Orangeville Hydro

Shareholders' Meeting

Thursday, June 17, 2021
4:00 p.m.

ANNUAL SHAREHOLDERS' MEETING
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ORANGEVILLE HYDRO LIMITED

Virtual

AGENDA

ANNUAL SHAREHOLDERS' MEETING

Thursday, June 17, 2021 – 4:00 p.m.

1 Chairman's welcome and opening remarks

2 Approval of Agenda

Proposed resolution

RESOLVED the agenda as printed and circulated be approved.

3 Adoption of Minutes

Adoption of Minutes of June 18th, 2020 Annual Shareholders' Meeting.

Proposed resolution

RESOLVED that the Minutes of June 18th, 2020 Annual Shareholders' Meeting as printed and circulated be adopted.

4 Adoption of Financial Statements & Annual Report

Proposed resolution

RESOLVED that the financial statements for the fiscal year ended December 31, 2020, together with the auditor's report thereon be adopted.

5 Appointment of Auditors

Proposed resolution

RESOLVED that KPMG LLP be appointed as the auditors of the Corporation until the next annual meeting of the Shareholder, or until a successor is appointed at a remuneration to be fixed by the Board of Directors.

6 Appointment of Directors

Proposed resolution

BE IT RESOLVED that the following persons, having been nominated and having agreed to act as directors of the Corporation, be and they are hereby elected as directors to hold office until the next annual election of directors when their term is complete or until their successors are elected or appointed, subject to the provisions of the Corporation's by-law and the provisions of the Shareholders' Agreement dated April 23, 2008:

Sandy Brown	June 2024
Andy Macintosh	June 2024
Steve Soloman	June 2024

7 Adjournment

<u>Proposed resolution</u>

RESOLVED that there being no further business, we now conclude.

ORANGEVILLE HYDRO LIMITED
Virtually via Microsoft Office Teams

Minutes of an Annual Shareholders' Meeting
held at 4:00 p.m. on Wednesday, June 18, 2020

Present:

Shareholders:	**Hydro Board Members:**
Town of Orangeville	R. Long
Mayor S. Brown	A. Maes
Deputy Mayor A. Macintosh	K. Sutton
	J. Thornton
Town of Grand Valley	
Mayor S. Soloman	

Hydro Staff:
K. Brooks, Manager of Customer Service
R. Koekkoek, President
A. Long, CFO
R. Tyrrell, CCO

Regrets:
P. Staveley, Lines Supervisor

1. The Chair, A. Maes, called the meeting to order at 4:00 p.m. and welcomed those in attendance.

2. APPROVAL OF AGENDA

Resolution 2020-01 **Moved by: Mayor S. Brown**
Seconded by: Mayor S. Soloman

RESOLVED the agenda as printed and circulated be approved.

CARRIED

3. ADOPTION OF MINUTES

Resolution 2020-02 **Moved by: Mayor S. Soloman**
Seconded by: Mayor S. Brown

RESOLVED that the Minutes of June 26, 2019 Annual Shareholders' Meeting as printed and circulated be adopted.

CARRIED

4. ADOPTION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

Resolution 2020-03 **Moved by: Mayor S. Brown**
Seconded by: Mayor S. Soloman

RESOLVED that the financial statements for the fiscal year ended December 31, 2019, together with the auditor's report thereon be adopted.

CARRIED

5. APPOINTMENT OF AUDITORS

Resolution 2020-04 **Moved by: Mayor S. Soloman**
Seconded by: Mayor S. Brown

RESOLVED that KPMG LLP be appointed as the auditors of the Corporation until the next annual meeting of the Shareholder, or until a successor is appointed at a remuneration to be fixed by the Board of Directors.

CARRIED

6. ADJOURNMENT

Resolution 2020-05 **Moved by: Mayor S. Brown**
Seconded by: Mayor S. Soloman

RESOLVED that there be no further business, we now conclude (4:05 p.m.).

CARRIED

R. Koekkoek, President

A. Long, Recording Secretary

Financial Statements of

ORANGEVILLE HYDRO LIMITED

And Independent Auditors' Report thereon

Year ended December 31, 2020

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
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INDEPENDENT AUDITORS' REPORT

To the Shareholders 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, 2020
- 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 significant accounting policies

(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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 International Financial Reporting Standards (IFRS), 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

Waterloo, Canada

April 16, 2021

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position
December 31, 2020, with comparative information for 2019

	Note	2020	2019
Assets			
Current assets			
Cash		$ 692,919	$ 656,693
Accounts receivable	4	4,695,519	4,207,174
Unbilled revenue		2,745,214	2,626,067
Inventory		363,068	291,834
Prepaid expenses		137,598	145,623
Income taxes receivable		-	75,292
Other		55	489
Total current assets		8,634,373	8,003,172
Non-current assets			
Property, plant and equipment	5	21,569,179	20,708,211
Intangible assets	6	217,192	226,777
Deferred tax assets	7	-	4,000
Total non-current assets		21,786,371	20,938,988
Total assets		30,420,744	28,942,160
Regulatory debit balances	8	3,881,942	2,711,283
Total assets and regulatory balances		$ 34,302,686	$ 31,653,443

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Financial Position
December 31, 2020, with comparative information for 2019

	Note	2020	2019
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 4,990,611	$ 3,721,170
Income taxes payable		119,981	-
Long-term debt due within one year	10	610,889	564,845
Customer deposits		225,000	225,000
Other payables		168,507	114,904
Total current liabilities		6,114,988	4,625,919
Non-current liabilities			
Long-term debt	10	12,807,891	12,444,972
Employee future benefits	11	346,292	337,688
Customer deposits		404,719	499,514
Contributions in aid of construction	12	2,040,099	1,859,325
Deferred tax liability	7	140,285	-
Total non-current liabilities		15,739,286	15,141,499
Total liabilities		21,854,274	19,767,418
Equity			
Share capital	13	8,290,714	8,290,714
Retained earnings		3,627,624	2,991,878
Accumulated other comprehensive income		47,400	47,400
Total equity		11,965,738	11,329,992
Total liabilities and equity		33,820,012	31,097,410
Regulatory credit balances	8	482,674	556,033
Total liabilities, equity and regulatory balances		$ 34,302,686	$ 31,653,443

See accompanying notes to the financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

ORANGEVILLE HYDRO LIMITED

Statement of Comprehensive Income
Year ended December 31, 2020, with comparative information for 2019

	Note	2020	2019
Revenue			
Distribution revenue	14	$ 5,664,418	$ 5,674,628
Other	14	280,854	263,385
		5,945,272	5,938,013
Sale of energy	14	33,148,280	29,164,689
		39,093,552	35,102,702
Operating expenses			
General and administrative		1,643,229	1,697,925
Billing and collecting		803,309	835,794
Operating and maintenance		839,119	958,991
Depreciation and amortization		896,463	882,819
		4,182,120	4,375,529
Cost of power purchased		34,271,041	30,112,525
		38,453,161	34,488,054
Income from operating activities		640,391	614,648
Finance income	16	12,991	58,599
Finance costs	16	(470,213)	(490,995)
Income before income taxes		183,169	182,252
Income tax expense	7	(41,897)	(103,245)
Net income for the year		141,272	79,007
Net movement in regulatory balances		1,244,022	1,020,659
Tax on net movement in regulatory balances		(298,777)	(198,124)
		945,245	822,535
Net income for the year and net movement in regulatory balances		1,086,517	901,542
Other comprehensive income			
Remeasurement of post-employment benefits		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		$ 1,086,517	$ 901,542

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statement of Changes in Equity
Year ended December 31, 2020, with comparative information for 2019

	Share capital	Retained earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2019	$8,290,714	$2,656,771	$ 47,400	$ 10,994,885
Net income and net movement in regulatory balances	-	901,542	-	901,542
Dividends	-	(566,435)	-	(566,435)
Balance at December 31, 2019	$8,290,714	$2,991,878	$ 47,400	$ 11,329,992
Balance at January 1, 2020	$8,290,714	$2,991,878	$ 47,400	$ 11,329,992
Net income and net movement in regulatory balances	-	1,086,517	-	1,086,517
Dividends	-	(450,771)	-	(450,771)
Balance at December 31, 2020	$8,290,714	$3,627,624	$ 47,400	$ 11,965,738

See accompanying notes to the financial statements.

ORANGEVILLE HYDRO LIMITED

Statements of Cash Flows
Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating activities		
Net Income and net movement in regulatory balances	$ 1,086,517	$ 901,542
Adjustments for:		
Depreciation and amortization	996,813	981,874
Loss (gain) on disposal of property, plant and equipment and intangible assets	(49,214)	38,418
Net finance costs	457,222	432,396
Income tax expense	41,897	103,245
Tax on net movement in regulatory	298,777	198,124
Employee future benefits	8,604	8,604
Contributions received from customers revenue recognized	(59,205)	(94,119)
	2,781,411	2,570,084
Change in non-cash operating working capital:		
Accounts receivable	(488,345)	(162,121)
Unbilled revenue	(119,147)	283,407
Inventory	(71,234)	30,168
Prepaid expenses	8,025	(14,095)
Other current assets	434	(194)
Accounts payable and accrued liabilities	1,269,441	(624,722)
Other payables	53,603	6,244
Customer deposits	(94,795)	(142,008)
	557,982	(623,321)
Regulatory balances	(1,244,022)	(1,020,659)
Income tax paid	(1,115)	(88,232)
Interest paid	(470,213)	(490,995)
Interest received	12,991	58,599
Net cash from operating activities	1,637,034	405,476
Investing activities		
Purchase of property, plant and equipment	(1,915,414)	(1,267,962)
Proceeds on disposal of property, plant and equipment	141,583	4,452
Purchase of intangible assets	(25,148)	(71,756)
Contributions received from customers	239,979	115,021
Net cash used by investing activities	(1,559,000)	(1,220,245)
Financing activities		
Proceeds from long-term debt	977,065	2,000,000
Repayment of long-term debt	(568,102)	(545,027)
Dividends paid	(450,771)	(566,435)
Net cash from financing activities	(41,808)	888,538
Change in cash	36,226	73,769
Cash, beginning of year	656,693	582,924
Cash, end of year	$ 692,919	$ 656,693

See accompanying notes to the financial statements.

1. Reporting entity

Orangeville Hydro Limited (the "Corporation") 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, 2020.

2. Basis of presentation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on April 15, 2021.

(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.

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

(i) Note 3(b) - measurement of unbilled revenue

(ii) Notes 5, 6 - estimation of useful lives of its property, plant and equipment and intangible assets

(iii) Note 8 - recognition and measurement of regulatory balances

(iv) Note 11 - measurement of defined benefit obligations: key actuarial assumptions

(v) Note 17 - recognition and measurement of provisions and contingencies

2. 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.

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.

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 October 2013 for rates effective May 1, 2014 to April 30, 2019. The Corporation received approval for a deferral of a COS application for 2020 rates. The GDP IPI-FDD for 2020 is 2.00%, the Corporation's productivity factor is nil% and the stretch factor is 0.15%, resulting in a net adjustment of 1.85% to the previous year's rates.

2. Basis of presentation (continued)

(e) Rate regulation (continued)

Electricity rates

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

3. 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.

3. Significant accounting policies (continued)

(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.

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.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

The estimated useful lives are as follows:

Asset	Years
Buildings	20-60 years
Distribution equipment	15-60 years
Vehicles	8-15 years
Other tools and equipment	10-60 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, 2020, 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	Years
Computer software	5 years

3. 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.

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.

(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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(j) Post-employment benefits (continued)

(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.

(k) Leased assets

At inception of a contract, the Corporation 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. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

(i) The contract involves the use of an identified asset;

(ii) The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(ii) The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Corporation has the right to direct the use of the asset if either:

a) The Corporation has the right to operate the asset; or
b) The Corporation designed the asset in a way that predetermines how and for what purposes it will be used.

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.

3. 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.

