THE CORPORATION OF THE CITY OF ST. CATHARINES
CITY COUNCIL
as Shareholder of
ST. CATHARINES HYDRO INC.
Annual Meeting of the Shareholder
AGENDA
Tuesday, December 8, 2020
Electronic Participation, 6:00 PM

Page

1. Call the Meeting to Order

1.1 Waiver of Notice of Annual Shareholder Meeting

Be it resolved that the Notice of the Annual Shareholder Meeting be waived.

2. Adoption of Agenda

2.1 Be it resolved that the agenda for the December 8, 2020, annual meeting of the shareholder, be approved.

3. Declarations of Interest

4. Adoption of Minutes

4.1 Minutes of Annual Shareholder Meeting of September 9, 2019

Be it resolved that the Minutes of the Annual Shareholder Meeting held on September 9, 2019, be approved.

5. Chair's Report

6. Annual Alectra Inc. Update

3 - 90 6.1

Be it resolved that the annual update regarding Alectra Inc. be received.

Page

7. Annual Resolutions

91 - 115 7.1 Audited Financial Statements

Be it resolved that the Audited Financial Statements, including the Balance Sheet as of December 31, 2019, and the Statement of Profit and Loss for the fiscal year of the Corporation ended on such date, are hereby received.

7.2 Appointment of Auditor

Be it resolved that the appointment of the Auditor of the Corporation be the same firm chosen by the Corporation of the City of St. Catharines, pursuant to their required selection process and authorizing the Directors to fix the auditor's remuneration.

8. 2020-2024 Business Plan

116 - 125 8.1

Be it resolved that the 2020-2024 Business Plan be approved, as presented.

[Addenda]

9. In-Camera Session

Council, as the Shareholder for St. Catharines Hydro Inc. will meet In-Camera for the following purpose(s):

10. Motion Arising from In-Camera Session

11. Confirmation of all Acts

11.1 Be it resolved that all acts, contracts, proceedings, appointments, by-laws, elections and payments enacted, made done, given and taken by the Directors and the Officers of the Corporation since the date of the last annual meeting of the shareholder as the same are set out or referred to in the Minutes of the Corporation or in the Financial Statements submitted to this meeting be and the same are hereby approved, sanctioned and confirmed.

12. Adjournment

Alectra Inc. Shareholder Report

St. Catharines Hydro Inc. Annual General Meeting

December 8, 2020

Brian Bentz

Disclaimer

The information in these materials is provided for information purposes only and is based on information currently available to Alectra Inc. and its affiliates (collectively “Alectra”). Alectra does not warrant the accuracy, reliability, completeness or timeliness of the information and undertakes no obligation to revise or update these materials. Alectra (including its directors, officers, employees, agents, and subcontractors) hereby waives any and all liability for damages of whatever kind and nature which may occur or be suffered as a result of the use of these materials or reliance on the information therein.

This presentation contains, and oral answers to questions may contain, forward-looking information within the meaning of applicable Canadian securities laws (“forward-looking statements”). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of the words such as “plans”, “expects”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements reflect the current expectations of Alectra’s management regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Alectra Inc. to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors.

Although forward-looking statements contained herein are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. The forward-looking statements contained herein speak only as of the date of this Investor Presentation. Except as required by applicable securities laws, Alectra does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

All references in this presentation are as of November 25, 2020 unless otherwise stated.

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Financial Performance

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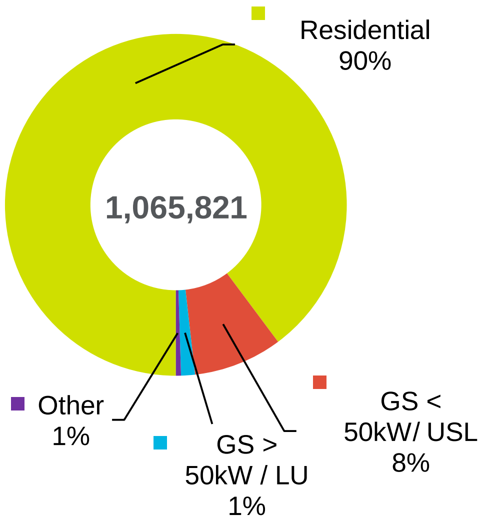
Consolidated Highlights - Alectra

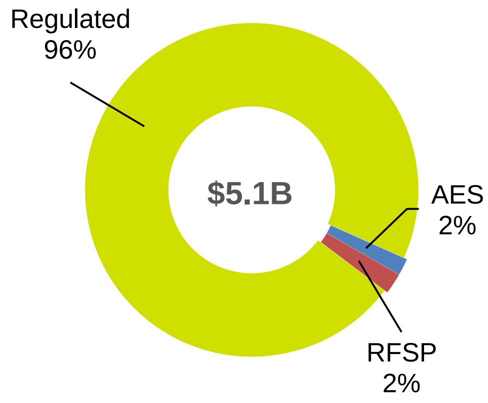
- Alectra Utilities Corporation (“AUC”) is the largest municipally-owned Local Distribution Company ("LDC") in Canada providing service to over 1,000,000 residential, commercial, industrial and institutional customers around the Greater Golden Horseshoe Area
  - *Regulated business comprises* approximately 96% of Total assets and approximately 95% of consolidated EBITDA
  - *Non-regulated business* consists principally of solar generation assets under long term FIT contracts with the IESO and sub-metering business

2019 Highlights

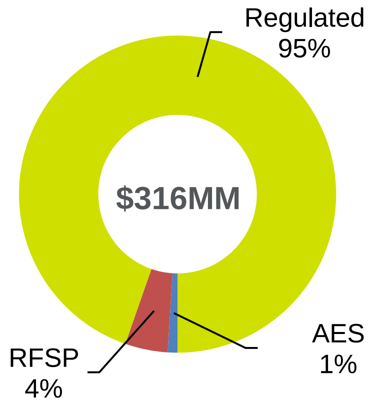
Total Customers [1]



Total Assets [2]



EBITDA [2]



1 - Number of customers is as of Dec.31, 2019;
2 - Total Assets and EBITDA are based on 2019 IFRS Audited Financial Statements

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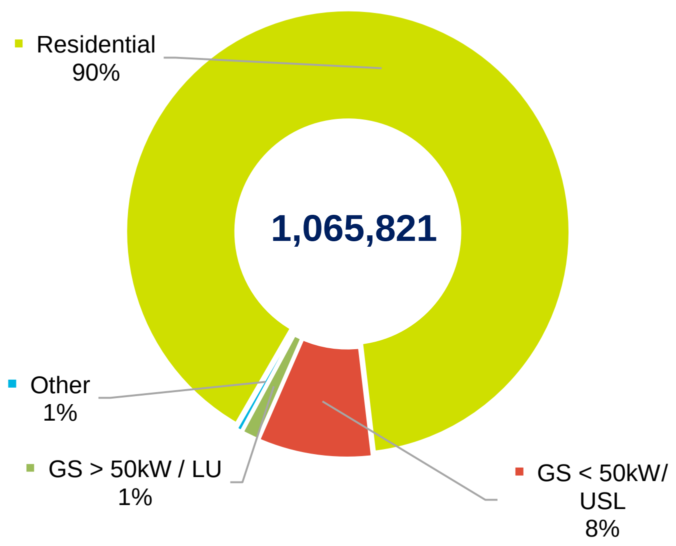
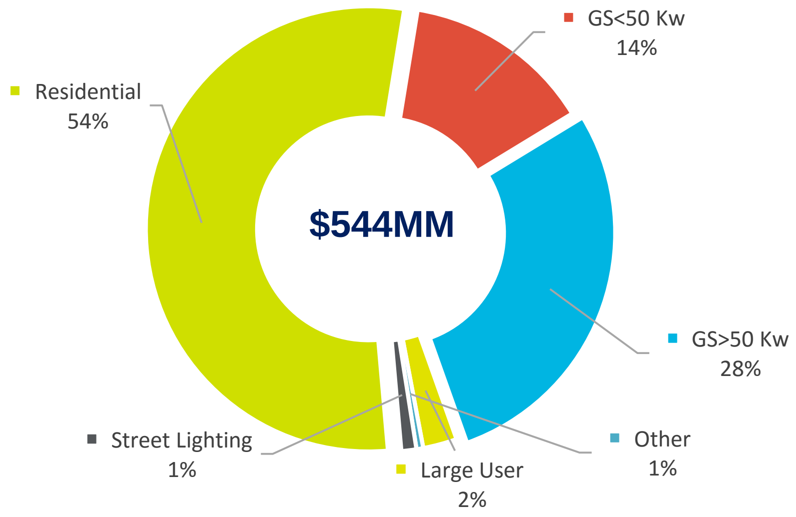
Regulated Business

- Residential customers account for 90% of the customer base for AUC
- The top ten customers account for approximately 6.0% of total revenue. These generally include customers from the MUSH, manufacturing, and transportation sectors.

Alectra – 2019 Number of Customers [1]



Alectra - 2019 Distribution Revenue [1]



1 - The data is as of Dec. 31, 2019; Distribution revenue is based on Alectra 2019 Audited Financial Statements

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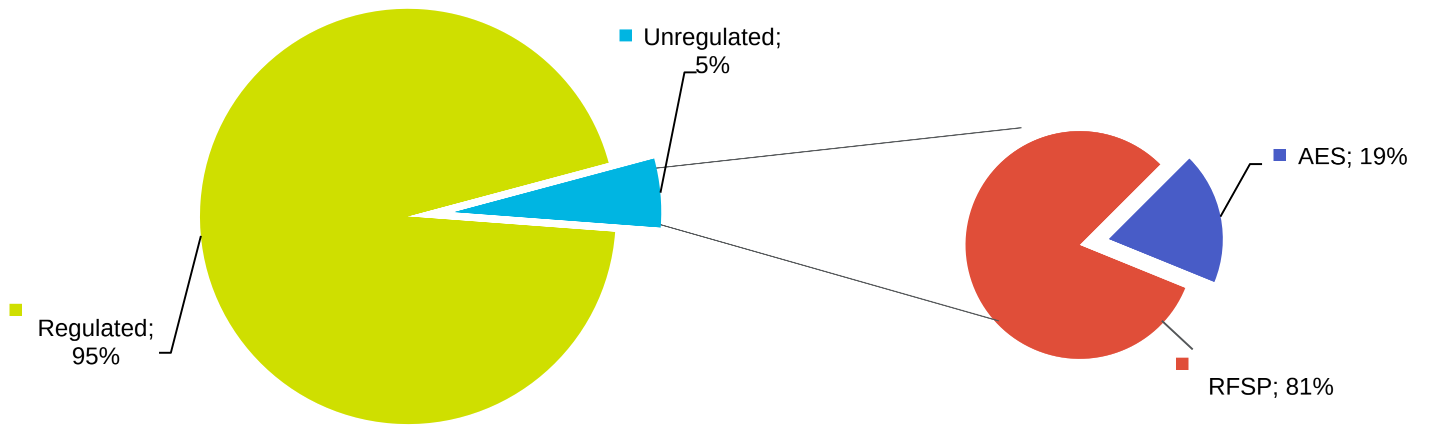
Alectra Energy Services

