account balances (continued):

(b) Income taxes:

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

(c) Lost revenue adjustment mechanism:

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

(d) Other:

This deferral account includes the amounts approved for disposition from settlement variances approved for disposition and recovery, allowable costs associated with cost assessments, retail charges and other miscellaneous regulatory accounts.

10. Accounts payable and accrued liabilities:

	2024	2023
Accounts payable – energy purchases	\$ 3,272,939	\$ 2,900,125
Trade payables	3,819,568	2,625,858
Payroll payable	142,080	138,008
Other liabilities	106,234	69,602
	<u>\$ 7,340,821</u>	<u>\$ 5,733,593</u>

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Long-term debt:

	2024	2023
Notes payable	\$ 1,161,986	\$ 3,877,725
Demand loans	9,412,378	10,349,575
	10,574,364	14,227,300
Less current portion of long-term debt	9,602,974	10,526,880
Long-term portion	\$ 971,390	\$ 3,700,420

The notes payable consists of three notes payable to the Corporation's parent company. The first note bears interest at 7.25%. The outstanding principal is \$910,360 (2023 - \$1,087,664) as at December 31, 2024. This note is unsecured and is repayable annually in the aggregate principal and interest of \$250,346 (2023 - \$250,346). During the year, the Corporation paid \$177,305 (2023 - \$164,941) in principal on the note. The second note bears interest at 3.50% and is due on February 1, 2025 and is repayable in blended monthly payments of \$29,386. The outstanding balance is \$58,496 (2023 - \$402,496) at December 31, 2024. The third note bears interest at 3.50% and is due October 1, 2025 and is repayable in blended monthly payments of \$19,625. The outstanding balance is \$193,130 (2023 - \$417,565) at December 31, 2024. The second and third loans are due on demand to the Town. The Town has waived its right to demand payment until January 1, 2026. These loans are postponed in favour of the demand instalment loan described below.

One of the Corporation's subsidiaries holds a note payable to the Corporation's parent company, bearing interest at 3% with a call option, and its unsecured with no fixed terms of repayment. At December 31, 2024, the amount outstanding was \$nil (2023 - \$1,970,000). The town has waived the right to call the loan before January 1, 2025 and therefore, the entire amount is classified as long-term.

The Corporation had two demand bank loans bearing interest at the underlying market rate for bankers' acceptance notes plus a stamping fee of 1.25%. Demand loan A has a remaining principal balance of \$nil (2023 - \$159,220) and was repaid during fiscal 2024. Demand loan B has a remaining principal of \$nil (2023 - \$80,678) and was repaid during fiscal 2024. Both demand loans are guaranteed by the parent, Niagara-on-the-Lake Energy Inc., due on demand at the request of the lender.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Long-term debt (continued):

The Corporation has a demand installment loan for which repayment commenced April, 2019 with an outstanding balance at year-end of \$2,023,246 (2023 - \$2,208,579) bearing interest at prime plus 0.75% per annum, maturing March, 2034. The Corporation has elected to use a swap contract to exchange the variable rate for a fixed rate of 3.168% per annum. The term loan

of the swap contract is 15 years. Under the terms of the term loan and swap contract, repayment of the loan is in monthly installments of \$21,052 of principal and interest. The swap contract is recorded at fair value and is in a net favourable position of \$60,056 (2023 - \$110,387). The loan is secured by a General Security Agreement over the assets of the Corporation and by guarantees of a related party.

The Corporation has a demand installment loan for which repayment commenced March 2020, with an outstanding balance at year-end of \$2,173,650 (2023 - \$2,358,174) bearing interest at prime plus 0.75% per annum and matures February, 2035. The Corporation has elected to use a swap contract to exchange the variable rate for a fixed rate of 2.274% per annum. The term loan of the swap contract is 15 years. Under the terms of the term loan and swap contract, repayment of the loan is in monthly installments of \$19,686 of principal and interest. The swap contract is recorded at fair value and is in a net favourable position of \$170,912 (2023 - \$241,874). The loan is secured by a General Security Agreement over the assets of the Corporation and by guarantees of a related party.