4. Accounts receivable

	2020	2019
Trade customer accounts receivable	$ 4,023,520	$ 4,192,219
Other receivables	717,999	56,955
Provision uncollectible accounts	(46,000)	(42,000)
	$ 4,695,519	$ 4,207,174

5. Property, plant and equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in-Progress	Total
Cost or deemed cost					
Balance at January 1, 2020	$ 2,092,617	$22,023,107	$1,513,612	$ 847	$25,630,183
Additions	25,149	1,644,413	230,227	15,625	1,915,414
Transfers	-	-	-	-	-
Disposals/retirements	(4,473)	(95,274)	(75,908)	-	(175,655)
Balance at December 31, 2020	$ 2,113,293	$23,572,246	$1,667,931	$ 16,472	$27,369,942
Balance at January 1, 2019	$ 2,057,089	$20,915,704	$1,458,004	$ 29,358	$24,460,155
Additions	35,528	1,145,853	86,581	-	1,267,962
Transfers	-	28,511	-	(28,511)	-
Disposals/retirements	-	(66,961)	(30,973)	-	(97,934)
Balance at December 31, 2019	$ 2,092,617	$22,023,107	$1,513,612	$ 847	$25,630,183
Accumulated depreciation					
Balance at January 1, 2020	$ 475,139	$ 3,752,437	$ 694,396	$ -	$ 4,921,972
Depreciation	83,677	741,455	142,193	-	967,325
Disposals	-	(24,074)	(64,460)	-	(88,534)
Balance at December 31, 2020	$ 558,816	$ 4,469,818	$ 772,129	$ -	$ 5,800,763
Balance at January 1, 2019	$ 393,046	$ 3,065,782	$ 576,939	$ -	$ 4,035,767
Depreciation	82,093	715,632	145,847	-	943,572
Disposals	-	(28,977)	(28,390)	-	(57,367)
Balance at December 31, 2019	$ 475,139	$ 3,752,437	$ 694,396	$ -	$ 4,921,972
Carrying amounts					
At December 31, 2020	$ 1,554,477	$19,102,428	$ 895,802	$ 16,472	$21,569,179
At December 31, 2019	$ 1,617,478	$18,270,670	$ 819,216	$ 847	$20,708,211

6. Intangible assets

		Computer software		Land rights		Total
Cost or deemed cost						
Balance at January 1, 2020	$	406,540	$	135,718	$	542,258
Additions		21,059		4,089		25,148
Disposals		(23,514)		-		(23,514)
Balance at December 31, 2020	$	404,085	$	139,807	$	543,892
Balance at January 1, 2019	$	361,561	$	113,118	$	474,679
Additions		49,156		22,600		71,756
Disposals		(4,177)		-		(4,177)
Balance at December 31, 2019	$	406,540	$	135,718	$	542,258
Accumulated amortization						
Balance at January 1, 2020	$	315,481	$	-	$	315,481
Amortization		29,488		-		29,488
Disposal		(18,269)		-		(18,269)
Balance at December 31, 2020	$	326,700	$	-	$	326,700
Balance at January 1, 2019	$	279,053	$	-	$	279,053
Amortization		38,302		-		38,302
Disposals		(1,874)		-		(1,874)
Balance at December 31, 2019	$	315,481	$	-	$	315,481
Carrying amounts						
At December 31, 2020	$	77,385	$	139,807	$	217,192
At December 31, 2019	$	91,059	$	135,718	$	226,777

7. Income tax expense

Current tax expense (recovery)

	2020	2019
Current tax recovery	$ (102,388)	$ (169,755)
Deferred tax expense	144,285	273,000
Income tax expense	$ 41,897	$ 103,245

Reconciliation of effective tax rate:

	2020	2019
Income before taxes	$ 183,169	$ 182,252
Statutory income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	48,540	48,297
Increase (decrease) in income taxes resulting from:		
Permanent differences	(11,376)	400
Other	4,733	54,548
Income tax expense	$ 41,897	$ 103,245

Significant components of the Corporation's deferred tax balances

	2020	2019
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (244,000)	$ (97,000)
Post-employment benefits	91,715	89,000
Other	12,000	12,000
	$ (140,285)	$ 4,000

8. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining recovery/ reversal years
Retail settlement variances	$ 2,498,035	$1,349,925	$(617,548)	$3,230,412	1
Regulatory transition to IFRS	162,985	2,018	-	165,003	-
Regulatory variances disposition	39,590	217,659	-	257,249	-
Deferred income tax	(4,000)	144,285	-	140,285	-
Other	14,673	74,320	-	88,993	1
	$ 2,711,283	$1,788,207	$(617,548)	$3,881,942	

Regulatory deferral account debit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining recovery/ reversal years
Retail settlement variances	$ 1,416,379	$1,081,656	$ -	$2,498,035	1
Regulatory transition to IFRS	159,686	3,299	-	162,985	-
Regulatory variances disposition	68,070	(28,480)	-	39,590	-
Deferred income tax	(277,000)	273,000	-	(4,000)	-
Other	199,430	311	(185,068)	14,673	1
	$ 1,566,565	$1,329,786	$(185,068)	$2,711,283	

Regulatory deferral account credit balances	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining years
Retail settlement variances	$ 369,893	$ 136,112	$(303,536)	$ 202,469	1
Change in asset useful lives	20,102	(9)	-	20,093	-
Other	166,038	94,074	-	260,112	1
	$ 556,033	$ 230,177	$(303,536)	$ 482,674	

Regulatory deferral account credit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019	Remaining years
Retail settlement variances	$ 300,256	$ 69,637	$ -	$ 369,893	1
Change in asset useful lives	71,316	(51,214)	-	20,102	2
Other	60,402	105,636	-	166,038	1
	$ 431,974	$ 124,059	$ -	$ 556,033	

8. Regulatory balances (continued)

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. An application has been approved by the OEB to recover $275,060 for the Group 1 deferral accounts for the 2020 rate application. The Corporation received approval for deferral of a COS application for 2020 rates, and is completing an IRM application for 2021 rates. 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 are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2020, the rate ranged from 0.57% to 2.18%.

9. Accounts payable and accrued liabilities

	2020	2019
Accounts payable – energy purchases	$ 2,633,131	$ 1,467,517
Water and sewer charges payable	903,876	1,025,115
Other	1,453,604	1,228,538
	$ 4,990,611	$ 3,721,170

10. Long-term debt

	2020	2019
TD Bank term loan payable, interest at 3.38%, payable in monthly instalments, due 2022	$ 2,752,028	$ 3,118,740
TD Bank term loan payable, interest at 3.54%, payable in monthly instalments, due 2024	3,490,086	3,584,767
TD Bank term loan payable, interest at 3.40%, interest only payments, due 2022	2,500,000	2,500,000
TD Bank term loan payable, interest at 3.60%, payable in monthly instalments, due 2027	1,797,107	1,852,560
TD Bank term loan payable, interest at 4.20%, payable in monthly instalments, due 2029	1,905,751	1,953,750
TD Bank term loan payable, interest at 2.58%, payable in monthly instalments, due 2025	973,808	-
	13,418,780	13,009,817
Less current portion of long-term debt	610,889	564,845
	$ 12,807,891	$ 12,444,972

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, 2020.

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

2021	$ 610,889
2022	5,115,492
2023	251,914
2024	3,335,197
2025	986,195
Thereafter	3,119,093
	$ 13,418,780

11. 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 2020, the Corporation made employer contributions of $192,886 to OMERS (2019 - $192,810), of which has been recognized in profit or loss. The Corporation estimates that a contribution of $181,491 to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had approximately 500,000 members, of whom 19 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded, with an unfunded liability of $3.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(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	2020	2019
Defined benefit obligation, beginning of year	$ 337,688	$ 329,084
Included in profit or loss		
Current service cost	12,557	11,449
Interest cost	13,219	12,849
	25,776	24,298
Included in OCI		
Actuarial losses arising from:		
changes in financial assumptions	-	-
	363,464	353,382
Benefits paid	(17,172)	(15,694)
Defined benefit obligation, end of year	$ 346,292	$ 337,688

Actuarial assumptions	2020	2019
Discount (interest) rate	4.00%	4.00%
Salary levels	3.00%	3.00%
Medical costs	4.20%	4.00%
Dental costs	4.50%	4.00%

11. Post-employment benefits (continued)

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

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $45,100. A 1% decrease in the assumed discount rate would result in the defined benefit obligation increasing by $59,700.

12. Contributions in aid of construction

	2020	2019
Contributions in aid of construction, beginning of year	$ 1,859,325	$ 1,838,423
Contributions in aid of construction received	239,979	115,021
Contributions in aid of construction recognized as distribution revenue	(59,205)	(94,119)
Contributions in aid of construction, end of year	$ 2,040,099	$ 1,859,325

13. Share capital

	2020	2019
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 8,290,714	$ 8,290,714

14. Revenues

	2020	2019
Collection and other service charges	$ 46,180	$ 115,185
Water and sewer billing services	11,583	23,955
Rent	109,913	101,301
Gain (loss) on disposals	49,214	(38,418)
Other	63,964	61,362
Total other revenue	$ 280,854	$ 263,385

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

	2020	2019
Residential	$ 17,783,192	$ 13,803,021
Commercial	20,686,145	20,711,482
Other	343,361	324,814
	$ 38,812,698	$ 34,839,317

15. Employee salaries and benefits

		2020		2019
Salaries, wages and benefits	$	1,974,111	$	1,940,378
CPP and EI remittances		72,154		68,197
Contributions to OMERS		192,886		192,810
	$	2,239,151	$	2,201,385

16. Finance income and costs

		2020		2019
Finance income				
Interest income on bank deposits	$	12,991	$	58,599
Finance costs				
Interest expense on long-term debt		(460,312)		(473,798)
Interest expense on customer deposits		(9,901)		(17,197)
		(470,213)		(490,995)
Net finance costs recognized in profit or loss	$	(457,222)	$	(432,396)

17. Commitments and contingencies

Cornerstone Hydro Electric Concepts (CHEC)

CHEC is an association of sixteen LDCs modelled after a co-operative to share resources and proficiencies (see note 18).

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, 2023. 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, 2020, the obligation to CHEC includes the 2021 to 2023 membership dues of approximately $46,000 per year, $138,000 total.

17. Commitments and contingencies (continued)

Utility Collaborative Services Inc. (UCS)

The Corporation has the right to redeem its shares in UCS (see note 18) 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, 2020, no assessments have been made.

18. 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

	2020	2019
Town of Orangeville - receivable	$ 149,403	$ 151,530
Town of Grand Valley – receivable	14,875	2,304
Town of Orangeville - payable	(875,650)	(994,349)
Town of Grand Valley - payable	(28,226)	(31,936)
	$ (739,598)	$ (872,451)

18. Related party transactions (continued)

(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 $492,661 (2019 - $417,621) from the Town of Orangeville and $25,506 (2019 - $22,416) from the Town of Grand Valley for these services.

The Corporation also delivers electricity to the Town of Orangeville and Town of Grand Valley throughout the year for the electricity needs of the Townships 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 Townships, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.

(d) Transactions with related parties

The Corporation paid $52,609 (2019 - $73,725) in fees to Cornerstone Hydro Electric Concepts Association Inc. (CHEC). CHEC is an association of sixteen electricity distribution utilities modeled 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 $207,566 (2019 - $159,696) 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 $554,334 (2019 - $514,110).

19. 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, 2020 is $6,942,693. 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, 2020 ranged from 0.46% to 1.43%.

19. Financial instruments and risk management (continued)

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 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, 2020 is $46,000 (2019 - $42,000). An impairment loss of $37,389 (2019 - $51,922) 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, 2020, approximately $78,016 (2019 - $43,586) 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, 2020, the Corporation holds security deposits in the amount of $629,719 (2019 - $724,514) 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, 2020 would have increased interest expense on the long-term debt by $137,012 (2019 - $132,603), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

19. 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, 2020, the Corporation has $2,293,740 available on this credit facility.

The Corporation also has a facility for $1,206,260 (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 (2019 - $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, 2020, equity amounts to $11,965,738 (2019 - $11,329,992) and long-term debt amounts to $13,418,780 (2019 - $12,444,972).

20. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, the Corporation has experienced the following in relation to the pandemic:

— Mandatory working from home requirements for those able to do so

The situation is evolving and the ultimate duration and magnitude of the impact on the economy is not known at this time. The outbreak has not had any material impacts on the operation of the Corporation to date, and management does not expect any material impacts given the nature and scope of the business, and management will continue to actively monitor the situation.

21. Comparatives

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

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Chair's Message to the Shareholders 2020

Our Board of Directors worked diligently this past year in supporting management in its ongoing strategic planning while creating sustainable Shareholder value, plus having a strong balance sheet. On behalf of the Board of Directors, as Chairman, I am proud that our Board, staff, and Shareholders think of Orangeville Hydro as "One with the Community". This mindset continues to be reaffirmed throughout the organization with our corporate slogan "Energizing Our Community's Future".

Working as Chair of this Board is a rewarding experience, as each Board member has a responsible and ambitious attitude towards their duties and because the Board is an excellent TEAM. Therefore, I would like to extend my thanks to the members of the Board of Directors for providing their expertise for the benefit of Orangeville Hydro and its Shareholders.

Although we operate in a business environment under the Ontario Business Corporations Act, we value our local control, local accountability and local access to our customers. In addition, we value the economic progress of our community and are happy to be a part of working at serving the community. The vision of Orangeville Hydro is to be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, financials, and performance.

We continue to strive to provide safe, reliable, efficient delivery of electrical energy within the Town of Orangeville and the Town of Grand Valley. At the same time, we were able to provide you - our Shareholders - with dividends during 2020 of $450,771 ($425,979 Town of Orangeville & $24,792 Town of Grand Valley). Orangeville Hydro has now provided $20,231,540 to the Town of Orangeville since our incorporation in October 2000. We have also provided the Town of Grand Valley with dividends totaling $456,813 since we started providing management and operational services and then merging in 2009.

Orangeville Hydro staff and Board continue to provide leadership for the industry through their various positions on industry associations and organizations. Please see list at end of report.

Some infrastructure projects completed by the line crew in 2020 included:

- Voltage conversion of Third Street, Elizabeth Street, McCarthy Street, Broadway, and Ada Street
- Conductor upgrade on Sherbourne and Townline
- Replacement of aerial bucket truck
- Continuation of pole replacement program
- Connections of new homes in Orangeville and Grand Valley

Our Operations and Engineering department works closely with both Shareholders regarding committees of adjustment and proposed works. They also have a close relationship with staff from both municipalities.

As we look ahead to the years 2021 and 2022, we will be striving for even better ways to serve our community. To this end, as always, I welcome input from Town staff and our Shareholders.

On behalf of my Board colleagues, I would sincerely like to thank you for the opportunity to once again serve you during this past year. As Chairman, I would like to thank my Board colleagues, management, and employees for their hard work during another exciting year, and Town CAOs, Ed Brennan and Meghan Townsend. We would like to congratulate our retiring employees and welcome our new staff member as well. I would like to thank John Thornton and Keith Sutton for the years of leadership on the Board. Also, I look forward to working with our two new Board members, Gia DeJulio and Mary Caputi. I would also like to acknowledge the fine service provided by our auditors, KPMG, as well as our legal team at Stutz, Brown and Self.

The bottom line and above all else, because of you the Shareholder, our staff and the people of Orangeville and Grand Valley this is a great utility!

Respectfully submitted,
Adrian Maes
Chairman
Orangeville Hydro Limited

- Kim Brooks
    - EDA (Electricity Distributors' Association) Communicators' Council
    - OHUG (Ontario Harris Users' Group) Executive Board of Directors and Secretary Treasurer
- Rob Koekkoek
    - EDA Operations Council
    - EDA Georgian Bay District Executive
    - CHEC Operations Committee
- Amy Long
    - EDA Regulatory Council
    - CHEC Board of Directors
    - EDA HR Council
- Suzanne Presseault
    - EDA Finance and Corporate Issues Council
    - CHEC Finance Steering Committee
- Paul Staveley
    - CHEC Operations Committee
- John Thornton
    - EDA Georgian Bay District Executive
- Ruth Tyrrell
    - EDA Board representative for Georgian Bay District
    - EDA Georgian Bay District – Secretary-Treasurer
    - UCS (Utility Collaborative Services) President
    - CHEC Group – Board of Directors
    - Utilities Standards Forum – Board of Directors
    - EDA HR Council
    - OEB Industry Affairs Standing Committee Representative
    - OEB Cyber Security Advisory Council

President's Message to the Shareholders 2020

I am humbled and honored to be writing the President's message once again. I would like to take this opportunity to thank the Board of Directors and Shareholders for your support, trust, and confidence in the entire team at Orangeville Hydro.

The COVID-19 pandemic impacted every sector throughout the world during 2020. Orangeville Hydro's focus throughout the pandemic has been to ensure the safety of the public and staff while delivering safe, reliable, and cost-efficient electricity.

Reliability (Loss Adjusted)**:**
Orangeville Hydro's distribution system provided reliable service throughout the year. Our average customer experienced 61 minutes of power outages due to issues within Orangeville Hydro's service area.

Efficiency:
Orangeville Hydro is a cost effective and efficient company. Our regulated revenue per customer is the 12th lowest in Ontario. Our customers benefit from having lower distribution costs than most areas of the province. We are an efficient organization with only 20 employees serving over 12,808 customers.

Financial Performance:
Orangeville Hydro maintained a strong financial performance in 2020 with a Net Income of $1,086,517 and a Regulatory Return on Equity of 11.81% which exceeded our deemed rate of 9.36% for the fourth year in a row.

Looking forward to 2021, Orangeville Hydro will focus on mitigating the impacts of the COVID-19 pandemic as well as continuous improvement in the areas of reliability, efficiency, customer service, and financial performance. The valuable information received from our customers through our EngageOrangevilleHydro.ca portal and day-to-day comments will drive our initiatives to improve our customers' experience and ensure we are providing the service they expect and deserve from their electric utility.

While we are proud of what we have accomplished at Orangeville Hydro last year and the 102 years before that, we strive to continue to improve the lives of our customers and our communities.

Thank you for the opportunity to serve you!

Rob Koekkoek, P.Eng.
President
Orangeville Hydro Limited

ABOUT US

Orangeville Hydro was established in 1916 serving its customers under the regulatory control of Ontario Hydro. The Electricity Act was passed in 1998 and Orangeville Hydro Limited (OHL) was incorporated on October 1, 2000 and is now regulated by the Ontario Energy Board (OEB). On January 1, 2009, Orangeville Hydro Limited and Grand Valley Energy Inc. officially amalgamated the two service territories to form the new Orangeville Hydro Limited.
OHL must operate its business in compliance with all applicable laws, including the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Ontario Business Corporations Act*, and the rules, policies and requirements of the OEB including the Distribution System Code, the Affiliate Relationships Code, the Retail Settlement Code, the Standard Supply Service Code, the Accounting Procedures Handbook and the Uniform System of Accounts as well as the applicable Rate Handbook and Filing Requirements.

Vision Statement

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

Mission Statement

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

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

Values Statement

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

We value professionalism and safety in our service and our work;
We value people - our customers, employees, Board members, and shareholders;
We value our community - its environment and its economic progress;
We value integrity, honesty, respect, and communications;
We value local control, local accountability, local employment, and local purchasing; and
We value easy accessibility to our ratepayers.

AT A GLANCE

People

19.94	FTEs
12,808	Total Customers
11,409	Residential
1,164	General Service < 50kW
124	General Service > 50kW
35	Sentinel Lights
3	Street Lights
31	Unmetered Scattered Load
42	Generation

Electricity Distribution

263,491,357 kWh	Total Supplied to OHL
254,347,083 kWh	Total Delivered to Customers
8,396 kWh	Average Residential Annual Consumption
51,287 kW	2020 System Peak Demand
51,287 kW	All-Time System Peak Demand - 2020

Assets

$21,786,371	Value of Fixed Assets
4	Municipal substations
1,342	Transformer locations
1,696	Poles
12,742	Meters
1	Solar Photovoltaic

Service Territory

74 km	Overhead Circuit Wires
148 km	Underground Cable
17 km^2	Total Service Area

Energizing our Community's Future

RATE APPLICATION INFORMATION

OHL purchases electricity from the wholesale market administered by the Independent Electricity System Operator (IESO) and pays transmission costs to Hydro One. The costs of electricity and certain other costs are recovered in accordance with procedures mandated by the Ontario Energy Board (OEB).

OHL is licensed by the OEB as an electricity distributor and its distribution business is regulated by the OEB under the authority of the *Ontario Energy Board Act, 1998.* As a distributor, OHL is responsible for delivering electricity and meeting the electricity needs of customers within its service territory. OHL is required to charge its customers for the following amounts (all of which, other than the distribution rate, essentially represent a pass through of amounts payable to third parties):

- **Electricity Price and Related Charges:** The electricity price and related charges represent a pass through of the commodity cost of electricity.
- **Distribution Rate (service charge and volumetric charge):** The distribution rate is designed to recover the costs incurred by OHL in delivering electricity to customers, as well as earn the OEB allowed rate of return. Distribution charges are regulated by the OEB and typically comprise a fixed charge and a usage-based (consumption) charge, except for the residential class which only pay a fixed distribution charge.
- **Retail Transmission Rates (low voltage, network and connection rates):** The retail transmission rates represent a pass through of costs charged to OHL for the transmission of electricity from generating stations to OHL's service area. Retail transmission rates are regulated by the OEB.
- **Wholesale Market Service Charge:** The wholesale market service charge represents a pass through of various wholesale market support costs charged by the IESO.
- **Smart Meter Entity Charge:** This charge is to recover the costs of the data storage maintained by the IESO that converts customers' monthly consumption into the time-of-use (TOU) pricing in order to bill our customers based on on-peak, mid-peak and off-peak consumption.
- **Disposition of Global Adjustment Sub Account:** This charge relates to the net difference between the global adjustment amount billed to customers and the global adjustment charged to OHL using the settlement invoice from the IESO.
- **Disposition of Deferral/Variance accounts:** This charge relates to the recovery of differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services.
- **Lost Revenue Adjustment Mechanism Variance account (LRAMVA):** Since 2015 utilities have delivered conservation and demand management (CDM) programs to customers. These programs resulted in reduced total energy consumption. This account allows the distributor to recover these lost revenues in a future period.

OEB Scorecard

The OEB has developed a standard form of measurement for all electricity distributors in Ontario in accordance with the objectives of the “Renewed Regulatory Framework for Electricity”. The scorecard and public reporting of distributor performance in a transparent manner is an important tool for customers to better assess the value they receive from their distributor, and how that compares to other distributors.

The scorecard includes traditional metrics for assessing a distributor's services, such as frequency of power outages, financial performance and costs per customer. The results of all distributors are posted on the OEB Industry webpage under “Performance Reporting”. The scorecard has also been posted on the Orangeville Hydro website. The 2019 results were posted in September 2020 along with a management discussion and analysis.

2020 Incentive Rate Mechanism (IRM)

In collaboration with all departments, OHL submitted an IRM application to the OEB using the Price Cap Incentive Rate-setting option (the “Price Cap IR”), which provides for a mechanistic and formulaic adjustment to distribution rates and charges in the period between Cost of Service proceedings. This rate change affects part of the delivery line on the customers’ bill. When approved, these rates were to come into effect May 1, 2020. Due to the uncertainty of COVID-19, Orangeville Hydro deferred the May 1, 2020 rate change to November 1, 2020. The delivery related distribution charges will be collected over a six-month period, to April 30, 2021. The regulatory charges will be collected over a one-year period, to October 31, 2021.

The average residential customer using 750 kWh a month saw an increase of $2.22 or 1.9% on their bill. Small general service customers using a monthly average of 2,000 kWh saw an increase of $6.36 relating to 2.22% of their bill. Larger commercial, institutional and manufacturing businesses using a monthly average demand of 65 kW saw an increase of $48.19 relating to 1.06% of their bill.

In 2021, OHL rates will be set utilizing the Annual IR method until the utility completes a cost of service rate application. The Annual IR process allows for a rate increase using the inflation factor less the highest stretch factor rate of .6%. Orangeville Hydro is also required to submit a Distribution System Plan with its 2021 Annual IR Application.