- Alectra's unregulated business consists of non-regulated solar generation and energy services operated by Alectra Energy Solutions ("AES")
- Alectra is also focusing on the development of variety of microgrid solutions, including the use of Distributed Energy Resources ("DER") and energy storage, to meet the needs of the customers in the changing energy landscape

2019 EBITDA[1]



1 - Alectra EBITDA is based on Alectra 2019 Audited IFRS Financial Statements

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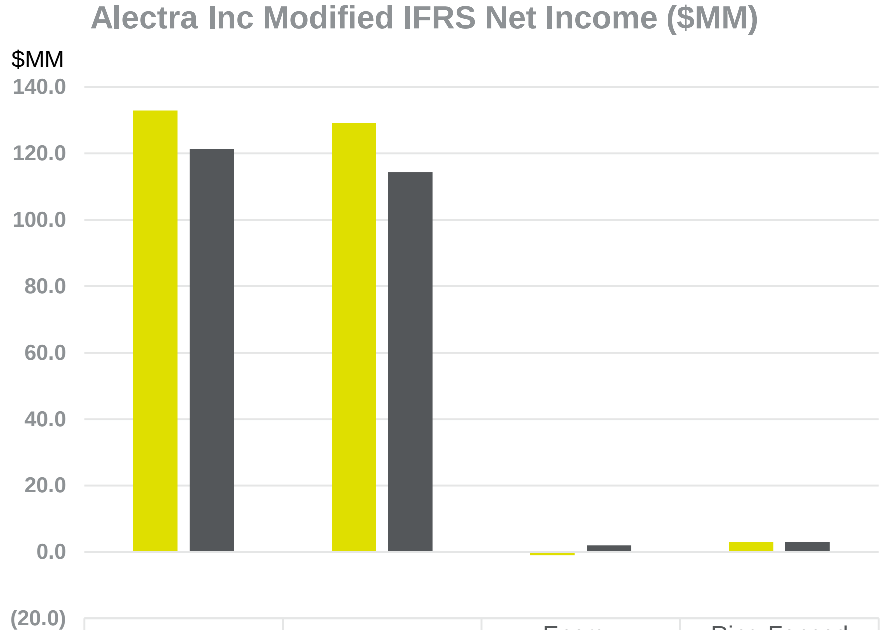
2019 Consolidated Results

- ✓ 2019 net income of $132.9MM (MIFRS) overachieved budget
  - – Strong revenue and cost control
- ✓ Net capital expenditures of $333.5MM, $36.5MM higher than budget
  - – due to the purchase of land for Consolidated Operation Centre ($44MM)
- ✓ Over-achieved merger synergy targets
- ✓ Modest write-offs from Sub-metering contracts



	Consolidated	Alectra Utilities	Energy Solutions	Ring-Fenced Solar
Actual	132.9	129.2	(1.0)	3.1
Budget	121.3	114.4	1.9	3.0

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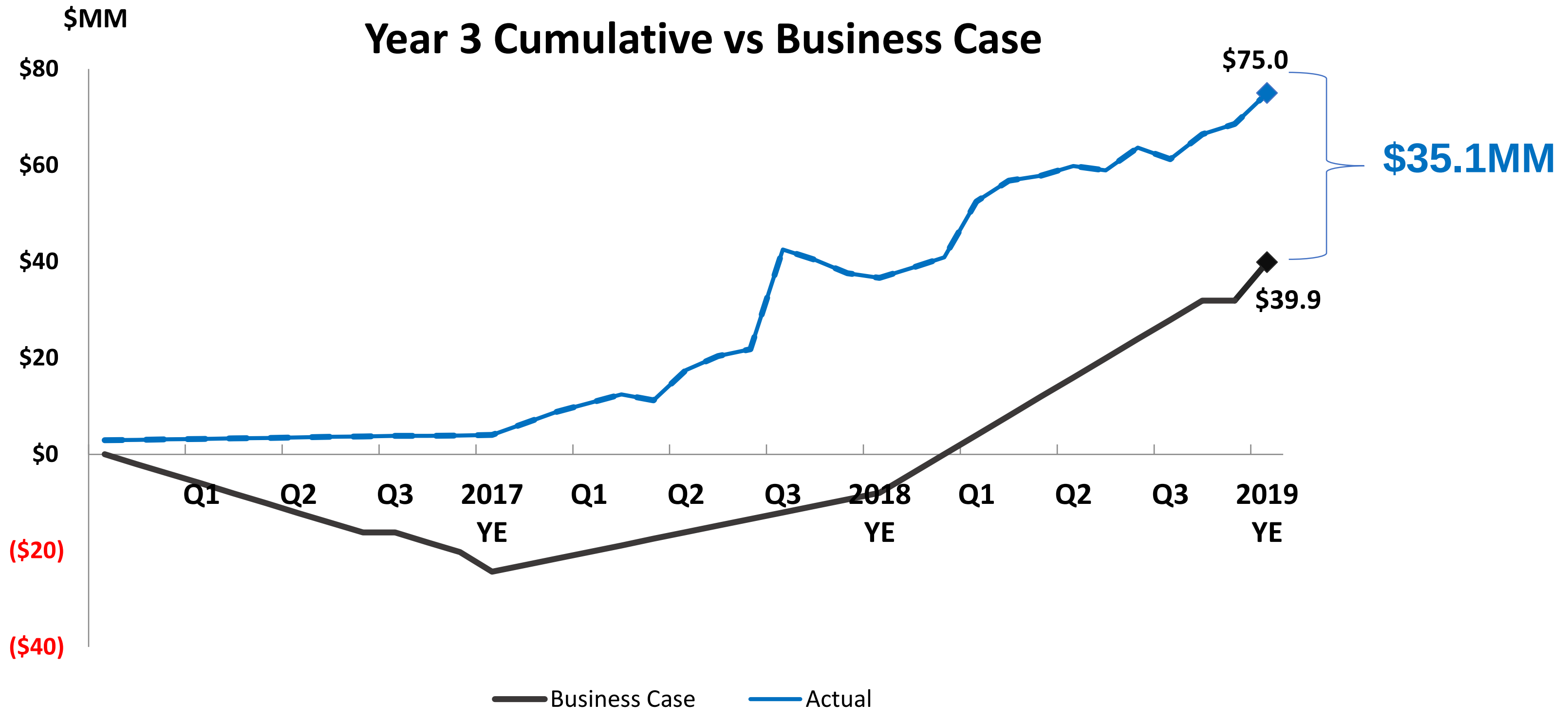
Alectra Merger Synergies



Net synergies achieved up to date are $35.1MM above Alectra business case[1]:

- Operating Net Synergies - $55.8MM above business case
- Capital Net Synergies - $20.7MM below business case

1 - The key assumptions underlying the business case are presented in Alectra MAADs application EB-2016-0025

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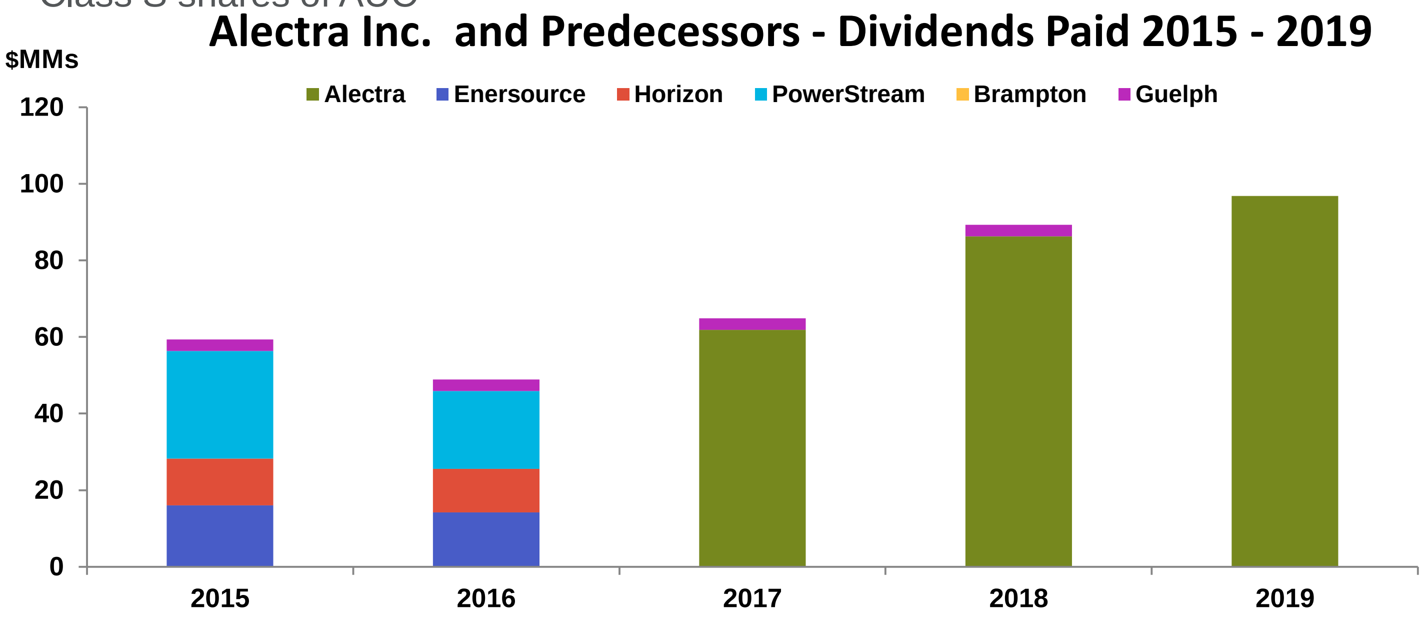
Dividends

- The Board shall at all times exercise its discretion pertaining to the payment of dividends and having regard to the principles set out in the respective dividend policies:
  - The dividend on voting common shares is to be computed on Shared Net Income [1] in a manner consistent with that used by the Ontario Energy Board (“OEB”) for purposes of its distribution rate-making policies. Such basis is commonly referred to as MIFRS;
  - Expected to pay dividends up to 60% of MIFRS Net Income
- Separate dividend policy exists for the RFSP business, whereby dividends accrue solely to the former PowerStream Holdings shareholders on Class S shares of Alectra Inc., and to Alectra Inc. on Class S shares of AUC



[1] Shared Net Income of Alectra refers to the Net income of Alectra Inc., excluding RFSP
[2] Aggregation of dividends paid by predecessor distributors for purpose of illustration

AGENDA ITEM 6.1

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Delivering On Dividends in Years 1-3