The Corporation has a demand installment loan for which repayment commenced January 2022, with an outstanding balance at year-end of \$2,528,661 (2023 - \$2,695,493) bearing interest at prime plus 0.75% per annum, maturing December, 2036. The Corporation has elected to use a swap contract to exchange the variable rate for a fixed rate of 3.365% per annum. The term loan of the swap contract is 15 years. Under the terms of the term loan and swap contract, repayment of the loan is in monthly installments of \$21,248 of principal and interest. The swap contract is recorded at fair value and is in an unfavourable position of \$137,932 (2023 - \$108,884).

The Corporation has a demand installment loan for which repayment commenced November, 2022 with an outstanding balance as at December 31, 2024 of \$2,686,821 (2023 - \$2,847,430) bearing interest at prime plus 0.75% per annum, maturing September, 2037. The Corporation has elected to use a swap contract to exchange the variable rate for a fixed rate of 4.75% per annum. The term loan of the swap contract is 15 years. Under the terms of the term loan and swap contract, repayment of the loan is in monthly installments of \$23,335 of principal and interest. The swap contract is recorded at fair value and is in a favourable position of \$79,582 (2023 - \$133,266). The loan is secured by a General Security Agreement over the assets of the Corporation and by guarantees of a related party.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Share capital:

	2024	2023
Authorized:		
Unlimited number of common shares		
Issued:		
1,001 common shares	\$ 7,054,844	\$ 7,054,844

Dividends

The holders of the common shares are entitled to receive dividends as declared by the Corporation.

The Corporation paid dividends in the year on common shares of \$3,750 per share (2023 - \$750) which amount to total dividends paid in the year of \$3,750,000 (2023 - \$750,000).

13. Income tax expense:

Current tax expense (recovery):

	2024	2023
Current tax expense (recovery)	\$ 1,145,158	\$ (7,992)
Deferred tax (recovery) expense	(117,677)	21,701
Income tax expense	\$ 1,027,481	\$ 13,709

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. Income tax expense (continued):

Income tax recovery of \$nil (2023 - \$nil) has been recognized in other comprehensive income at the Corporations statutory income tax rate related to remeasurement of the Corporation's postemployment benefits.

Reconciliation of effective tax rate:

	2024	2023
Income before taxes	\$ 9,897,130	\$ 1,011,422
Statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	\$ 2,622,739	\$ 268,027
Increase (decrease) in income taxes resulting from:		
Permanent differences	(1,921)	2,772
True up of prior periods	126,304	(111,755)
Regulatory adjustments	(277,294)	(96,107)
CMT	(23,481)	(35,360)
Other	2,321	(13,868)
Dividend refund	(1,143,149)	-
Effect of disposition of passive investment	(181,670)	-
Adjustment for prior years	(96,368)	-
Income tax expense	\$ 1,027,481	\$ 13,709

Significant components of the Corporation's deferred tax balances:

	2024	2023
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (3,874,431)	\$ (3,609,993)
Deferred revenue – contributed capital	2,047,468	2,010,442
Other	(17,161)	(68,682)
Post-employment benefits	134,605	130,764
Investment in Niagara Regional Broadband Network	-	(289,727)
Net deferred tax liability	\$ (1,709,519)	\$ (1,827,196)

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

14. Operating expenses:

	2024	2023
Salaries and benefits	\$ 2,232,644	\$ 1,886,838
Depreciation and amortization	1,358,018	1,308,863
Contractor	17,291	16,557
Vehicle maintenance	92,421	72,552
Office expense	72,155	70,328
Other	1,881,967	1,659,684
	<u>\$ 5,654,496</u>	<u>\$ 5,014,822</u>

15. Finance income and costs:

	2024	2023
Finance income:		
Interest income on bank deposits	\$ 403,156	\$ 112,382
Change in net unrealized (loss) gain on derivative asset	(204,025)	(268,377)
	<u>199,131</u>	<u>(155,995)</u>
Finance costs:		
Interest expense on long-term debt	(589,621)	(732,342)
	<u>(589,621)</u>	<u>(732,342)</u>
Net finance (costs) income recognized in profit or loss	<u>\$ (390,490)</u>	<u>\$ (888,337)</u>