Ontario Electricity Rebate (OER)

Effective November 1, 2019, the Government of Ontario introduced the new Ontario Electricity Rebate (OER) under the Ontario Rebate for Electricity Consumers Act, 2016. The OER provides eligible customers with a rebate on their electricity bill. The OER replaces the previous 8% Provincial Rebate and Fair Hydro Plan.

The increase to the OER rate on November 1, 2020 to 33.2%, up from 31.8%, coincided with an increase in TOU and Tiered rates to be more in line with the actual cost of power. The total bill impact of the increased rates offset by the 33.2% rebate was minimal.

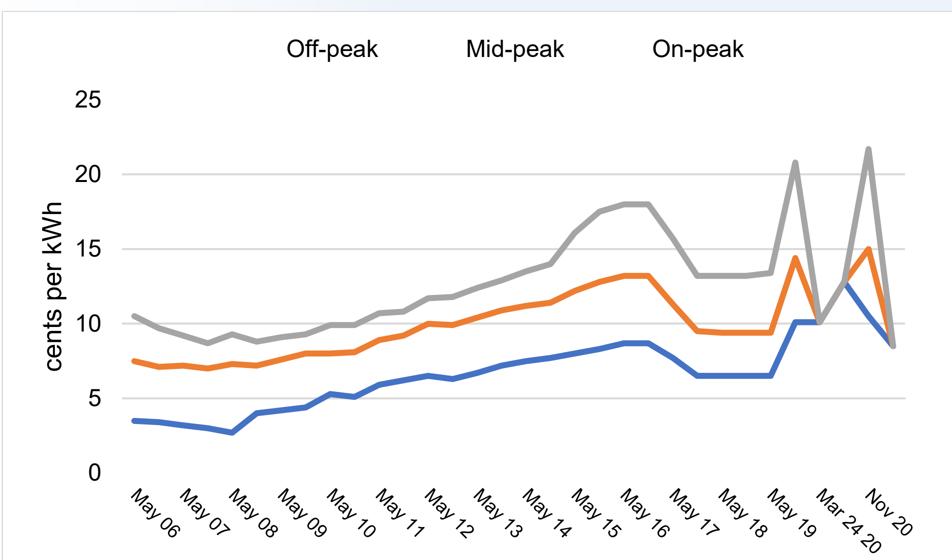
RPP and TOU rates

The RPP prices for Time of Use (TOU) and Tiered Pricing are normally updated twice yearly on May 1st and November 1st.

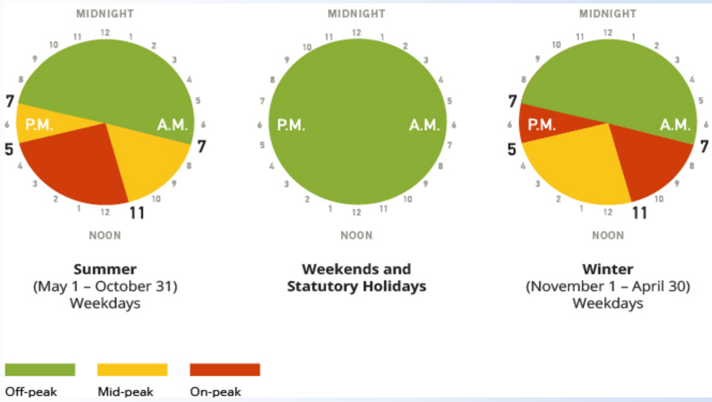
Time of Use historical pricing

Time-of-use rates vary according to demand. They are cheapest when demand is lowest: during the evenings, on weekends and on holidays.
In Ontario, when demand is lower, most of the power we use comes from sources like nuclear generators and large hydroelectric stations, which are designed to run all the time. This is called baseload power.
As daytime begins, more people turn on their lights and appliances, and businesses ramp up their operations for the workday. These are high demand times for electricity. If all of the baseload power is used, the province turns to other sources like natural gas-fired generation, which typically costs more than baseload.
Time-of-use rates follow a similar pattern: as the demand for electricity rises, the price increases, and as it decreases, so does the price.

Due to the COVID-19 pandemic, the Government of Ontario provided temporary electricity rate relief for consumers paying time-of-use prices, in the form of a fixed electricity price of 10.1 ¢/kWh. On June 1, 2020, the Government of Ontario introduced a fixed electricity price of 12.8 ¢/kWh for consumers paying time-of-use prices to support them while Ontario plans the safe and gradual re-opening of the province. November 1, 2020, the TOU rates returned to normal, to reflect the actual cost of power. This continued until January 1, 2021, when the Government of Ontario again reduced the TOU rates to 8.5 ¢/kWh for electricity used from January 1, 2021 until the end of the day on February 22, 2021. These reduced rates were primarily put into place to support Ontarians staying at home during the pandemic.

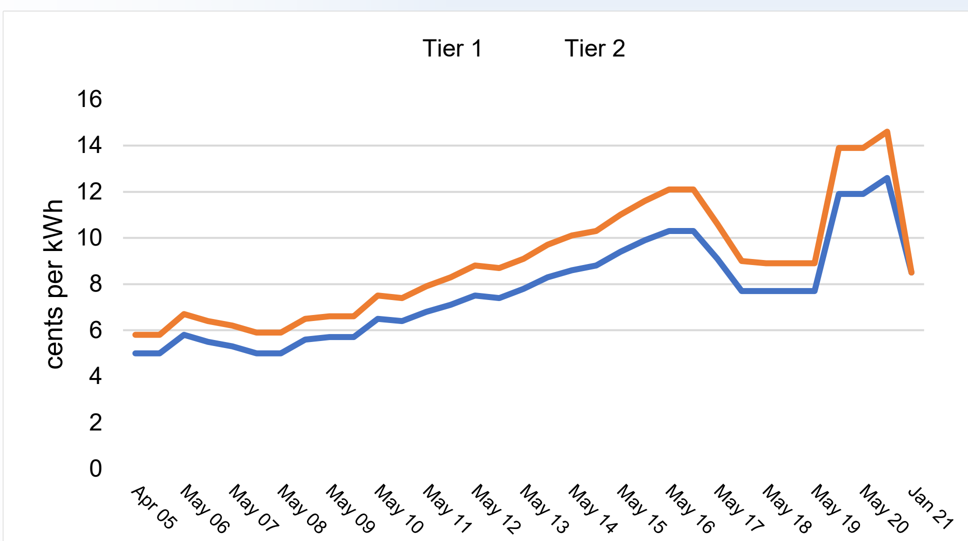


These time bands change at different times of the year, and on weekends and statutory holidays.



Tiered historical pricing

Some Ontario electricity customers are billed using tiered rates. Under tiered rates, a customer can use a certain amount of energy each month at a lower rate. Once that limit is exceeded, the rate goes up to the Tier 2 rate. Due to the pandemic, the Ontario Energy Board decided to keep the summer threshold at the higher-level of 1000 kWh per month, to allow more consumption to be used at the lower Tier price. In November 2020, customers were given the choice to opt-out of Time of Use rates and move to Tiered rates. Orangeville Hydro assisted customers in their decision by providing the customer with historical electricity usage through Customer Connect and directing them to the Ontario Energy Board website to complete the TOU Optionality calculator.



Global Adjustment

Global Adjustment (GA) is a charge on a customer's electricity bill that reflects the difference between the market price of electricity and the rates paid to regulated and contracted generators, and for demand management programs and conservation programs. The GA charge fluctuates in relation to changes in the market price; when the market price for electricity is lower, the GA is higher to cover additional costs that were not already received through the market price, and accordingly, when the market price is higher, the GA is lower. The GA is often higher when provincial consumption was lower in the previous month.

Every Ontario electricity customer pays GA. Customers who are on Tiered Pricing or Time of Use (TOU) have the charge built into the rate determined by the OEB. In contrast, customers who have a contract with a retailer and have therefore opted out of the Regulated Price Plan see the GA on a separate line item on their bill. Customers with a peak demand higher than 50 kilowatts per month who also pay the market price see the GA as a separate line item.

OHL collects the GA funds for the IESO and transfers the funds to the IESO without taking a profit. The GA is based on usage; by reducing usage, a customer can reduce the GA charge on his or her bill.

<u>Class B Customers</u>

The chart below highlights the variance between the monthly 1st estimate which is used to bill customers, and the actual rate, which is what the IESO settles with the LDC on.

Due the COVID-19 pandemic, the Global adjustment rate was capped at $115/MWh for customers from April to June 30, 2020. This allowed the Global adjustment on customers' bills to be lower for this period. The deferred GA costs are being recovered from customers in the 12 months of 2021.

1st, 2nd Estimate and Actual Global Adjustment rates for Class B customers are posted below for 2019 and 2020.

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Average
1st Estimate ($/MWh)	67.41	96.57	81.05	81.29	128.6	124.44	135.27	72.11	129.34	178.78	107.27	85.69	107.32
2nd Estimate ($/MWh)	83.06	82.36	75.75	124.88	130.49	147.72	88.54	109.74	163.92	118.86	101.09	90.66	109.76
Actual Rate ($/MWh)	80.92	88.12	80.41	123.33	126.04	137.28	96.45	126.07	122.63	136.8	99.53	93.21	109.23

2020 without GA deferral	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Average	
1st Estimate ($/MWh)	83.23	124.51	104.32	137.07	179.10	123.01	103.05	102.32	115.73	149.54	116.7	107.04	120.47	
2nd Estimate ($/MWh)	99.93	114.35	112.12	169.27	141.53	126.39	94.93	106.22	127.92	132.6	114.2	100.31	119.98	Unadjusted GA
Actual Rate ($/MWh)	102.32	113.31	119.42	150.57	147.18	128.4	99.02	103.48	121.76	128	117.1	105.58	119.68	GA Deferral ended July 1, 2020

2020 with GA deferral	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Average	
1st Estimate ($/MWh)	83.23	124.51	104.32	137.07	92.93	115.00	103.05	102.32	115.73	149.54	116.7	107.04	112.62	
2nd Estimate ($/MWh)	99.93	114.35	112.12	115.00	115.00	115.00	94.93	106.22	127.92	132.6	114.2	100.31	112.30	Adjusted GA
Actual Rate ($/MWh)	102.32	113.31	119.42	115.00	115.00	115.00	99.02	103.48	121.76	128	117.1	105.58	112.92	GA Deferral ended July 1, 2020

Class A Customers

Customers who participate in the Industrial Conservation Initiative (ICI) pay GA based on their percentage contribution to the top five peak Ontario demand hours over a 12-month period. Customers participating in this initiative are referred to as Class A.

In April 2017, the Government of Ontario reduced the ICI threshold from 1 MW to 500 kW to make Ontario consumers/market participants in targeted manufacturing and industrial sectors, including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW, eligible to opt-in to ICI.

Peak demand is determined to be the average of a customer's highest monthly peak hourly demand values over the base period from May 1 to April 30.

In 2020, OHL had 6 customers who 'opted in' to participate in ICI. They had a total savings from $3,625,496 for their Global Adjustment charges, based on consumption from January to December 2020.

Total GA costs and consumption figures are divided between Class A and all remaining Class B customers. Class A customers pay a rate based on their proportion of energy use during the five established historical coincident peaks. The remaining costs are recovered from all Class B customers. The breakdown between the two groups is shown below.

Effective June 30, 2020, Ontario amended O. Reg. 429/04 to introduce an "ICI Peak Hiatus" in which electricity consumers participating in the Industrial Conservation Initiative (ICI) do not need to take actions to avoid system peaks this year as economic recovery from COVID-19 progresses. The regulatory amendments are intended to respond to stakeholder concerns, mitigate negative impacts from the pandemic on Class A consumers and help support a smoother recovery. Any existing Class A customers who opt-in to the ICI program in 2021, will continue to use their previously calculated peak demand factor, which was based on 2019 peaks.