($MMs)	2017	2018	2019	Total
PERFORMANCE vs MERGER BUSINESS CASE				
Achieved	45.2	75.7	85.8	206.7
Merger Business Case	52.1	66.8	77.6	196.5
Difference	(6.9)	8.9	8.2	10.2
PERFORMANCE vs NO MERGER				
Achieved	45.2	75.7	85.8	206.7
No Merger(Status Quo)	44.3	50.7	53.2	148.2
Difference **	0.9	25.0	32.6	58.5

* Accruing to initial Alectra Inc. Voting Common Shareholders (i.e., excluding GMHI) for comparative purposes to Alectra Merger Business Case
** Alectra Merger Business Case assumed 12 month year for 2017. Alectra was formed Jan.31, 2017 with Brampton acquisition on Feb. 28, 2017

- 2019 dividends to Guelph shareholder are $4.1MM, or $0.5MM favourable to the Year 1 projection of $3.6MM, provided in the Guelph Hydro - Merger Business Case

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Financial Plan – 2020 to 2022 Dividends

($MMs)	2020B	2021F	2022F	Total
PERFORMANCE vs MERGER BUSINESS CASE				
Budget/Forecast	77.6	78.4	85.6	241.6
Merger Business Case*	92.9	96.7	95.7	285.3
Difference	(15.3)	(18.3)	(10.1)	(43.7)
PERFORMANCE vs NO MERGER				
Budget/Forecast	77.6	78.4	85.6	241.6
No Merger(Status Quo)*	58.8	60.7	63.8	183.3
Difference **	18.8	17.7	21.8	58.3

- For comparative purpose only, the amounts from the original business case and the Guelph business case are combined;
- These results are based on the Financial Plan communicated to Shareholders in November 2019 and are unadjusted for the forecast implications of COVID-19;
- As previously reported to Shareholders, the principal drivers of the unfavourable forecast dividend trends compared to Merger Business Case are a result of (i) unexpected adverse OEB decision on AUC ICM/IR rate applications; (ii) changes in customer service rules adversely impacting revenue forecasts; (iii) elimination of the Conservation First Framework and (iv) a reset of revenue growth expectations from non-regulated Energy Solutions businesses.

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Impact of COVID-19

Mitigation Strategy Should COVID Impact Persist

- Management continues to work on plans to reduce financial impacts of an extended COVID duration

- Management expects to be able to mitigate impacts through:

  - collections management processes to mitigate exposure to credit losses;
  - labour and productivity management to reduce labour costs;
  - capital program management to accelerate return to work under appropriate health and safety protocols

- There is advocacy with government, the OEB and through industry associations regarding supporting customer payment flexibility and providing electricity distributors with enabling financial mechanisms:

  - the OEB has established deferral accounts for electricity distributors to record foregone revenues and increased costs associated with the Pandemic;
  - timing and method of settlement through OEB processes are unlikely to be resolved in 2020;
  - the amount of any recovery is uncertain at this point and will be subject to an application subject to the usual prudency review processes of the OEB

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Impact of COVID-19 - Liquidity

Alectra's short-term cash requirements have been re-forecast, under several stress tested scenarios, to determine whether the funds available under Alectra's committed facility are adequate to mitigate liquidity risks.

- In April 2020, Alectra increased its availability under its current committed facility from $500MM to $700MM;
- In addition, Alectra has access to $200MM in uncommitted facilities;
- With $900MM of available short-term liquidity, Alectra has sufficient liquidity to meet its obligations

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Other Updates

2020 Rate Application Update

Rate Application Decision – "M-Factor" Request for Capital Financing

- The OEB issued its decision with respect to Alectra Utilities 2020 Electricity Distribution Rate ("EDR") application.

- Alectra's 2020 EDR application includes AUC's first consolidated Distribution System Plan ("DSP") for the 2020 to 2024 period, and a request for $265MM in capital funding based on a rate-adjustment mechanism that reconciles the capital needs set out in the DSP with the capital-related revenue in rates (the "M-factor")
  - The OEB denied M-factor funding;
  - OEB has invited Alectra to amend its 2020 Application to either a single-year or multi-year Incremental Capital Module ("ICM") application;
  - Management expects to proceed with a multi-year ICM.

- The decision has implications to the 2020-2024 Financial Plan:
  - 2020 impact is immaterial;
  - Management is revisiting its capital priorities and the implications of any changes to AUC customers and shareholders

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COVID-19 – Alectra Employees and Emergency Plans

- On March 23rd, Alectra activated its Emergency Operations Centre, which focuses on delivering essential services to Alectra communities. The essential services that require staff to be onsite include:
  - i) Control Room Operations;
  - ii) Emergency Response Crews;
  - iii) Minimal levels of Stores, Fleet and Facilities staff to support emergency field operations

- At the beginning of June, Alectra Utilities resumed work on the capital program and Network Operations completed its returned to the workplace on June 29;

- All non-essential staff who are not required to be physically on site will remain working from home until further notice;

- Alectra intends to take a slow and cautious approach to the return, focusing on critical roles and those who provide direct support to Network Operations.

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Investing in Reliability

In St. Catharines, over the next 5 years, we have plans to invest $39MM to expand, automate and renew the distribution system which will improve capacity and renew & upgrade our electrical infrastructure to enhance system reliability.

<u>Planned Capital Investments: 2020 - 2025</u>

- Supply and capacity expansion
  - Invest $5.6MM for load growth and contingency capacity in North & Central areas of the city
- Distribution Automation
  - Continued investment to improve sectionalizing capability and restoration times;
  - Invest $2MM to increase the number of remotely operable devices in the distribution system
- Replacement & rehabilitation of cables
  - Continue to replace deteriorated infrastructure to maintain and/or improve reliability and service quality

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Investing in Reliability

Replacing and Rehabilitating Cable Projects:

Project 1:

- Invest approximately $2.1MM to replace underground cables in Northeast area;
- Resulting in decreasing outage impacts due to deteriorating underground assets for 235 commercial and residential customers

Project 2:

- Invest $2MM to rehab underground cables in the QEW – Highway 406 – Martindale Road area;
- Resulting in decreasing outage impacts due to deteriorating underground assets for 2,025 commercial and residential customers

Project 3:

- Invest $1.3MM to replace and rehab underground cables in the area bounded by Welland Avenue - Bunting Road - Carlton Street - Cushman Avenue;
- These projects will decrease outage impacts for 1,574 commercial and residential customers

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Strategy 2.0

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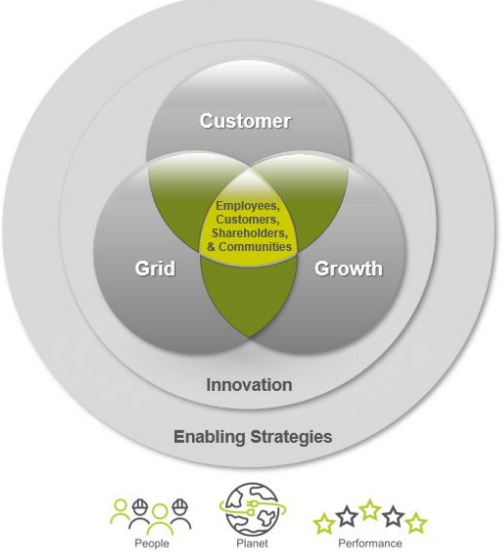
Strategy 2.0



Alectra's Vision & Strategic Intent

We will be Canada's leading distribution and integrated energy solutions provider, creating a future where people, businesses, and communities will benefit from energy's full potential

Key **elements of Strategy 2.0** are a continuation and enhancement of initial Strategic Plan themes:

- **Customer** (Experience)
- **Grid** (Modernization)
- **Growth** (Regulated and Competitive Businesses)

Each element is distinct in scope but has significant **interconnected and interdependent** aspects which will allow Alectra to harvest the greatest advantage and **value for its customers, shareholders, and communities**

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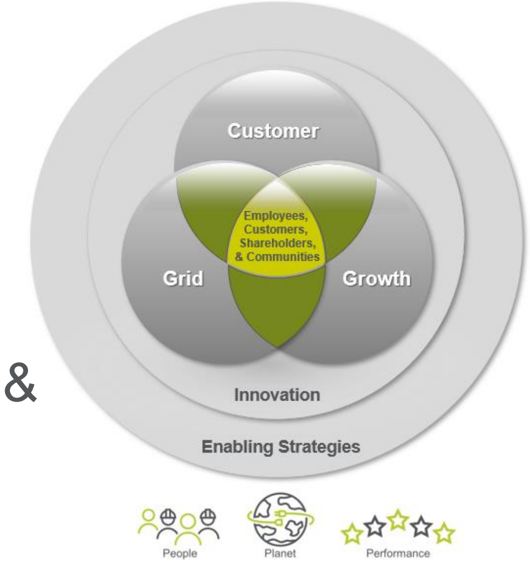
Strategy 2.0

- Board Approval: Q4 2019
- Shareholder Review: Q1 2020
- Received by Shareholders: Q2 2020 at AGM



Strategy 2.0

- Natural evolution of Strategy 1.0 and builds upon Alectra's integration & synergy successes achieved to date
- Accelerates Alectra's progress towards becoming a customer-centric, innovative, integrated energy services company
- Supported by the connective tissues of the enabling strategies
- It is even more important during this global pandemic period – its proactive and forward-looking approach addresses the industry headwinds and uncertainties
- Alectra is moving forward with Strategy 2.0 at a measured pace that reflects organizational priorities and initially focusing on culture

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Community Involvement

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Community Involvement

- Since the onset of the pandemic, Alectra has taken immediate action to support our communities and ensure that our customers are top of mind.

To date, Alectra's key community investments include:

- 16,800 N95 masks donated to hospitals across our service territory to help address shortages due to the COVID-19 pandemic
  - 2,400 masks to Greater Niagara General Hospital
- Approximately $140,000 in sponsorships and donations to organizations in St. Catharines and Niagara Region.
  - Including $85,900 donation to Niagara Health for N95 mask cleaner and $10,000 for the Niagara Health Foundation's Celebration of Lights
- $20,000 donation the Community Care of St. Catharines & Thorold
- $14,000 donation to the United Way Niagara
- Over $140,000 raised for local food banks through our e-billing campaign and the Alectra employee matching donation program

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Municipal Shareholder and Customer Communications

- Alectra is continuously working to connect with our customers and municipal partners through various communications channels, including:

Ally:

- Municipal shareholder quarterly newsletter;
- Provides relevant customer-related information to councillors and city staff to share with constituents;
- Latest issue: September 2020

Customer Newsletter

- Provides timely and helpful electricity news that matters to our customers;
- Includes articles about Alectra services, new developments, support programs, electricity prices, energy conservation, safety tips, industry news, corporate social responsibility, and much more


ally
THE POWER OF COMMUNITY
ISSUE 11: SUMMER 2020
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EMPOWERING YOUR COMMUNITY

As the province of Ontario works towards gradually and safely restarting the economy, Alectra is also starting to slowly ramp up operations while continuing to support our customers and protecting the safety of our employees and the public. These past three months have been an unprecedented time for all of us as a society. We have all been impacted by this pandemic in a way that we have never experienced before. Alectra is dedicated to remaining an ally to our communities and helping guide them through these uncertain times.