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

16. Revenue from contracts with customers and other sources:

	2024	2023
Revenue from contracts with customers:		
Energy sales	\$ 31,813,826	\$ 27,244,227
Distribution revenue	6,486,269	6,101,520
	38,300,095	33,345,747
Revenue from other sources:		
Amortization of deferred revenue	204,989	173,193
Other	999,156	429,909
	1,204,145	603,102
	\$ 39,504,240	\$ 33,948,849

The following table disaggregates revenues from contracts with customers by type of customer:

	2024	2023
Revenue from contracts with customers:		
Residential	\$ 3,390,122	\$ 3,207,149
Commercial	2,833,556	2,640,206
Other customers	262,591	254,165
Energy	31,813,826	27,244,227
	\$ 38,300,095	\$ 33,345,747

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

17. Commitments and contingencies:

General

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

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the 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.

18. Amortization:

	2024	2023
Amortization:		
Amortization of capital assets charged to operations	\$ 1,421,682	\$ 1,308,863
Amortization of capital assets charged to capital assets through overhead capitalization	101,837	89,414
	<u>\$ 1,523,519</u>	<u>\$ 1,398,277</u>

19. Related party transactions:

(a) Parents and ultimate controlling party:

The sole shareholder of the Corporation is Niagara-on-the-Lake Energy Inc., which in turn is wholly-owned by the Town of Niagara-on-the-Lake (the "Town"). The Town produces consolidated financial statements that are available for public use.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

19. Related party transactions (continued):

(b) Outstanding balances with related parties:

	2024	2023
Town of Niagara-on-the-Lake	\$ (943,588)	\$ (816,749)
Town of Niagara-on-the-Lake	55,455	86,440
	<u>\$ (888,133)</u>	<u>\$ (730,309)</u>

Amounts are non-interest bearing with no fixed terms of repayment.

(c) Transactions with ultimate parent (the Town)

The Corporation delivers electricity to the Town throughout the year for the electricity needs of the Town and its related organizations in the amount of \$868,611 (2023 - \$830,957). Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provided water and wastewater billing services and meter installation services to the Town in the amount of \$174,055 (2023 - \$163,474).

During the year, the Corporation billed the Town \$191,356 (2023 - \$171,077) and were charged \$28,610 (2023 - \$11,374) for locate services.

(e) Key management personnel:

The key management personnel of the Corporation have been defined as members of the Board of Directors and executive managerial team members:

The compensation paid or payable is as follows:

	2024	2023
Salaries and benefits	\$ 559,821	\$ 534,668
OMERS contributions	41,024	39,048
Directors' fees	31,305	30,106
	<u>\$ 632,150</u>	<u>\$ 603,822</u>

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash balances, accounts receivable, unbilled revenue, due from/to related parties, bank indebtedness, line of credit 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. Derivatives are recognized at fair value.

The fair value of the long-term debt at December 31, 2024 is \$11,170,000. The fair value is calculated based on the present value of future principal repayments, 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% based upon the outstanding term of the loan.

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.

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

The carrying amount of accounts receivable is reduced through the use of an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2024 is \$30,000 (2023 - \$30,000). An impairment loss of \$9,450 (2023 - \$2,220) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from its electricity distribution customers. The Corporation has estimated the expected credit losses using its historical loss rates and recent trends for customer collections along with current and forecasted economic conditions and data.

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management (continued):

(a) Credit risk (continued):

At December 31, 2024, \$ 19,958 (2023 - \$15,726) is considered 60 days past due. The Corporation has approximately 10,100 customers, the majority of whom are residential. Credit risk is mitigated through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2024, the Corporation holds security deposits in the amount of \$362,158 (2023 - \$464,713).