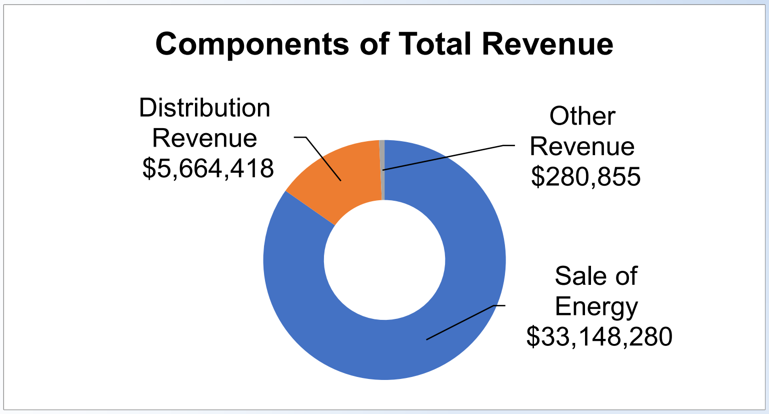
				2019								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Class A Total (M$)	184.5	175.2	165.4	210.2	218.4	243.1	203.2	235.5	192.1	214.2	173.5	177.2
Class A Total (TWh)	3.466	3.228	3.416	3.301	3.404	3.384	3.421	3.505	3.347	3.409	3.384	3.341
Class B (all remaining customers) Total (M$)	771.7	732.9	692.2	908.5	914.9	1018.2	946.4	1092.2	890.8	995.4	805.5	823
Class B (all remaining customers) Total (TWh)	9.547	8.333	8.629	7.382	7.202	7.416	9.726	8.657	7.27	7.28	8.106	8.834

				2020								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Class A Total (M$)	196.4	201.5	207.1	227.2	229.2	226.6	202.8	185.8	174.8	188.1	177.5	184.8
Class A Total (TWh)	3.469	3.323	3.349	2.764	2.92	3.076	3.303	3.414	3.293	3.363	3.313	3.311
Class B (all remaining customers) Total (M$)	911.4	935.1	961.3	1055.5	1064.4	1055.6	1014.9	929.7	874.7	941.3	888.3	925.2
Class B (all remaining customers) Total (TWh)	8.9	8.246	8.049	7.017	7.243	8.174	10.264	9.002	7.213	7.34	7.56	8.776

FINANCIAL RESULTS

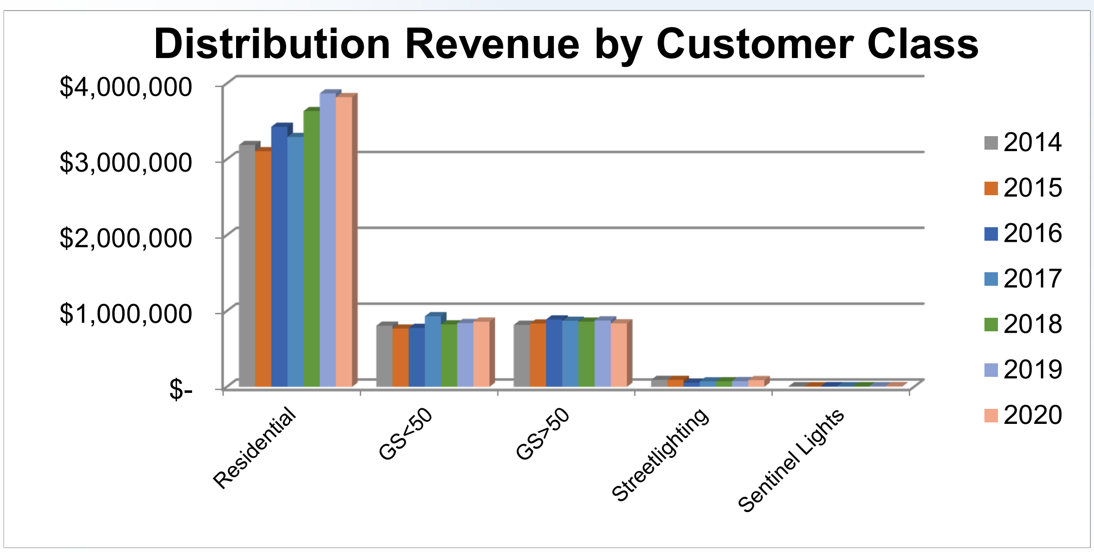
Total Comprehensive Income

Total comprehensive income for 2020 amounted to $1,086,517 compared to $901,542 in 2019. This amount was higher than last year, with the increase attributed to a decrease in OM&A expenses. Expenses were lower in 2020 due to decreased tree trimming expenditures and less reactive overhead and underground expenses, as well as lower training and conference costs. In March 2020, with the uncertainty of COVID-19, Orangeville Hydro decided to intentionally reduce costs where possible, as it was uncertain how the utility would be impacted by the pandemic. 2020 actual total comprehensive income was 32% over the budgeted value of $824,074.



Distribution Revenue and Other Revenue

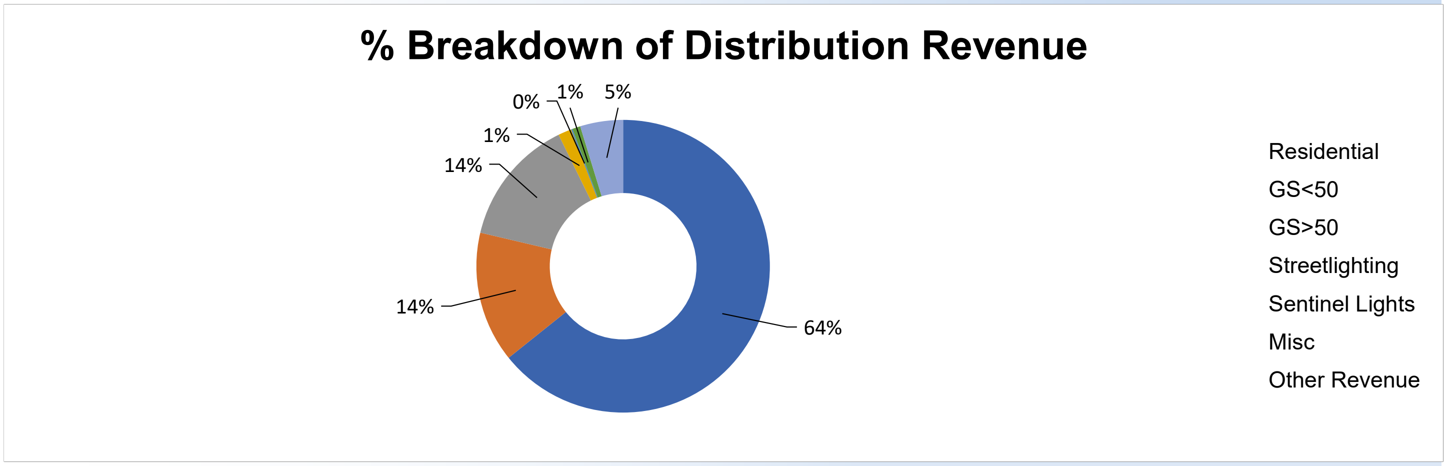
In 2020, distribution revenue amounted to $5,664,418, a slight decrease from $5,674,628 in 2019.



The decrease over the previous year was mainly the result of a decrease in General Service greater than 50 kW volumetric revenue as compared to the prior year.

Budgeted distribution revenue of $5,699,025 was 1% over the actual revenue collected in 2020. Distribution revenue is the margin used to operate our business and represents the revenue requirement that is approved by the OEB during a cost of service rate application.

This chart shows the breakdown of distribution revenue between the different customer classes, highlighting that 65% of distribution revenue is derived from residential customers, and 29% comes from General Service less than 50kW (GS<50) and General Service greater than 50kW (GS>50) customers.



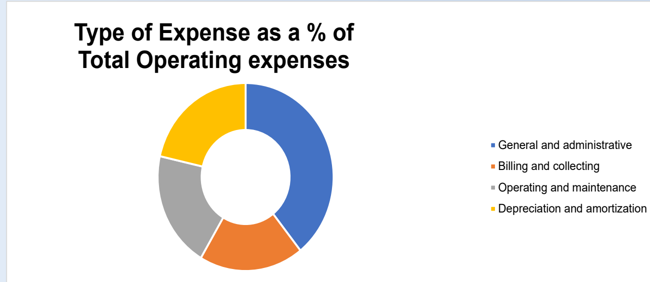
Other revenue amounted to $280,855 in 2020 compared to $263,385 in 2019. 2020 saw a gain on the sale of a portion of land at 400 C Line, offset by a decrease in water late payment revenues and a decrease in miscellaneous service billings.

Sale of Energy

Sale of energy for 2020 was $33,148,280, which was higher than the 2019 sale of energy of $29,164,689 due to a significant increase in residential electricity consumption, along with an incrementally smaller increase in general service<50 kW consumption, offset by a decrease in general service>50 kw consumption. Total electricity sales include a pass through of the cost of power that Orangeville Hydro pays the IESO for energy, wholesale market service charges and rural rate assistance as well as to Hydro One Networks for transmission network and connection charges, and low voltage charges. Sale of energy accounts for 85% of Total Revenues.

Operating Expenses

Operating expenses are the costs associated with the day-to-day operations, maintenance and administration (OM&A) of the utility, comprising of labour, material, equipment, purchased services, as well as depreciation and amortization of fixed assets. The total OM&A expenses amounted to $3,285,656 in 2020, compared with $3,492,710 in 2019. 2020 expenditures were 10% lower than the budgeted amount of $3,642,870.



Expenses were lower in 2020 over 2019 due to a strong effort by management and staff to reduce controllable expenses due to the uncertainty of the COVID-19 pandemic. Operations saw a decrease in tree trimming and training costs, and all departments had a decrease in conference, training and consultant costs. A budgeted loan was delayed until the end of the year to reduce interest expenses during the uncertainty of the pandemic.

OHL management and staff scrutinizes operating costs and work diligently during the course of the year to keep costs at a stable level.

Depreciation and amortization of property, plant and equipment (PP&E) increased to $896,463 from $882,819 in 2019.

In 2020, OM&A expenses per customer decreased to $257 per customer from $274 in 2019.

Cost of power purchased

The total cost of power purchased in 2020 was $34,271,041, a 14% increase from the 2019 purchased power of $30,112,525. This increase is mainly due to an increase in RPP power purchased paid to the IESO over the year and higher low voltage, network and connection rates charged by Hydro One.

Capital Expenditures

In 2020, gross capital expenditures amounted to $1,924,938, compared to $1,368,228 in 2019. These expenditures were 14% lower than the budgeted capital expenditures of $2,228,282.

Job Type	Cost	% of total
System Access	$ 372,926	19%
System Renewal	$ 394,476	20%
System Service	$ 877,012	46%
General Plant	$ 259,465	13%
Intangibles	$ 21,059	1%
Total	**$ 1,924,938**	**100%**

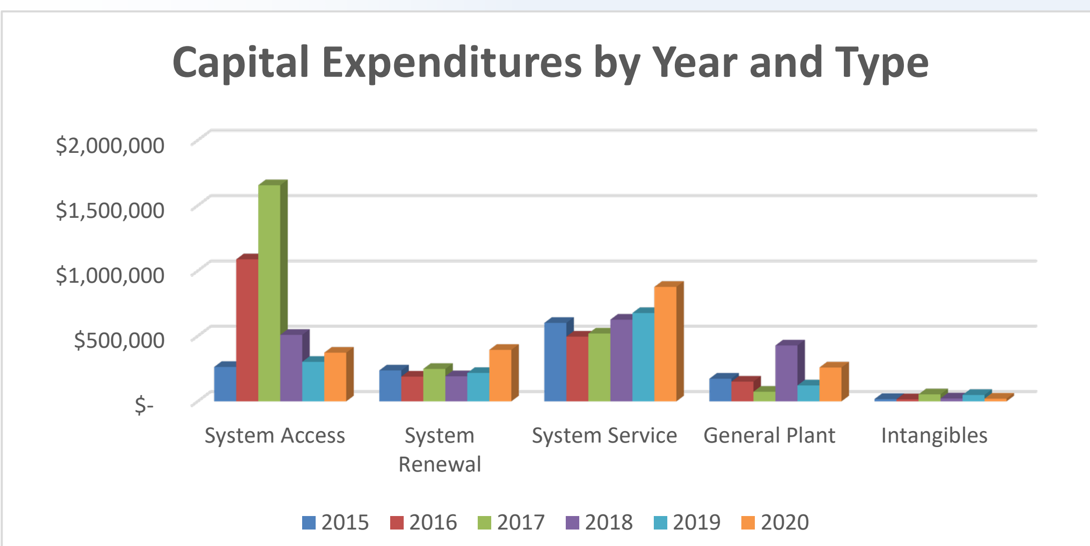
System Access projects represent customer driven requests for service upgrades, service connections and subdivisions.