To learn more about the steps Alectra has taken to protect our employees and customers amid the pandemic, click here: alectrautilities.com/covid19

Brian Bentz
President and CEO

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Community Involvement

- Since the early stages of the pandemic, Alectra has listened to our customers' most pressing concerns and have advocated for them at the highest levels within government in order to bring relief during this difficult time. To date, Alectra has:

  - Advocated for the COVID-19 Emergency 24/7 Off-Peak Rate of 10.1¢ for residential and small business customers;
  - Collaborated with government on the establishment of the COVID-19 Recovery Rate;
  - Starting November 1st, customers will have a choice between Time of Use rates or tiered pricing;
  - Worked with the provincial government on support programs for ratepayers, including the CEAP and CEAP-SB

- Alectra continues to be here for our customers by:

  - Being a trusted advisor through the Minister of Energy's Ministerial Advisory Committee
    - Brought awareness to government on our customers' needs and concerns during the pandemic;
    - Provided thoughtful insights on how we can continue to assist our customers through the pandemic and beyond

  - Delivering the Affordability Fund Initiative (closed July 31st 2020)
    - Provided energy efficiency kits to eligible customers across our service territory in order to help them reduce their electricity bills

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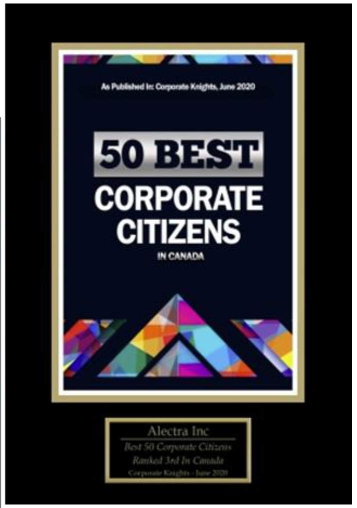
2020 Awards

Corporate Knights
ranks Alectra #3 in Canada
on Best 50 Corporate Citizens list



Electricity Distributors Association
Environmental Excellence Award

Alectra named top
fundraiser for
YWCA's Walk A Mile
In Her Shoes

WALK
A MILE IN HER
SHOES

Alectra Utilities named 2020 Public Power Utility of the Year by SEPA

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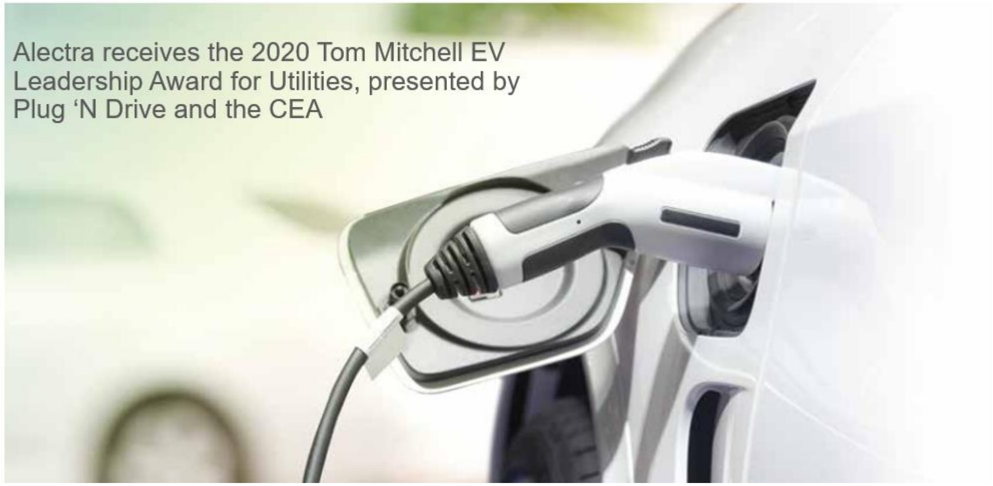
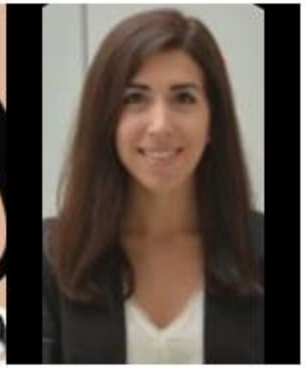
2020 Awards Continued

Alectra becomes the first ever recipient of the Sustainability Leadership Award presented by Sustainable Hamilton Burlington

Sustainable Hamilton Burlington · 2d
The Winner of the "Overall Sustainability Leadership Award 2019" goes to @alectranews
Congratulations!!
#8thAnnualEOR
#SHBSustainabilityAwards2019





Anastasia Boutziousvis, Green Energy and Technology Specialist at Alectra is recognized as a Corporate Knights 30 under 30 sustainability leader in Canada

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Thank you

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Consolidated Financial Statements
(In millions of Canadian dollars)

ALECTRA INC.

Year ended December 31, 2019

KPMG LLP
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100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
Telephone (905) 265-5900
Telefax (905) 265-6390

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alectra Inc.

Opinion

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

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of changes in cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of 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 audit opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

KPMG LLP
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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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:

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- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 6, 2020

ALECTRA INC.
Consolidated Statement of Financial Position
(In millions of Canadian dollars)
as at December 31, 2019 and 2018

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	Notes	2019	2018
Assets			
Current assets			
Cash		29	16
Restricted cash	8	1	3
Accounts receivable and unbilled revenue	20	535	596
Inventory		29	21
Due from related parties	13	16	13
Other assets		15	14
Total current assets		**625**	**663**
Non-current assets			
Property, plant, and equipment	9	3,402	3,052
Right of use assets	10	28	—
Goodwill and other intangible assets	11	998	936
Deferred tax asset	25	3	3
Other assets		—	1
Total non-current assets		**4,431**	**3,992**
Total assets		**5,056**	**4,655**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	374	368
Customer deposits liability		74	67
Short term debt	14	180	250
Current portion of loans and borrowings	16	40	—
Current portion of lease obligations		2	1
Due to related parties	13	39	37
Other liabilities	15	41	56
Total current liabilities		**750**	**779**
Non-current liabilities			
Loans and borrowings	16	1,947	1,694
Deferred revenue	24	421	361
Employee future benefits	17	95	61
Lease obligations		31	15
Deferred tax liabilities	25	48	45
Other long-term liabilities	15	17	11
Total non-current liabilities		**2,559**	**2,187**
Total liabilities		**3,309**	**2,966**
Shareholders' equity			
Share capital	18	1,000	961
Contributed surplus	7	599	544
Accumulated other comprehensive loss		(23)	(8)
Retained earnings		171	192
Total shareholders' equity		**1,747**	**1,689**
Total liabilities and shareholders' equity		**5,056**	**4,655**

See accompanying notes to consolidated financial statements.
On behalf of the Board:

Chair of the Board

Director

ALECTRA INC.

Consolidated Statement of Income and Comprehensive Income
(In millions of Canadian dollars)
for the years ended December 31, 2019 and 2018

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	Notes	2019	2018
Revenue			
Distribution revenue		544	505
Electricity sales		3,138	2,850
Other revenue	23	97	91
Total revenue		**3,779**	**3,446**
Expenses			
Cost of power		3,167	2,833
Operating expenses	22	296	261
Depreciation and amortization	9,10,11	158	140
Loss on derecognition of property, plant and equipment		—	1
Total expenses		**3,621**	**3,235**
Income from operating activities		**158**	**211**
Finance income		1	1
Finance costs		75	64
Net finance costs		**74**	**63**
Income before income taxes		**84**	**148**
Income tax expense	25	20	39
Net income		**64**	**109**
Other comprehensive (loss) income			
Item that may be subsequently reclassified to income:			
Reclassification to net income, loss on bond forward		1	2
Items that will not be subsequently reclassified to income:			
Remeasurement of defined benefit obligation	17	(21)	6
Tax impact on remeasurement of defined benefit obligation		5	(2)
Total other comprehensive (loss) income		**(15)**	**6**
Total comprehensive income		**49**	**115**

See accompanying notes to consolidated financial statements.

ALECTRA INC.
Consolidated Statement of Changes in Equity
(In millions of Canadian dollars)
for the years ended December 31, 2019 and 2018

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance, January 1, 2018		970	544	(14)	148	1,648
Net income		—	—	—	109	109
Other comprehensive income		—	—	6	—	6
Return of capital	18	(9)	—	—	4	(5)
Dividends paid	18	—	—	—	(69)	(69)
Balance, December 31, 2018		**961**	**544**	**(8)**	**192**	**1,689**
Net income		—	—	—	64	64
Other comprehensive loss		—	—	(15)	—	(15)
Return of capital	18	(4)	—	—	—	(4)
Issuance of shares related to the GHESI amalgamation	7,18	43	55	—	—	98
Dividends paid	18	—	—	—	(85)	(85)
Balance, December 31, 2019		**1,000**	**599**	**(23)**	**171**	**1,747**

See accompanying notes to consolidated financial statements.

ALECTRA INC.
Consolidated Statement of Cash Flows
(In millions of Canadian dollars)
for the years ended December 31, 2019 and 2018

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	Notes	2019	2018
Cash provided by (used in)			
Operating activities			
Net income		64	109
Add (deduct) non-cash items:			
Depreciation of property, plant, and equipment	9	134	121
Depreciation of right of use assets	10	4	—
Amortization of intangible assets	11	20	19
Amortization of deferred revenue	24	(11)	(9)
Loss on derecognition of property, plant and equipment		—	1
Income tax expense	25	20	39
Net finance costs		74	63
Contributions received from customers	24	46	70
Net change in non-cash operating working capital	26	33	(108)
Net change in non-current assets and liabilities		5	3
Restricted cash		2	(3)
Operating cash flows before interest and taxes		**391**	**305**
Income taxes paid	25	(6)	(7)
Income taxes refunded	25	21	6
Cash provided by operating activities		**406**	**304**
Investing activities			
Purchase of intangible assets	26	(37)	(57)
Proceeds from disposal of property, plant and equipment		17	17
Purchase of property, plant, and equipment	26	(343)	(302)
Cash used in investing activities		**(363)**	**(342)**
Financing activities			
Issuance of short-term debt, net of debt issuance costs		—	250
Repayment of short-term debt		(70)	(176)
Issuance of loans and borrowings, net of debt issuance costs	16	199	—
Principal repayment of lease obligations		(2)	(1)
Other long-term liabilities		6	(3)
Return of capital		(4)	(5)
Interest paid		(74)	(64)
Dividends paid	18	(85)	(69)
Cash used in financing activities		**(30)**	**(68)**
Net cash inflow (outflow)		**13**	**(106)**
Cash, beginning of year		**16**	**122**
Cash, end of year		**29**	**16**

See accompanying notes to consolidated financial statements.