(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. The Corporation's demand loans have a variable interest rate based on prime plus a margin. As a result, the Corporation is exposed to interest rate risk due to fluctuations in the prime rate. The Corporation has mitigated this risk through fixed-rate swap contracts.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$5,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due. As at December 31, 2024, \$2,536,808 (2023 - \$1,216,736) had been drawn under the Corporation's credit facility.

The Corporation also has a bilateral facility for \$1,750,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO with a limit of \$1,750,000, of which \$1,734,620 has been drawn and posted with the IESO (2023 - \$1,734,620).

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

NIAGARA-ON-THE-LAKE ENERGY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

20. Financial instruments and risk management (continued):

(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 shareholder's equity and long-term debt. As at December 31, 2024, shareholder's equity amounts to \$27,963,583 (2023 - \$23,649,994) and debt amounts to \$10,574,364 (2023 - \$14,227,300).

21. Investment:

During fiscal 2024, the Company entered into a definitive agreement for the sale of its shares in Niagara Regional Broadband Network Limited. The acquisition was completed on February 5, 2024. The Company received proceeds of \$12,635,709 for the sale which included a note receivable of \$4,273,487 from Cogeco Connexion Inc. which is due to be received on December 31, 2026. The note receivable accrues interest annually at 8% in which the Company has accrued \$309,187 to date.

22. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2024 financial statements.

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**
OFFICE OF THE TOWN CLERK

THAT KPMG, LLP are hereby appointed the auditors of the Corporation to hold office until the close of the next annual general meeting of the shareholders or until a successor is appointed, at such remuneration as may be fixed by the directors, and the directors are hereby authorized to fix such remuneration.

**THE CORPORATION OF THE
TOWN OF NIAGARA-ON-THE-LAKE**
OFFICE OF THE TOWN CLERK

THAT all acts, contracts, by-laws, proceedings, appointments, elections, payments and any other acts enacted, made, done, and taken by the directors and by the officers of the Corporation to the date hereof, are hereby approved, sanctioned and confirmed; and

THAT leave be given to introduce By-law No. 2025-041 and that the same be considered read a first, second and third time and passed this 24th day of June 2025.

THE CORPORATION
OF THE
TOWN OF NIAGARA-ON-THE-LAKE

BY-LAW NO. 2025-041

A BY-LAW TO CONFIRM THE PROCEEDINGS AT THE COUNCIL MEETING OF THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE HELD ON JUNE 24, 2025

WHEREAS the Council of The Corporation of the Town of Niagara-On-The-Lake (the “**Municipality**”) passed various motions at its meeting held on June 24, 2025;

WHEREAS pursuant to the provisions of Section 5 of the *Municipal Act, 2001*, as amended, the powers of a municipality shall be exercised by its council by by-law unless the municipality is specifically authorized to do otherwise;

AND WHEREAS it is deemed expedient that the actions of the Council of the Municipality at its meeting held on June 24, 2025, be confirmed, and adopted by by-law.

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE TOWN OF NIAGARA-ON-THE-LAKE ENACTS AS FOLLOWS:

1. That the actions of the Council of the Municipality in respect of each motion, resolution, declaration and other action passed, taken or adopted at the meeting held on June 24, 2025, are hereby adopted and confirmed as if the same were expressly included in this By-law, including, but not limited to, the motions of the Council of the Municipality adopted at that meeting which are outlined in the June 24, 2025, Council Minutes.
2. That the Lord Mayor and the proper officials of the Municipality are hereby authorized and directed to do all things necessary, including the execution of the necessary documents, to give effect to the actions of the Council of the Municipality referred to in section 1 of this By-law.
3. That the provisions of this By-law with respect to the Council meetings referred to in section 1 of this By-law shall be deemed to have been effective immediately following the June 24, 2025 meeting of the Council of the Municipality in respect of the motions of the Council of the Municipality as outlined in the June 24, 2025, Council Minutes.
4. That this By-law shall come into force and take effect upon the final passing hereof.

READ A FIRST, SECOND AND THIRD TIME AND PASSED THIS 24TH DAY OF JUNE 2025

LORD MAYOR GARY ZALEPA

TOWN CLERK GRANT BIVOL