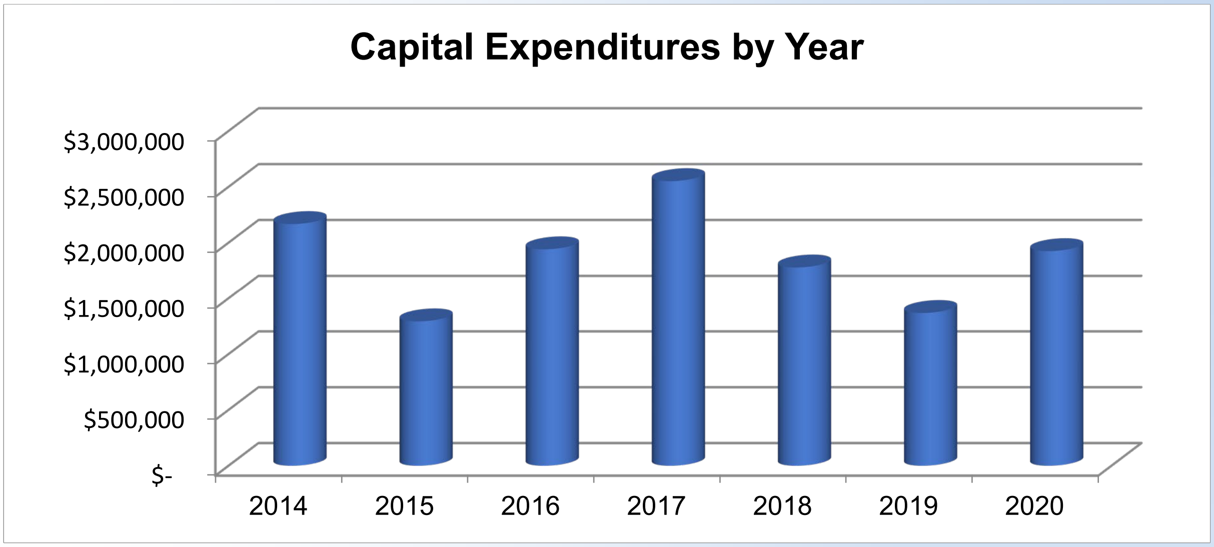
System Renewal projects are designed to replace/refurbish assets to extend the original service life of the assets in order to improve the reliability of the system.

System Service consists of projects planned to ensure the distribution system continues to meet operational objectives, while addressing future needs.

General Plant consists of non-distribution assets.

Intangibles include land rights and computer software.



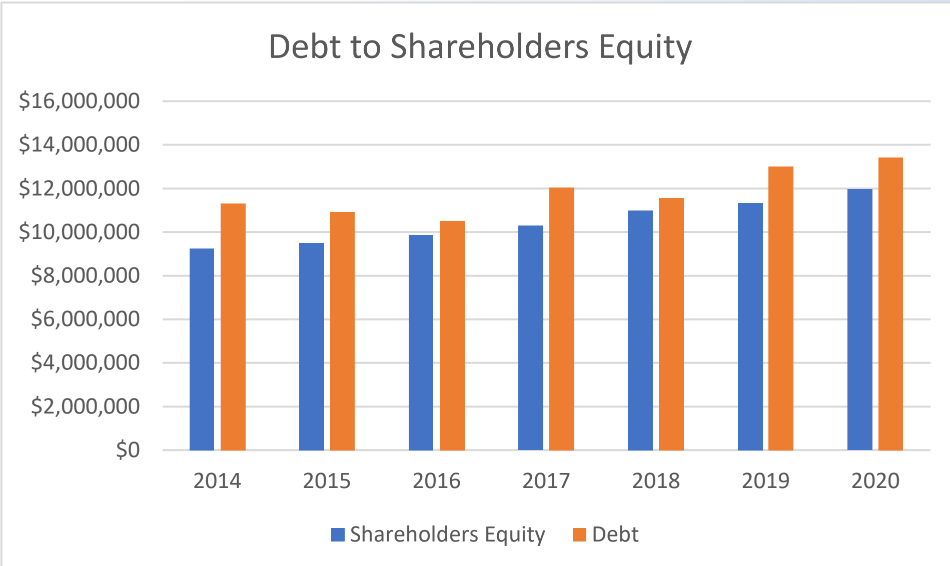


When the COVID-19 pandemic was declared, some budgeted capital work was deferred to 2021. As the pandemic continued, and the impacts became better understood, capital work was increased through the final quarter of 2020.

In Orangeville and Grand Valley, major projects in 2020 included:

- Voltage conversion of Third Street, Elizabeth Street, McCarthy Street, Broadway, and Ada Street
- Conductor upgrade on Sherbourne and Townline
- Replacement of aerial bucket truck
- Continuation of pole replacement program
- Connections of new homes in Orangeville and Grand Valley

Debt and Shareholders' Equity

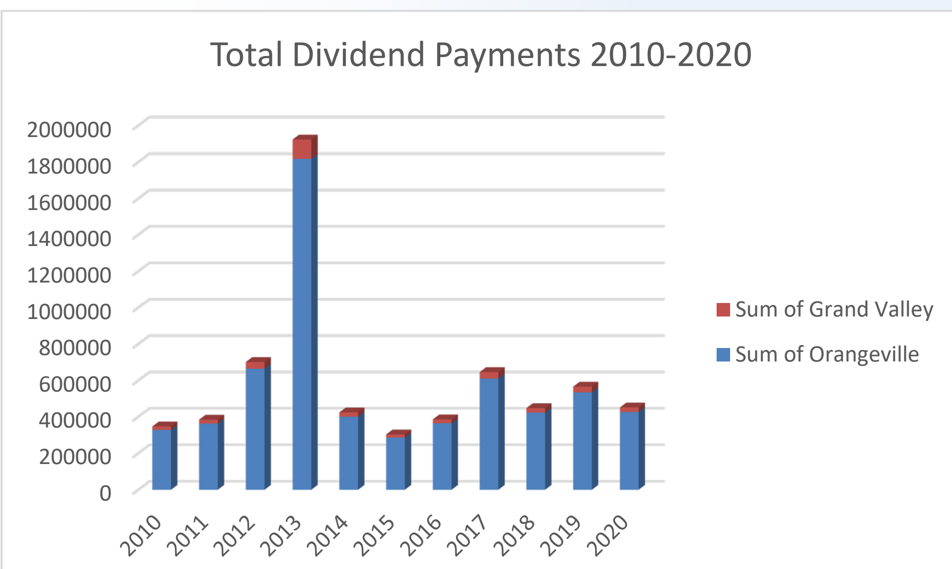


In 2020, total debt was at a favourable level of 53% compared to total shareholders' equity of 47%. Additional debt is generally taken to finance general operating requirements as well as capital expenditures, and to fund increasing regulatory variances.

The debt to equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The Ontario Energy Board (OEB) uses a deemed capital structure of 60% debt, 40% equity for electricity distributors when establishing rates. This deemed capital mix is equal to a debt to equity ratio of 1.5 (60/40).

OHL continues to maintain a debt to equity structure that closely resembles the ratio expected by the OEB.

Dividends



OHL has paid the Town of Orangeville $20,231,540 since incorporation in 2000 and the Town of Grand Valley $456,813 since amalgamation in 2007.

Dividends were paid in 2020 in accordance with the dividend policy, in the amount of $450,771, which were just under the budgeted dividends of $477,320.

Financial Statistics

	2014	2015	2016	2017	2018	2019	2020
Sale of energy	$26,720,348	$29,637,637	$33,499,518	$30,048,911	$28,491,290	$29,164,689	$33,148,280
Distribution revenue	$4,954,958	$4,839,850	$5,200,350	$5,219,614	$5,444,878	$5,674,628	$5,664,418
OM&A expenses	$3,226,833	$3,292,572	$3,322,207	$3,328,900	$3,229,776	$3,492,710	$3,285,656
Capital expenditures	$2,167,163	$1,293,107	$1,940,991	$2,551,610	$1,778,360	$1,368,228	$1,924,938
Total comprehensive income	$712,039	$549,640	$742,839	$1,070,150	$1,152,374	$901,542	$1,086,517
Shareholders' equity	$9,261,741	$9,508,537	$9,865,747	$10,289,603	$10,994,885	$11,329,992	$11,965,738
Total debt	$11,303,321	$10,910,584	$10,505,200	$12,043,169	$11,554,844	$13,009,817	$13,418,780
Capital assets (PP&E)	$17,089,439	$17,320,291	$18,337,875	$19,850,847	$20,620,014	$20,934,988	$21,786,371
Dividends to shareholders	$423,796	$302,844	$385,629	$646,294	$447,092	$566,435	$450,771
Number of customers	11,757	11,934	12,000	12,462	12,690	12,766	12,808
Number of employees (FTE)	23	21	19	15	19	20	20

	2014	2015	2016	2017	2018	2019	2020
Return on Equity (Financials)	7.69%	5.78%	7.53%	10.40%	10.48%	7.96%	9.08%
Return on Equity (Regulated)	9.47%	6.40%	8.68%	10.60%	11.92%	10.34%	11.83%
Debt %	55%	53%	52%	54%	51%	53%	53%
Equity %	45%	47%	48%	46%	49%	47%	47%
Debt to Equity	1.21	1.15	1.06	1.17	1.05	1.15	1.12
OM&A expenses/customer	$274	$276	$277	$267	$255	$274	$257
Customers/employee	511	568	632	831	684	646	642

Net movement in regulatory deferral accounts

Beginning in 2015, and due to International Financial Reporting Standards (IFRS), the financial statement presentation changed to reflect movement taking place in regulatory account balances within the Statement of Comprehensive Income. Therefore, any regulatory transaction within this statement is moved from the account in which it is contained, to a holding account. These regulatory balances are then presented as a single line item near the bottom of this statement, which removes the impact of regulatory activity on the Total Comprehensive Income for the year total in order to make financial statements comparable with other companies which are not rate regulated. In 2020, the total of this net movement amount is a debit of $1,244,022. In 2019, the total was a debit of $1,020,659. The main driver of this amount in 2020 is retail settlement variance amounts, specifically low voltage charges, global adjustment, and power costs, offset by the recovery of regulatory assets and wholesale market service charges.

Regulatory Liabilities and Regulatory Assets

The main purpose of regulatory assets and liabilities is to true up accounts when there is a difference between expenses and revenues. The differences are moved to a variance account which can then be recovered from or paid back to customers at a later date, after approval from the Ontario Energy Board. Regulatory assets are amounts that will be recovered from customers, while regulatory liabilities are amounts that will be paid back to customers.

The regulatory assets increased by $1,170,659 in 2020, from $2,711,283 in 2019 to $3,881,942 in 2020. This was mainly due to a increase in low voltage, global adjustment, and power variances. There were recoveries from customers included in this amount, but the total amount was lower due to delaying the May 1, 2020 rates to begin on November 1, 2020.

In 2020, OHL's regulatory liability balance decreased by $73,359 from 2019. The liability amounting to $482,674 in 2020 down from $556,033 in 2019 mainly consisted of wholesale market service charges, pole attachment rate variances, deferred income taxes and the OEB variance account for the change in useful lives of property, plant and equipment which ended in April of 2019.