1. Description of the Business

On January 31, 2017, Alectra Inc. (the "Corporation") was incorporated under *the Business Corporations Act (Ontario)* by amalgamation (the "Amalgamation Transaction") of the former entities: PowerStream Holdings Inc. ("PowerStream"); Enersource Holdings Inc. ("Enersource"); and Horizon Holdings Inc. ("Horizon") (collectively, the "Amalgamating Entities"). On February 28, 2017, Alectra Utilities Corporation ("Alectra Utilities") acquired 100% of the shares of Hydro One Brampton Networks Inc. ("Brampton Hydro"). On January 1, 2019, the Corporation issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of Guelph Hydro Electric Systems Inc. ("GHESI").

Alectra Inc. is owned as follows:

- 29.57% by Enersource Corporation, which is owned 90% by the Corporation of the City of Mississauga (the "City of Mississauga") and 10% by BPC Energy Corporation, which is a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS");
- 20.50% by the Vaughan Holdings Inc., a wholly-owned subsidiary of the Corporation of the City of Vaughan (the "City of Vaughan");
- 17.31% by Hamilton Utilities Corporation, a wholly-owned subsidiary of the Corporation of the City of Hamilton (the "City of Hamilton");
- 15.00% by Markham Enterprises Corporation, a wholly-owned subsidiary of the Corporation of the City of Markham (the "City of Markham");
- 8.37% by Barrie Hydro Holdings Inc., which is wholly-owned by the Corporation of the City of Barrie (the "City of Barrie");
- 4.63% by St. Catharines Hydro Inc., a wholly-owned subsidiary of the Corporation of the City of St. Catharines (the "City of St. Catharines"); and
- 4.63% by the Guelph Municipal Holdings Inc., a wholly-owned subsidiary of the Corporation of the City of Guelph (the "City of Guelph").

The Corporation's registered head office is 2185 Derry Road, Mississauga, Ontario, Canada.

The accompanying consolidated financial statements of the Corporation include the accounts of Alectra Inc. and its subsidiaries. The principal subsidiaries of the Corporation are: Alectra Utilities, a regulated electricity distribution company under license issued by the Ontario Energy Board ("OEB") which also includes a commercial rooftop solar generation business ("Ring Fenced Solar"); and Alectra Energy Solutions Inc. ("AES"), a non-regulated energy services company. The Corporation also indirectly owns a 100% ownership interest in Solar Sunbelt General Partnership (“Solar Sunbelt GP”), which is held through Alectra Utilities (99.9975% interest) and Horizon Solar Corporation (0.0025% interest).

On January 1, 2019, Alectra Utilities amalgamated with GHESI (Note 7).

AES was incorporated on January 31, 2017 by articles of amalgamation involving subsidiaries of the Amalgamating Entities. AES has two subsidiaries: Alectra Energy Services Inc. ("AESI"); and Alectra Power Services Inc. ("APSI"). AESI has one subsidiary: Util-Assist Inc. ("UA").

1. Description of the Business (continued)

AES is an Ontario-based company that provides customers with energy solutions through the use of innovative technologies. The principal activities of AES and its wholly-owned subsidiaries include:

- AESI - wholesale metering and sub-metering services for condominium properties and commercial properties;
- APSI - street lighting services including design, construction, and maintenance; and
- UA - consulting services with respect to: customer information systems implementation; sync operation services; conservation initiatives; an outage management call centre under the name PowerAssist; and other smart grid applications.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors on March 6, 2020.

Certain prior year figures have been reclassified to conform to the presentation of the current year.

(b) Functional and presentation currency, and basis of measurement

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation, and have been prepared on a historical cost basis, except for the valuation of employee future benefits.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported and disclosed in these consolidated financial statements.

Estimates and underlying assumptions are continually reviewed and are based on factors that are considered to be relevant, such as historical experience and forecast trends. Actual results may differ from these estimates. Revisions of estimates are recognized prospectively.

Judgments included in these consolidated financial statements are decisions made by management, based on analysis of relevant information available at the time of each decision. Judgments relate to the application of accounting policies and decisions related to the measurement, recognition and disclosure of financial amounts.

2. Basis of Preparation (continued)

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to: unbilled revenue; useful lives of depreciable assets; valuation of financial instruments; employee future benefits; expected credit losses; provisions and contingencies; goodwill; and cash generating units (refer to Note 20(a)).

Refer to the relevant section within the significant accounting policies note for details on estimates and judgments (Note 5).

3. Regulation

The Corporation, through Alectra Utilities, is regulated by the Ontario Energy Board ("OEB"). In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that differ from IFRS. The regulatory accounting treatments of the OEB require the recognition of regulatory assets and liabilities which do not meet the definition of an asset or liability under IFRS and, as a result, these regulatory assets and liabilities have not been recorded in these IFRS consolidated financial statements (Note 28).

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA") conferred on the OEB powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include: approving or fixing rates for the transmission and distribution of electricity; providing continued rate protection for rural and remote residential electricity consumers; and ensuring that 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 Alectra Utilities, which may include, among other things: record keeping; regulatory accounting principles; separation of accounts for distinct business; and filing and process requirements for rate setting purposes.

(a) Rate Setting

The electricity distribution rates and other regulated charges of the Corporation are determined in a manner that provides shareholders of the Corporation with opportunity to earn a regulated Maximum Allowable Return on Equity ("MARE") on the amount of shareholders' equity supporting the business of electricity distribution, which is also determined by regulation.

The rate-making policies of the OEB are guided by its statutory objectives under the OEBA that include, among other matters, to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

The OEB regulates the electricity distribution rates charged by LDCs, such as Alectra Utilities, through periodic rate applications to the OEB and its ongoing monitoring and reporting requirements. At present, LDCs may apply to the OEB for electricity distribution rates under options specified in its Report of the Board - A Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach (“RRFE”). The three rate-setting methods available to LDCs under the RRFE are: Price Cap Incentive Rate-setting (“Price Cap IR”); Custom Incentive Rate-setting ("Custom IR"); or Annual Incentive Rate-setting Index ("Annual IR").

3. Regulation (continued)

Price Cap IR

The Price Cap IR method establishes rates on a single forward test-year cost of service basis, indexed for four subsequent years through a formulaic adjustment.

The Incremental Capital Module ("ICM") is available to distributors under the Price Cap IR method. It is intended to address capital investment needs that arise during the rate-setting plan that are incremental to an OEB prescribed materiality threshold. The requested amount for an ICM claim must be: incremental to a distributor's capital requirements within the context of its financial capacities underpinned by existing rates; and satisfy the eligibility criteria of materiality, need, and prudence. The OEB requires that a distributor requesting relief for incremental capital during the Price Cap IR plan term include comprehensive evidence to support the need. This includes the calculation of a rate rider to recover the incremental revenue from each applicable customer class. The incremental revenue is recognized in the year when the actual ICM related expenditures are expected to be in-service. This approach is consistent with the timing of the actual capital investment benefit to customers, which aligns with the expected timing of the OEB approval of ICM rate adjustments.

Custom IR

The Custom IR method establishes rates based on a forecast of an LDC's revenue requirement and sales volumes. This rate-setting method is customized to fit the specific applicant's circumstances. The annual rate adjustment over the Custom IR term is determined by the OEB on a case-by-case basis.

Annual IR

The Annual IR method sets a distributor's rates through an annual adjustment mechanism.

(b) Rate Applications

2019 Rate Application

On June 7, 2018, AUC filed an application for all four predecessor utilities (rate zones) for the approval of 2019 electricity distribution rates, effective January 1, 2019 to December 31, 2019. On December 20, 2018, the OEB issued its Partial Decision and Order on this application, approving distribution rates effective January 1, 2019, with an implementation date of February 1, 2019. On January 31, 2019, the OEB issued its Decision and Order on AUC's request for ICM funding. Both the effective and implementation date of the ICM rate riders was March 1, 2019.

On August 9, 2018, GHESI filed an application for the approval of 2019 electricity distribution rates, effective January 1, 2019 to December 31, 2019. On December 13, 2018, the OEB issued its Decision and Rate Order on this application, approving distribution rates effective January 1, 2019.

3. Regulation (continued)

The following rate changes were effective as of the implementation dates:

- Horizon Rate Zone – Fourth annual update to the Custom Incentive rate plan. Based on the Decision and Order of the OEB, the resulting change to the distribution portion of the bill for a typical residential customer consuming 750 kWh per month is an increase of approximately $0.28 or 1.03%;

- Brampton Hydro Rate Zone – Price Cap adjustment under the OEB's Price Cap IR. Based on the Decision and Order of the OEB, the resulting change to the distribution portion of the bill for a typical residential customer consuming 750 kWh per month is an increase of approximately $0.39 or 1.58%;

- PowerStream Rate Zone – Price Cap adjustment and ICM rate rider under the OEB's Price Cap IR. Based on the Decision and Order of the OEB, the resulting change to the distribution portion of the bill for a typical residential customer consuming 750 kWh per month is an increase of approximately $0.41 or 1.46%;

- Enersource Rate Zone – Price Cap adjustment and ICM rate rider under the OEB's Price Cap IR. Based on the Decision and Order of the OEB, the resulting change to the distribution portion of the bill for a typical residential customer consuming 750 kWh per month is an increase of approximately $0.15 or 0.58%; and

- Guelph Rate Zone – Price Cap adjustment under the OEB's Price Cap IR. The resulting change to the distribution portion of the bill for a typical residential customer consuming 750 kWh per month is a decrease of approximately $0.04 or 0.12%.

(c) Select Energy Policies and Regulation Affecting the Corporation

Amendments to the Ontario Rebate for Electricity Consumers Act, 2016 and associated Regulations

The Ministry of Energy, Northern Development, & Mines has amended portions of the Ontario Rebate for Electricity Consumers Act, 2016 ("OREC") and associated Regulations as part of its effort to improve the transparency of electricity costs for consumers. Beginning November 1, 2019, the following changes were mandated:

1. the subsidies from the Fair Hydro Plan were removed from the Regulated Price Plan ("RPP");

2. the 8% Ontario Rebate for Electricity Consumers, otherwise known as the 'Provincial Rebate' was removed; and

3. an additional line item, entitled the Total Ontario Electricity Support, was added, comprising all other forms of support provided to customers, previously identified separately as each of the Ontario Electricity Support Program; Rural or Remote Rate Protection; Distribution Rate Protection; and First Nations Delivery Credit.

3. Regulation (continued)

The impact of these changes resulted in a net discount on customer bills of 31.8% and is a single item on the bill, entitled Ontario Electricity Rebate ("OER"). These changes are generally applicable to low volume customers. However, the amendments to the regulations also amend the eligibility criteria for customers. Certain groups of customers will now be excluded from the rebate altogether.

Customers in the GS>50 kW category will need to provide their local distribution company with a self-declaration form in order to determine their eligibility. If no declaration is received by January 31, 2020, then customers will lose the discount beginning February 1, 2020, until the declaration is provided, assuming they qualify. If a customer was previously receiving the rebate and would now not be eligible under the new criteria, they can continue to receive the discount until October 31, 2020 provided a declaration is issued by February 1, 2020.

(d) Conservation and Demand Management

In March 2019, following the issuance of Ministerial directives pursuant to subsection 25.32(5) of the Electricity Act, 1998, from the Province of Ontario, the IESO provided Alectra Utilities and all LDCs across the province with a Notice of Termination of the Energy Conservation Agreement ("ECA").

Section 11.3(c) of the ECA, Obligations regarding termination, states: “Each party will use its commercially reasonable efforts to minimize expenditures following any notice of termination of a Program or this Agreement. Alectra Utilities will take steps to wind down in an orderly manner the marketing of Programs, the solicitation of Participants, and the execution of Participant Agreements to mitigate the additional liability of Alectra Utilities and the IESO in respect of such Programs.”

The IESO was directed by the government to change the manner in which energy-efficiency programs were delivered as part of its commitment to reduce electricity costs for customers. The IESO is now centrally delivering a reduced suite of energy-efficiency programs for businesses until December 31, 2020. However, Alectra Utilities will continue to manage projects with business customers with whom they have binding agreements entered into before the ECA expiry. Customers with existing contracts can still expect to have incentives paid upon project completion, which must be by December 31, 2020.

The CDM focus after March 21, 2019 has been based on Alectra Utilities' IESO-approved cost estimate to wind down the CDM operations and assumes that the underlying internal CDM cost structure is eliminated with the end of the Conservation First Framework ("CFF") funding.

Pursuant to the terms of the IESO ECA and the Notice of Termination, Alectra Utilities believes that it has earned incentives and wind-down costs, including severance and other separation costs, are eligible for reimbursement from the IESO notwithstanding the Notice of Termination. The IESO has not recognized an obligation to reimburse these earned incentives and certain wind-down costs, which are the subject of dispute between the IESO and Alectra Utilities. Given the indeterminate nature of any further recoveries of these amounts, Alectra Utilities has fully reserved against them. Alectra Utilities will record any future recoveries of these amounts on a prospective basis in income.

3. Regulation (continued)

There are two funding models available under the CFF: Full Cost Recovery Program ("FCR") and Pay for Performance Program ("P4P").

FCR

Prefunding amounts were received for the FCR program at the beginning of the CDM plan and included in accounts payable. Monthly settlements are made with the IESO for reimbursements of expenses incurred during the month with a reimbursement time lag of two months. These amounts are included as an offset to the prefunding amount in accounts payable. At December 31, 2019, the accounts payable and the offset to accounts payable were $15 (2018 - $15) and $5 (2018 - $7), respectively.

P4P

Under Pay-for-Performance (“P4P”), the IESO compensates Alectra Utilities based on a pre-specified amount for each verified kilowatt hour of electricity savings achieved. While there are no performance nor cost efficiency incentives for programs delivered under the P4P funding option, it does provide an opportunity to generate net revenue based on efficient program delivery (i.e., retaining a portion of the difference between program delivery costs and the $0.22 per kWh payment from the IESO). Under the P4P, and unlike FCR, the Corporation bears the risk of covering all of its costs and the eligible funding is capped at a negotiated Internal Rate of Return. At December 31, 2019 the accounts receivable was $5 (2018 - $19).

Alectra Utilities is also providing EPCOR, formerly Collus PowerStream, with fully integrated CDM wind-down services.

4. Change in Accounting Policy

IFRS 16, Leases ("IFRS 16")

The Corporation adopted IFRS 16 with a date of initial application on January 1, 2019. IFRS 16 replaced IAS 17, *Leases* and related interpretations ("IAS 17"). The Corporation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and remains as previously reported under IAS 17 and related interpretations.

For leases previously classified as finance leases, the Corporation recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date and resulted in no changes.

The Corporation applied the new lease definition to contracts entered into or changed on or after January 1, 2019. On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which contracts are leases.

(In millions of Canadian dollars)

4. Change in Accounting Policy (continued)

The Corporation elected to apply the recognition exemptions to short term and low value leases. The Corporation recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. In addition, the Corporation applied a single discount rate to a portfolio of leases with similar characteristics; and applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of remaining lease term. The Corporation tested right of use assets for impairment and determined that none of the assets were impaired in 2019.

Previously, the Corporation classified leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right of use assets ("RoU") are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Corporation has applied this approach to all leases.

The Corporation did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

The following table summarizes the impact of adopting IFRS 16 on the Corporation's consolidated financial statements.

Operating lease commitments disclosed at December 31, 2018	39
Discounted using the incremental borrowing rate at January 1, 2019	28
Add: finance lease obligations recognized at December 31, 2018	15
Less: adjustments relating to reassessment of lease and non-lease components	(2)
Less: contracts reassessed as lease contracts	(9)
Add: adjustments as a result of the inclusion of the extension options	2
Lease obligations recognized at January 1, 2019	34

Right of use assets recognized at January 1, 2019	31

The weighted average rate applied was 3.90% to rooftop leases, 5.55% to property leases, and 2.67% to vehicle leases.

5. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements have been applied consistently to all periods presented herein, except for the new standard IFRS 16, *Leases* which was adopted effective January 1, 2019. The impact from adoption is disclosed in Note 4.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries from the date that control commences until the date that control ceases. The Corporation controls a subsidiary if it is exposed, or has rights, to variable returns from its investment in the subsidiary and has the ability to affect those returns through its power over the subsidiary. All intercompany accounts and transactions have been eliminated on consolidation.

5. Significant Accounting Policies (continued)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Corporation owned 50% of Collingwood PowerStream Utility Services Corp. ("Collus PowerStream") until it was sold on October 1, 2018 (Note 9).

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value of: assets conveyed; liabilities incurred or assumed; and the equity instruments issued by the Corporation in exchange for control of the acquired business. Where the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, it is measured at fair value at the acquisition date. The Corporation records all identifiable intangible assets including identifiable assets that had not been recognized by the acquiree before the business combination. Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets acquired and liabilities assumed is recorded as goodwill.

During the measurement period (which is within one year from the acquisition date), the Corporation may, on a retrospective basis, adjust the amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. No such adjustments were made during the year.

The Corporation accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

(c) Revenue from contracts with customers

Revenue is recognized at a point in time or over time, depending on when the Corporation has satisfied its performance obligation(s) to its customers. Where the Corporation has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance to date, revenue is recognized in an amount to which the Corporation has a "right to invoice". The right to invoice represents the fair value of the consideration received or receivable.

(i) Distribution revenue and electricity sales

The Corporation has identified that its material performance obligation is the distribution and provision of electricity to customers. Alectra Utilities is licensed by the OEB to distribute electricity. Distribution revenue is recognized based on OEB-approved distribution rates, set at a level intended to recover the costs incurred by Alectra Utilities in delivering electricity to customers and a regulated return on invested capital, and includes revenue collected through OEB-approved rate riders. As a licensed distributor, Alectra Utilities 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. Alectra Utilities is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether Alectra Utilities ultimately collects these amounts from customers.

5. Significant Accounting Policies (continued)

The Corporation has determined that it is acting as a principal for electricity distribution and therefore has presented the electricity revenues on a gross basis. Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges, and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Electricity revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year. The Corporation satisfies its performance obligation to the customer over time, which is to use reasonable diligence in providing a regular and uninterrupted supply of electricity over the contract term.

(ii) Other revenue

Other revenue includes revenue from renewable generation and government grants under CDM programs, contributions from customers, sub-metering, consulting, and other general revenue. The methods of recognition for other revenue are as follows:

- Revenue from renewable generation sources are recognized in the period in which electricity is generated and delivered, based on regular meter readings, and is measured at the fair value of the consideration received or receivable, net of sales tax.
- IESO funding from CDM programs is recognized on a net basis when there is reasonable assurance that the funding will be received and the related conditions are met. "Net Basis" is used when the funding relates to an expense item, and, as such, the operating expenses are netted against other income. Alectra Utilities records its CDM revenues and expenses in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance.
- Capital contributions received from electricity customers and developers to construct or acquire property, plant and equipment for the purpose of connecting a customer to a network are recorded as deferred revenue. The deferred revenue is initially recorded at fair value of the capital contribution and is recognized as revenue on a straight-line basis over the estimated lives of the contracts with customers. Non-refundable cash contributions from developers result in the Corporation having an obligation to provide goods and services with respect to the assets constructed or acquired, these contributions are considered deferred revenue and recognized on a straight-line basis over the estimated economic lives of the assets to which the contribution relates.
- Sub-metering revenue is primarily comprised of management fees billed for sub-metering services related to the consumption of electricity and water in individual units within multi-residential and commercial buildings. Revenue is recognized on a monthly basis over the term of corresponding service agreements as the services are provided to the customer. AESI has determined that it is acting as an agent for its meter billing service and, as such, the revenue is recognized on a net basis.

5. Significant Accounting Policies (continued)

- Revenue from consulting services is recognized using a time and materials basis which is measured monthly based on input measures, such as hours incurred to date, with consideration given to output measures, such as contract milestones when applicable. Certain service revenues, such as upfront conversion revenue, are recognized at a point in time.

- Revenue is recognized as services are rendered where ancillary to: the electricity distribution; delivery of street lighting services; water billing; and pole and duct rentals.

(iii) Unbilled revenue

The measurement of unbilled revenue is based on an estimate of the amount of electricity and water delivered to customers but not yet billed. These accrual amounts are presented as unbilled revenues under IFRS 15, *Revenue from Contracts with Customers.* The Corporation assesses the unbilled revenues for impairment in accordance with IFRS 9, *Financial Instruments.*

(d) Financial instruments

All financial assets and liabilities, except accounts receivable, are initially recognized at fair value plus transaction costs. Accounts receivable balances, including unbilled revenue, are initially recognized at the transaction price. The financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method, less any applicable impairment. Interest income is calculated using the effective interest method and is recognized in the Statement of Income and Comprehensive Income.

(i) Financial instruments at fair value

The fair value of a financial instrument is the amount of agreed upon consideration in an arm's length transaction between willing parties. Financial instruments, which are disclosed at fair value, are classified using a three level hierarchy. Each level reflects the inputs used to measure the fair values of the disclosed financial liabilities, and are as follows:

- Level 1: inputs are unadjusted quoted prices of identical instruments in active markets;

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

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

The Corporation's fair value hierarchy is classified as Level 2 for loans and borrowings, and short-term debt. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis, with the most significant inputs being the contractual terms of the instrument and the market discount rates that reflect the credit risk of counterparties.

5. Significant Accounting Policies (continued)

(ii) Derivative Financial Instruments and Hedge Accounting

The Corporation measures derivatives initially at fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred.

At the inception of a hedging relationship, the Corporation designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge.

The Corporation also assesses on an on-going basis whether the hedge continues to meet the hedge effectiveness criteria, including that the hedge ratio remains appropriate.