CONSERVATION AND DEMAND MANAGEMENT

On March 21, 2019 the Government of Ontario decided to remove program delivery from the local distribution companies (LDCs) in favour of a centralized delivery model. This meant that Orangeville Hydro would no longer be eligible to achieve the projected energy savings target or receive any further Achievable Incentive Payments. The Independent Electricity System Operator (IESO) was directed to discontinue the Conservation First Framework and wind the initiative down in an orderly fashion, taking reasonable efforts to minimize costs.

Customers, mainly commercial and industrial that had made application for retrofit or custom projects while under the Conservation First Framework have until June 30, 2021 to complete the project and receive the appropriate incentive associated with the project through Orangeville Hydro. All new applications are to be submitted directly through the IESO.

Orangeville Hydro has 21 retrofit projects outstanding. We have been assisting our customers who had submitted applications prior to the provincial announcement to complete the projects and receive any incentives that may be available to them.

CUSTOMER SERVICE

The Customer Service Team now serves 12,808 valuable customers in the Town of Orangeville and Town of Grand Valley.

2020 was a very different year for our customer service department. With the pandemic affecting the world we needed to be able to continue to work and serve our customers while keeping our staff safe. In response to the pandemic Orangeville Hydro closed our doors to customers coming into the office. We also limited the number of staff working in the office at one time and allowed for staff to work from home. In order to continue providing our customers with excellent customer service we put some changes in place.

- We switched to an IVR phone system so that customers can go directly to the department that they need or the individual staff member.
- All voice messages left for staff in the office are emailed directly to the staff member.
- Customers no longer have to pay a service charge to use Paymentus. They can pay their bill by credit card or debit card over the phone and on-line via our website.
- Hired a Communications Coordinator to ensure our Twitter and website are updated to reflect any updates in a timely fashion and to quickly respond to questions or concerns our customers may have.

<u>CEAP</u>

On July 31st the Government introduced a financial assistance program called COVID-19 Energy Assistance Program (CEAP) Residential. CEAP-Residential would be a one-time on bill credit for customers who met the requirements. Up to $115 would be allotted to those with gas heat source, and $230 for those with electric heat.
The requirements were:

- No overdue amounts before March 17th, 2020 (the date of the Provincial Declaration of Emergency)
- As of the date applying, the customer would have overdue amounts on at least two electricity bills since March 17th, 2020
- The account holder (or spouse or common –law- who must share the same address) must have been collecting CERB or EI
- The account cannot already receive financial assistance such as OESP or LEAP

** With these requirements in place only 4/34 Orangeville Hydro customers who applied qualified. Upon implementing these requirements, the OEB noticed the denial rate exceeded their original assumption and the program was found to be helping only a small majority of the population. On October 5th the Government revised the regulations to increase eligibility for customers by modifying the first requirement:

- No overdue amounts *<u>or the customer made partial payments on amounts overdue</u>* prior to March 17th, 2020 (the date of the Provincial Declaration of Emergency).

All other requirements stayed the same.

After the new requirements were implemented, we reviewed previously submitted applications (as instructed by the OEB) and found that many now qualified for the program and were provided the one-time on-bill credit of either $115 or $230.

CEAP-SB

The Government introduced a similar financial assistance program for small businesses and registered charities. If accepted a small business or registered charity could receive $425 for a gas heat source and $850 for an electric heat source. Much like the CEAP Residential, the program amended their original requirements on October 5th to allow for more consumer credits. Only one requirement was amended.
The original requirement was:

- Your small business or registered charity did not have any overdue amounts on its electricity bill on March 17th, 2020, the date of the Provincial Declaration of Emergency.

The amendment was:

- Your small business or registered charity did not have any overdue amounts on its electricity bill on March 17th, 2020, the date of the Provincial Declaration of Emergency, or made at least partial payments on amounts overdue prior to March 17th, 2020.

Four applications were originally received, and all were denied. After the amendment 3 of 4 were approved for either $425 or $850.

Customer Choice

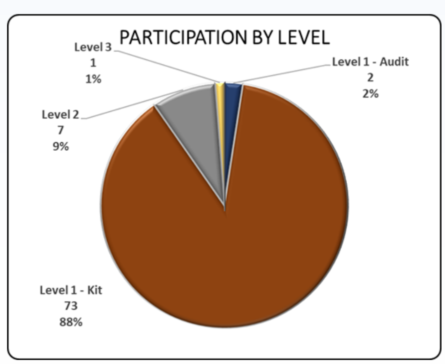
As of November 1, 2020, electricity distributors were required to provide Regulated Price Plan (RPP) customers paying Time-of-Use (TOU) rates with the choice to switch to tiered pricing. This initiative allows RPP TOU customers to opt out of the TOU prices and instead pay tiered prices. Orangeville Hydro had 456 customers switch to tiered prices.

Affordability Fund Trust (AFT)

AFT is a program designed for Ontarians who do not qualify for low-income conservation programs but who want to conserve energy as a way to reduce their electricity bills. These customers do not qualify for LEAP, OESP or Home Assistance Program (HAP). AFT provides electricity customers that qualify with free upgrades to improve their home energy efficiency, including ENERGY STAR® certified LED bulbs and appliances, insulation and weatherstripping.
OHL worked with GreenSaver to promote and deliver the AFT program on behalf of the Trust. Applications for the AFT program ended July 2020. Overall, Orangeville Hydro was able to assist 85 customers with this program.

Participation by Level

Level 1 - Audit	2
Level 1 - Kit	73
Level 2	7
Level 3	1
TBD	0
N/A	2
Total	**85**



LEAP – Low Income Energy Assistance Program

Customer Service staff continue to work with Dufferin County Community Services to assist Low-income energy customers (LEAP). Distributors are required to contribute the greater of 0.12% of their total OEB-approved distribution revenue, or $2,000 to LEAP. In 2020 OHL provided $9,387.90 to the LEAP program, which included $3,129.30 additional funds compared to 2019 to help more customers affected by COVID-19.
In 2020, the program assisted 9 qualifying customers by paying their hydro bill in order to prevent interruption of their hydro service. On average, the program allocated $540.69 per customer.

Ontario Electricity Support Program (OESP)

The OESP is an Ontario Energy Board program that lowers electricity bills for lower-income households. The OESP provides ongoing assistance for lower income electricity consumers based on household income and household size. The OESP credits are applied directly to eligible customers' bills.

In 2020, $317,218 was credited to 593 eligible customers.

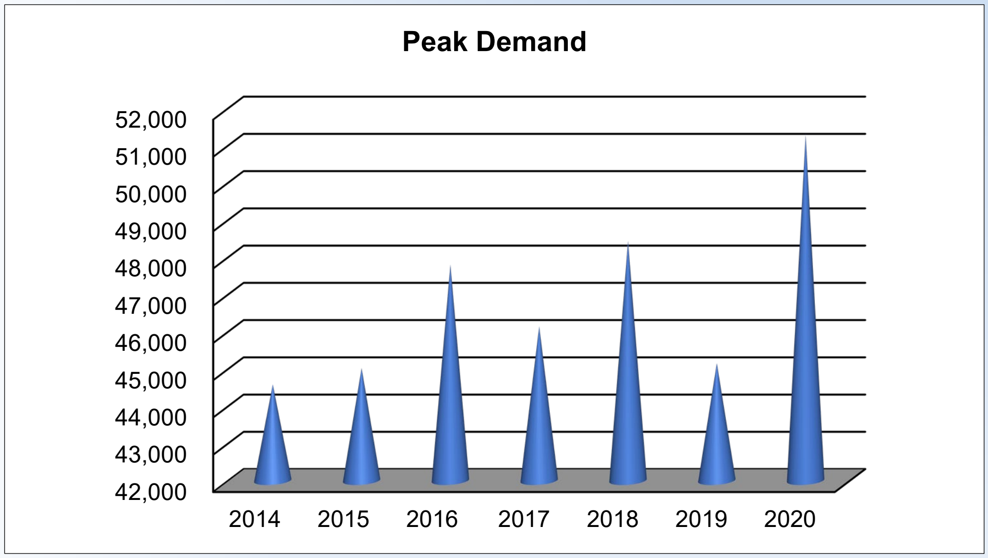
Staff Donations

Annually, OHL hosts a Christmas Cheer Week. With COVID-19 Christmas Cheer Week looked a lot different this year however with a lot of effort from the committee it was still a successful week where all the staff had fun and even learned some interesting facts about each other.
With the generous contributions from our vendors for our Silent Auction, OHL was able to raise $3,063.50 for the Salvation Army. We also made a substantial donation of food to the Orangeville Food Bank, which was needed more than ever this year.

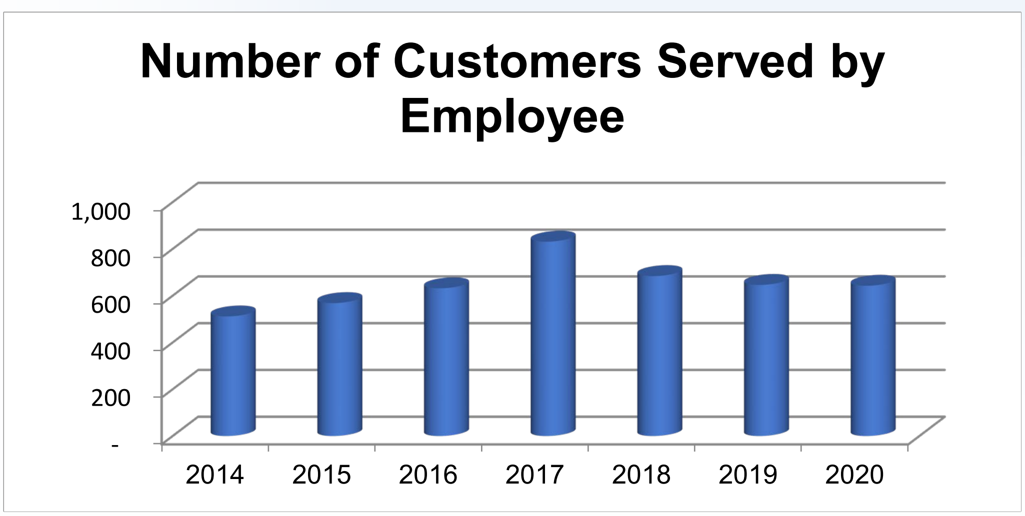
STATISTICS AND SYSTEM RELIABILITY

Operating Statistics

The system peak of 51,287 kilowatts occurred in July 2020. This is the new system peak, an increase from the 2006 system peak of 50,461 kilowatts which also occurred in July. OHL's system peak was higher in 2020 due to a hotter summer, and more residential customers using more electricity due to being home during the pandemic.

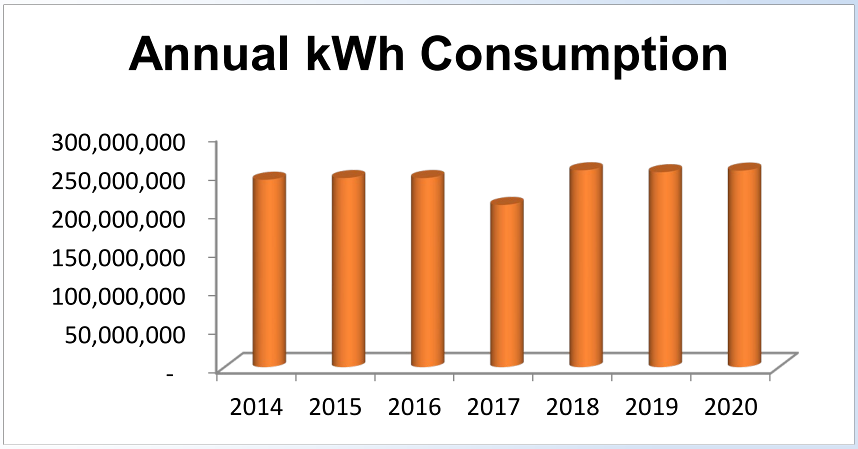


The number of customers served per employee has decreased to 642 in 2020. Our number of customers has stayed fairly consistent, with the number of staff in 2020 the same as 2019, and number of customers not increasing as drastically as it has in the past, with less growth. Orangeville Hydro is now at a full staff complement, while continuing to train staff for progression and succession planning in order to plan for future retirements.