When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge, a fair value hedge, or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation. Hedge ineffectiveness is measured and recorded in current period earnings in the Consolidated Statement of Income and Comprehensive Income. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in its fair value is recognized in OCI. Any ineffective portion is recognized in profit and loss.

The amount accumulated in OCI is reclassified to profit and loss over the period of the hedged item.

Hedge accounting is discontinued on a prospective basis if any of the following conditions are met: the forecast transaction is no longer expected to occur; the hedge no longer meets the criteria for hedge accounting; the hedging instrument expires or is sold, terminated, or exercised.

(iii) Impairment

Impairment of the Corporation's financial assets is assessed on a forward-looking basis. The Corporation applies the simplified approach to its accounts receivable which requires expected lifetime losses to be recognized from initial recognition of the receivables and on an ongoing basis. The Corporation assesses all information available in the measurement of the expected credit losses ("ECLs") associated with its assets carried at amortized cost.

The measurement of ECLs for accounts receivable is based on management's judgment. This is determined using a provision matrix based on historical observed default rates and incorporated macroeconomic factors such as GDP growth forecast, inflation rates, unemployment rates, and customer-specific assessments.

(e) Restricted cash

Cash that is restricted as to withdrawal or use under the terms of certain contractual agreements is classified as restricted cash.

5. Significant Accounting Policies (continued)

(f) Inventories

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

(g) Property, plant, and equipment ("PP&E")

Land is carried at cost. PP&E (other than land) is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and includes contracted services, cost of materials, directly attributable overhead, direct labour, pension and other benefit costs, and borrowing costs incurred in respect of qualifying assets constructed. When components of an item of PP&E have different useful lives, each component is recorded separately within PP&E. These assets are classified to the appropriate categories of PP&E when completed and ready for intended use. Depreciation on these assets commences when such assets are ready for their intended use.

Work in progress assets are generally assets that are undergoing active construction or development and are not currently available for use. Such assets are therefore not depreciated.

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

When items of PP&E are disposed of, a gain or loss on asset derecognition, if any, is determined by comparing the proceeds from disposal with the carrying amount of the item. Any gain or loss on asset derecognition is included in the Consolidated Statement of Income and Comprehensive Income.

Leasehold improvements are investments made to customize buildings and offices occupied under lease contracts and are presented as part of PP&E.

Depreciation of PP&E is recognized on a straight-line basis over the estimated useful life of each component. The method of depreciation and estimated useful lives for each category of property, plant and equipment are as follows:

Buildings and fixtures	Straight-line	10 to 52 years
Distribution assets	Straight-line	15 to 70 years
Transformer stations	Straight-line	25 to 40 years
Other PP&E	Straight-line	3 to 20 years

5. Significant Accounting Policies (continued)

(h) Goodwill and other intangible assets

Intangible assets include: goodwill; land rights; computer software; capital contributions; customer relationships; non-competition agreements; purchased software; internally generated software; and other intangibles.

Goodwill arising on the acquisition of subsidiaries or on amalgamation represents the excess of the purchase price over the fair value assigned to the Corporation's interest of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses.

Land rights are measured at cost. Land rights held by the Corporation are effective in perpetuity and there is no foreseeable limit to the period over which the rights are expected to provide benefit to the Corporation. Consequently, no removal date can be determined and no reasonable estimate of the fair value of such asset retirement obligations can be determined. If, at some future date, it becomes possible to estimate the fair value cost of removing these assets and the Corporation is legally or constructively required to remove such assets, a related asset retirement obligation will be recognized at that time. Land rights have been assessed as having an indefinite useful life.

Finite life intangible assets are measured at cost less accumulated amortization and any applicable impairment losses. Amortization begins when the asset is available for use and is measured on a straight line basis.

Work in progress assets are generally assets that are undergoing development and are not currently available for use. Such assets are therefore not depreciated.

Capital contributions represent contributions made to Hydro One Networks Inc. (“Hydro One”), an electricity distributor and transmitter in the Province of Ontario, for building dedicated infrastructure to accommodate the Corporation's distribution system requirements. The contributions are measured at cost less accumulated amortization.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Income and Comprehensive Income when the asset is derecognized.

The Corporation estimates the useful lives of its intangible assets based on management's judgment. Amortization methods and useful lives are reviewed at each financial year-end and adjusted prospectively.

5. Significant Accounting Policies (continued)

The estimated useful lives and amortization methods are as follows:

Goodwill	Not amortized	Indefinite
Land rights	Not amortized	Indefinite
Brand	Not amortized	Indefinite
Computer software	Straight-line	3 to 10 years
Non-competition agreements	Straight-line	4 to 10 years
Customer relationships	Straight-line	10 to 21 years
Capital contributions	Straight-line	16 to 45 years
Customer contracts	Straight-line	35 years

(i) Impairment of non-financial assets

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate that the recoverable amount of an asset or cash generating unit ("CGU") may be below their carrying value. The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs of disposal. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate a present value as a basis for determining impairment. Property, plant and equipment and intangible assets with finite lives are tested for impairment when management determines indicators of impairment exist. Significant judgment is applied in determining the non-financial assets recoverable amount and assessing whether certain indicators constitute objective evidence of impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group that generates cash inflows that are largely independent of those from other assets or CGUs. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in net income. Impairment losses relating to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, as if no impairment loss had been previously recognized.

5. Significant Accounting Policies (continued)

(j) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be determined reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are subject to significant uncertainty and are determined by discounting the expected future cash flows at a rate, net of tax, that corresponds to current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recorded as interest expense.

An assessment of the likelihood of a contingent event, such as events arising from legal proceedings and other losses, requires management's judgment as to the probability of a loss occurring. Actual results may differ from those estimates.

(k) Employee future benefits

The Corporation provides pension and other benefit plans for its employees. Details on these plans are as follows:

(i) Multi-employer defined benefit pension plan

The Corporation provides a pension plan for all of its full-time employees, except UA, 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, public utilities, and school boards. 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.

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 as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(ii) Non-pension defined benefit plans

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans. These benefits are provided through group defined benefit plans shared between entities under common control of Alectra Inc. Alectra Utilities, which is controlled by Alectra Inc., is the legal sponsor of the plans. There is a stated policy in place to allocate the net defined benefit cost to the participating entities under the common control of Alectra Inc. based on the obligation attributable to the plan participants employed by each participating entity.

The Corporation has incorporated its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these consolidated financial statements.

5. Significant Accounting Policies (continued)

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting such to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the interest yield, at the reporting date, on high quality debt instruments with duration similar to the duration of the plan.

Due to the long-term nature of these plans, estimates used in the valuation such as discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases, are subject to significant uncertainty.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligation and the current service costs are actuarially determined by applying the projected unit credit method and incorporate management's best estimate of certain underlying assumptions. Remeasurements arising from defined benefit plans are recognized immediately in other comprehensive income and reported in accumulated other comprehensive income. Amounts recorded in OCI are not recycled to the Statement of Income and Comprehensive Income.

The measurement date used to determine the present value of the benefit obligation is December 31 of the applicable year. The latest full actuarial valuation was performed as at December 31, 2019.

Effective June 1, 2019, the Corporation has harmonized its health and dental benefits for its unionized employees, except for Guelph unionized employees that remain under their legacy Guelph plan. The harmonization of these benefits for non-union employees will take effect on January 1, 2020. The five legacy retiree plans will remain in effect for employees hired prior to June 1, 2019. Any union and non-union employees hired after June 1, 2019 will be under the new Alectra retiree plan.

(l) Customer deposits

Customer deposits comprise cash collections from customers as security for the payment of energy bills and water bills. Deposits held in respect of commercial customers are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individual customers upon termination of their electricity distribution service. These customer deposits are classified as a current liability as they are refundable on demand once a customer establishes a good payment history in accordance with the policies of the Corporation. Interest is accrued on customer deposits until the balance is refunded with the interest amount recognized as finance costs.

5. Significant Accounting Policies (continued)

(m) Leases

The Corporation assesses whether its contracts are, or contain, a lease. A lease exists if the contract conveys the right to control and obtain substantially all of the economic benefits from use of an identified asset for a period of time in exchange for consideration.

The Corporation includes the following in the lease payments: fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option that the Corporation is likely to exercise; and penalties for lease termination if the Corporation plans to exercise the termination option. The Corporation assesses extension options based on available information at lease commencement. Subsequently, if there is a change in circumstances within its control, the Corporation will then reassess the extension option to determine whether there is economic incentive to exercise the option. Such assessment is subject to management judgment and estimate.

The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices, except equipment leases where the Corporation has elected to combine lease and non-lease components. The Corporation recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease pre-payments, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right of use asset is depreciated using the straight-line method over the shorter of the lease term and the estimated remaining useful life of the asset.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The Corporation has elected to use a single discount rate for all lease portfolios with reasonably similar characteristics.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, or a lease modification. A corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

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

5. Significant Accounting Policies (continued)

(n) Income taxes

The Corporation and its subsidiaries, other than AESI and UA, are currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts").

AESI and UA are subject to the payment of tax under the Tax Acts. Other than AESI and UA, pursuant to the Electricity Act, 1998 (Ontario) (“EA”), and as a consequence of its exemption from income taxes under the Tax Acts, the Corporation is required to make payments in lieu of income taxes (“PILs”) to the Ontario Electricity Finance Corporation ("OEFC"). These payments are calculated in accordance with the Tax Acts. These amounts are applied to reduce certain debt obligations of the former Ontario Hydro continuing in OEFC.

PILs comprise current and deferred payments in lieu of income tax. PILs is recognized in income and loss except to the extent that it relates to items recognized directly in either comprehensive income or in equity, in which case, it is recognized in comprehensive income or in equity.

Current PILs is the expected amount of cash taxes payable on the taxable income 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 PILs comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred PILs assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred PILs assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

AESI and UA are taxable under the Tax Acts with income tax expense that comprises current and deferred tax.

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

Deferred tax expense 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 the temporary differences when they reverse, using tax rates enacted or substantively enacted at the anticipated reversal date.

5. Significant Accounting Policies (continued)

(o) Finance income and costs

Finance costs comprise interest expense on borrowings and are recognized as an expense in the Consolidated Statement of Income and Comprehensive Income except for those amounts capitalized as part of the cost of qualifying property, plant, and equipment.

Finance income is recognized as it accrues in net income and is comprised of interest earned on cash.

(p) Advance payments

Advance payments are long-term prepayments on capital projects that have been purchased and will remain a long-term advance until the project is in service and billable under the terms of the corresponding service agreements.