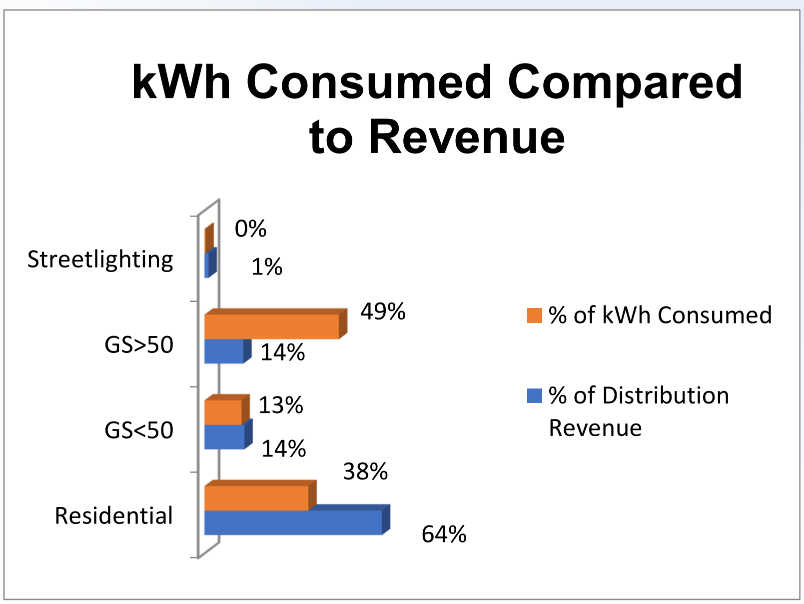


Customer Profile and Electricity Consumption

At the end of 2020, OHL had 12,808 customers. OHL's customer base has increased by an additional 42 customers from 2020. Our customers consumed a total of 254,347,083 kilowatt hours in 2019, an increase from 2019 mainly due to higher residential consumption.

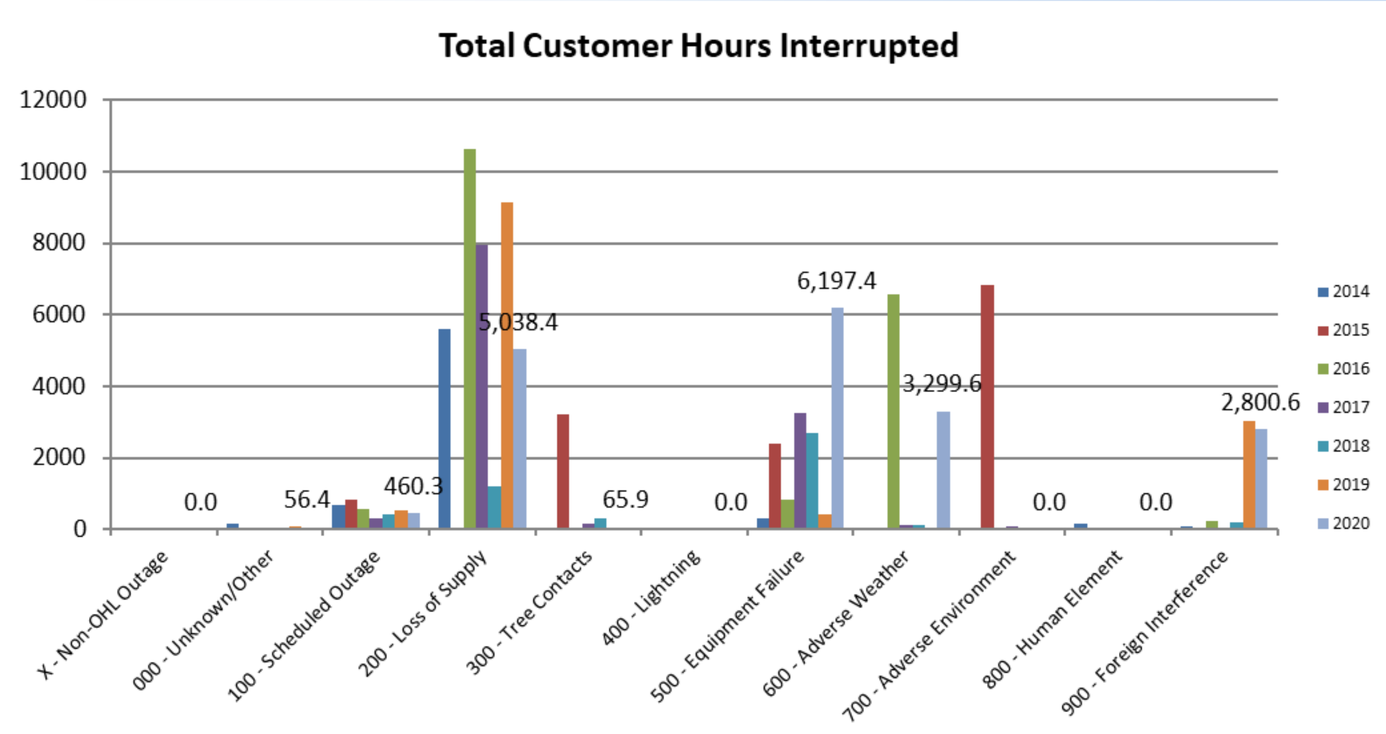


As illustrated in the chart below, the residential customer class consumes a smaller percentage of the overall consumption as compared to the industrial class even though they represent 89% of our number of customers.



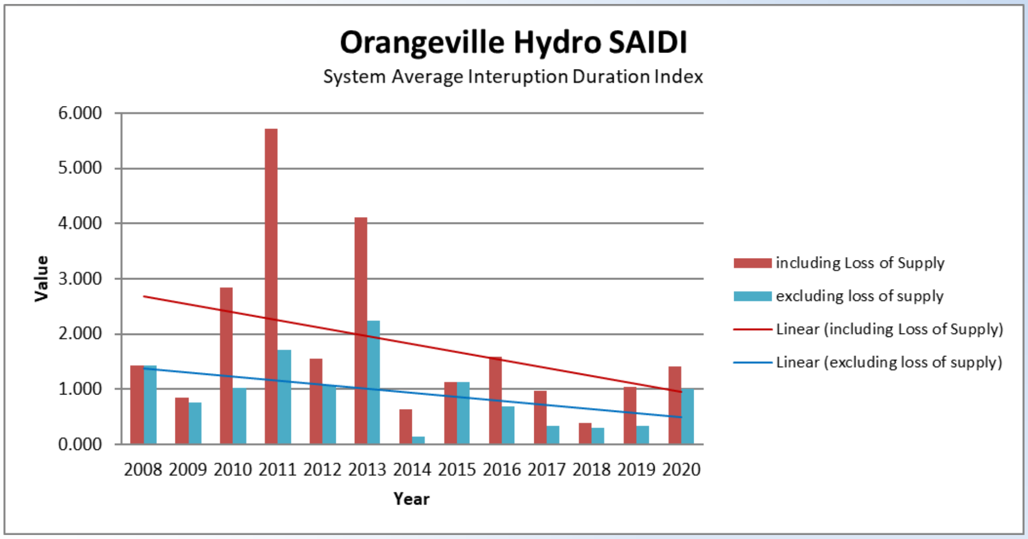
System Reliability

OHL's mission is to provide safe and reliable electricity to our customers. Each year OHL analyzes the overall system reliability performance as well as the root cause of every outage. In 2020, OHL's system had another strong year for reliability performance. The largest outages in 2020 were caused by a failed connector and weather events such as freezing rain and high winds.



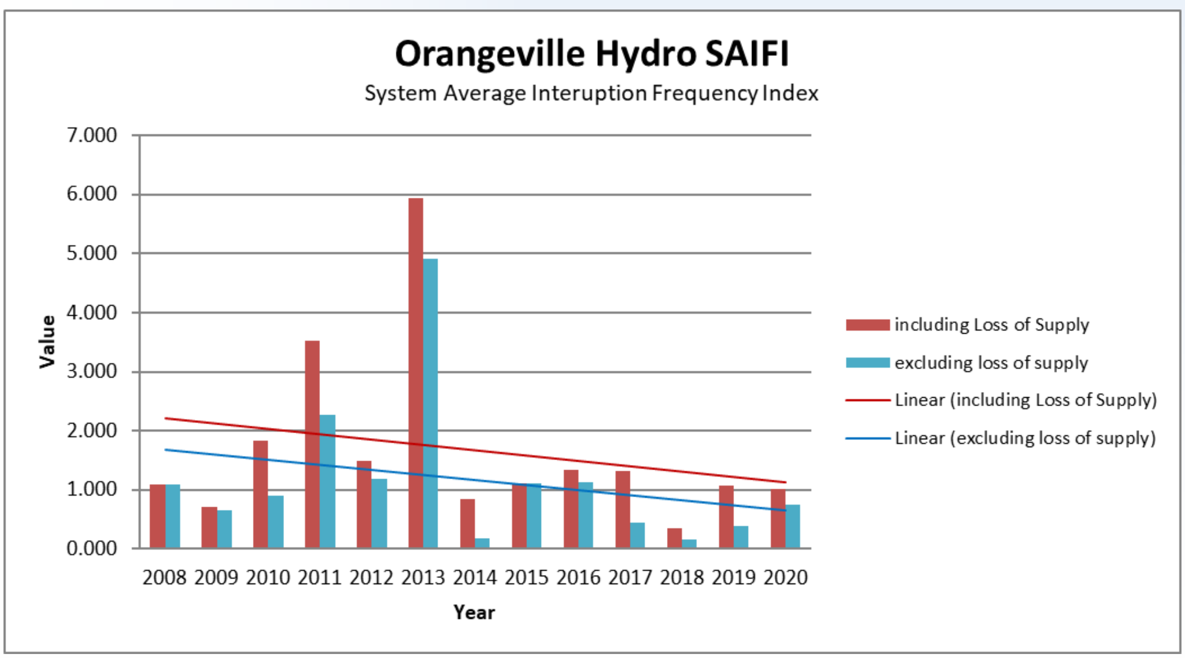
System Average Interruption Duration Index (SAIDI)

SAIDI is the average outage duration for each customer served. The average outage duration a customer experienced in 2020 including a loss of supply from Hydro One was 1.40 hours and 1.01 hours excluding outages caused by loss of supply.



System Average Interruption Frequency Index (SAIFI)

SAIFI is the average number of interruptions that a customer experiences. The average number of interruptions that an OHL customer experienced in 2020 including a loss of supply from Hydro One was 1.01 and 0.75 excluding outages caused by loss of supply.



HEALTH AND SAFETY

OHL is committed to the health and safety of its employees, customers, contractors, and the general public. The health and well-being of every employee is of primary importance and our ultimate objective is to eliminate injuries and losses at work and at home.

2020 was another accident-free year. We strive to maintain a healthy and safe work environment by providing suitable training, attending safety meetings and following direction from our joint health and safety committee. We also recognize the importance of the involvement and commitment of the Board of Directors and Management to achieve success. Management and staff have increased safety related training and awareness for all employees.

OHL and its' employees strive to adhere to the safe work practices of the Infrastructure Health and Safety Association (IHSA), all applicable health and safety legislation and our own specific health and safety guidelines, policies, and procedures.

2020 was a very different year for our utility. With the pandemic affecting all aspects of our industry we needed to be able to continue to work while keeping our staff safe. In response to the pandemic Orangeville Hydro closed our doors to customers coming into the office. We also limited the number of staff working in the office at one time and allowed for staff to work from home.

Other measures put into place were:

- Screening tool for all staff and contractors to complete when working in the office for both inside and outside staff.
- Modified work schedules and limitations on number of staff within the office at the same time.
- Masks to be worn in all public areas, along with partitions between desks.
- Trucks equipped with sanitizing products.
- Portable washroom installed in Grand Valley and Orangeville meets the 3km Ministry of Labour requirement.
- Safe Work Practices created for: Best Practices for Working within a 2M zone, Pandemic Handwashing, and Safe Distance.

Outside staff participated in limited safety related training activities due to the pandemic however we remained compliant. In 2020, the outside staff completed First Aid Training and CPR Bucket Rescue.