6. Future Accounting Changes

Certain new accounting standards and interpretations that have been published but are not mandatory for implementation as at December 31, 2019 have not been early adopted in these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Corporation's consolidated financial statements:

- IFRS 17, Insurance Contracts;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendment to IFRS 3);
- Revised Conceptual Framework for Financial Reporting; and
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

7. Business Combinations

On January 1, 2019, Alectra Utilities acquired 100% of the shares of GHESI. GHESI then amalgamated with Alectra Utilities. Under the Guelph Amalgamation, shares of the former GHESI were exchanged for 485,000 Class G voting common shares of the Corporation. The Guelph Amalgamation has been recognized as a business combination in accordance with IFRS 3, *Business Combinations* using the acquisition method with Alectra Utilities as the acquirer based on its relative size compared to that of the former GHESI. These consolidated financial statements include: the net fair value of the assets of former GHESI as at January 1, 2019; and the net assets of Alectra Utilities at its carrying amounts at January 1, 2019. As at December 31, 2019, GHESI contributed electricity sales of $237 since the amalgamation date. The amalgamation was undertaken with the objective of achieving more efficient and enhanced service delivery through lower operating costs, while providing significant benefits for communities and shareholders.

(In millions of Canadian dollars)

7. Business Combinations (continued)

The aggregate purchase price was $101, resulting in goodwill of $43, which is not deductible for income tax purposes. As a result of the Guelph Amalgamation, the contributed surplus increased by $55. There is contingent consideration in relation to the tax losses carried forward by GMHI, whereby these losses are required to be shared 50/50 with GMHI and Alectra Utilities. As a result, an accrued liability was set up in the amount of $1.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of amalgamation:

	GHESI
Cash	8
Accounts receivable and unbilled revenue	29
Inventories	2
Other assets	2
Amounts due from related parties	1
Property, plant and equipment	172
Intangible assets	1
Deferred tax asset	6
Accounts payable and accrued liabilities	(21)
Income tax payable	(1)
Customer deposits	(9)
Deferred revenue	(27)
Other liabilities	(1)
Loans and borrowings	(94)
Employee future benefits	(11)
Fair value of identifiable net assets acquired	57
Contingent consideration	1
Goodwill	43
Total purchase price	101

The valuation technique used for the purchase of GHESI was the discounted cash flow ("DCF") approach. Under the DCF approach, the expected future cash flows are discounted to their present value equivalent using appropriate market-based risk-adjusted rates of return.

8. Restricted Cash

Restricted cash includes cash where the availability of funds is restricted by government assistance or held in escrow as part of the Affordability Fund. The Affordability Fund was established by the Government of Ontario as part of the Ontario's Fair Hydro Plan to assist electricity customers who do not qualify for low-income conservation programs and for whom electricity bills represent a financial burden.

(In millions of Canadian dollars)

9. Property, Plant, and Equipment

	Notes	Land and buildings	Distribution assets	Other assets	Work-in-progress	Total
Cost						
Balance at January 1, 2018		177	2,733	220	98	3,228
Additions		20	260	12	17	309
Reclassifications		18	(16)	2	(20)	(16)
Disposals and transfer to assets held for sale		(2)	(13)	(2)	—	(17)
Balance at December 31, 2018		213	2,964	232	95	3,504
Additions through acquisition	7	16	138	13	5	172
Reclassification to right of use assets	10	(12)	—	—	—	(12)
Additions	26	2	328	13	(14)	329
Disposals and transfers		(13)	(8)	(16)	—	(37)
Balance at December 31, 2019		206	3,422	242	86	3,956
Accumulated depreciation						
Balance at January 1, 2018		16	262	58	—	336
Depreciation		6	97	18	—	121
Reclassifications		—	1	2	—	3
Disposals		—	(6)	(2)	—	(8)
Balance at December 31, 2018		22	354	76	—	452
Depreciation		5	110	19	—	134
Disposals and transfers		(11)	(5)	(16)	—	(32)
Balance at December 31, 2019		16	459	79	—	554
Carrying amounts						
December 31, 2018		191	2,610	156	95	3,052
December 31, 2019		190	2,963	163	86	3,402

Other assets include solar panels, meters, vehicles, furniture and equipment, computer equipment, and leasehold improvements.

(In millions of Canadian dollars)

9. Property, Plant, and Equipment (continued)

During the year ended December 31, 2019, borrowing costs of $4 (2018 - $4) were capitalized as part of the cost of PP&E and intangible assets. An average capitalization rate of 3.28% (2018 - 3.89%) was used to determine the amount of borrowing costs to be capitalized with respect to Alectra Utilities. Borrowing costs have been capitalized at the bankers' acceptance rate plus 95 bps (2018 - 95 bps) with respect to AES.

During the year, vacant land in Vaughan and property at Stoney Creek were sold for proceeds of $10 and $7 which resulted in Alectra Utilities recognizing a gain of $3 and $5 respectively. The gain was offset by a loss of $8 from disposal of other PP&E which were sold for no proceeds, for a net loss of $nil in the Consolidated Statement of Income and Comprehensive Income.

In 2012, the former PowerStream acquired a 50% interest in Collus PowerStream which was determined to be a joint venture and accounted for using the equity method. The investment in Collus PowerStream was classified as held for sale. The sale closed on October 1, 2018 for proceeds of $14, which resulted in Alectra Utilities recognizing a gain of $6. The gain was offset by a loss of $7 from disposal of other PP&E which were sold for no proceeds, for a net loss of $1 in the Consolidated Statement of Income and Comprehensive Income.

10. Right of Use Assets

	Notes	Buildings	Rooftop	Total
Cost				
Reclassification from property, plant and equipment on initial application of IFRS 16	9	12	—	12
Recognition of right of use assets on initial application of IFRS 16		7	12	19
Additions during the year		1	—	1
Balance at December 31, 2019		20	12	32
Accumulated depreciation				
Depreciation		3	1	4
Balance at December 31, 2019		3	1	4
Carrying amounts				
December 31, 2019		17	11	28

The Corporation tested the right of use assets for impairment and determined that none of the assets were impaired in 2019.

(In millions of Canadian dollars)

11. Goodwill and Other Intangible Assets

(a) Intangible assets

	Notes	Goodwill	Land rights	Computer software	Capital contributions	Work in progress	Other assets	Total
Cost or deemed costs								
Balance at January 1, 2018		720	2	91	80	5	22	920
Additions		—	—	37	7	4	9	57
Reclassifications		—	—	—	—	19	—	19
Balance at December 31, 2018		720	2	128	87	28	31	996
Additions through acquisition	7	43	—	1	—	—	—	44
Additions	26	(2)	1	44	5	12	(15)	45
Disposals and transfers		—	—	(26)	—	(2)	—	(28)
Balance at December 31, 2019		761	3	147	92	38	16	1,057
Accumulated amortization								
Balance at January 1, 2018		—	—	35	4	—	2	41
Amortization		—	—	14	4	—	1	19
Balance at December 31, 2018		—	—	49	8	—	3	60
Amortization		—	—	16	3	—	1	20
Disposals and transfers		—	—	(21)	—	—	—	(21)
Balance at December 31, 2019		—	—	44	11	—	4	59
Carrying amounts								
December 31, 2018		720	2	79	79	28	28	936
December 31, 2019		761	3	103	81	38	12	998

Other assets include customer relationships and non-competition agreements.

Interest capitalized in intangible assets and PP&E during the period is included in Note 9.

Certain adjustments were made to goodwill during the year, including additions of $43 acquired through the Guelph Amalgamation (Note 3), net of an adjustment relating to deferred tax asset of $2 from a previous transaction.

(In millions of Canadian dollars)

11. Goodwill and Other Intangible Assets (continued)

(b) Impairment testing of goodwill and other indefinite life intangible assets

Goodwill with a carrying amount of $761 (2018 - $720) and land rights with a carrying amount of $3 (2018 - $2) have been allocated to the Corporation's rate regulated and non-regulated CGUs. The Corporation tested goodwill and land rights for impairment as at September 30, 2019.

Fair values less costs of disposal were determined using a multiple of regulated rate base approach for the rate regulated CGU. Fair values from the most recent internal enterprise valuation were used for the entities and businesses comprising the non-regulated CGUs. Key assumptions underlying these valuations are as follows:

- The multiple of rate base approach is a valuation technique used in the industry for purchase and sale transactions involving rate-regulated LDCs. A multiple is applied to the value of regulated assets to determine the value of the utility;
- The multiple of rate base is a key assumption in the determination of fair value less costs of disposal for the rate-regulated CGU. Management utilized a range of multiples in the analysis to determine the recoverable amount of goodwill for the rate-regulated CGU;
- The multiple of rate base used with respect to the rate-regulated CGU ranged from 1.4 to 2.1;
- Management obtained information regarding multiples used for recent purchase and sale transactions within the industry; and
- The fair value estimate is categorized as a Level 3 input.

Certain changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

The recoverable amount of goodwill and land rights determined in the analysis was greater than the carrying value and no impairment was recorded.

12. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable - energy purchases	209	207
Accrued liabilities	112	105
Customer receivables in credit balances	20	21
Accounts payable - other	17	7
Interest payable	14	12
Deferred conservation credit	1	15
Contingent consideration	1	1
	374	368

(In millions of Canadian dollars)

13. Related Party Balances and Transactions

(a) Balances and transactions with related parties

The amount due to/from related parties is comprised of amounts payable to/receivable from: the City of Vaughan; the City of Markham; the City of Barrie; the City of Mississauga; the City of Hamilton; the City of St. Catharines; the City of Guelph; and wholly-owned subsidiaries of related parties.

Significant related party transactions, with the related parties not otherwise disclosed separately in the consolidated financial statements, are summarized below:

2019	Revenue	Expenses	Due from related parties	Due to related parties
City of Barrie	7	—	2	—
City of Guelph	10	—	—	1
City of Hamilton	26	1	4	14
City of Markham	10	1	2	11
City of Mississauga	20	2	4	—
City of St. Catharines	4	—	1	—
City of Vaughan	10	1	3	13
	87	5	16	39

2018	Revenue	Expenses	Due from related parties	Due to related parties
City of Barrie	6	—	2	—
City of Hamilton	28	1	2	15
City of Markham	9	1	2	11
City of Mississauga	17	2	5	—
City of St. Catharines	4	—	1	—
City of Vaughan	9	1	1	11
	73	5	13	37

Services provided to related parties include electricity distribution, street lighting, road projects, payroll, and water and sewage billing. Expenses incurred include municipal taxes, and facilities rental. There are also leases with the Cities of Vaughan, Markham, and Barrie (Note 19). Refer to Note 16 for related party loans and borrowings.

(In millions of Canadian dollars)

13. Related Party Balances and Transactions (continued)

(b) Key management personnel compensation

Key management personnel are comprised of the Corporation's senior leadership team. The compensation paid or payable to key management personnel is as follows:

	2019	2018
Salaries and current employment benefits	14	13
Employee future benefits	1	1
Termination benefits	1	—
	16	14

14. Short term Debt

	2019	2018
Commercial paper program	180	250

In October 2018, the Corporation entered into a Commercial Paper ("CP") program. The program has a maximum authorized amount of $300 and is supported by the Corporation's $500 committed credit facility. The Corporation also has a $100 uncommitted credit facility. The Corporation may draw on the credit facilities for working capital and general corporate purposes. Interest on drawn amounts under the credit facilities would apply based on Canadian benchmark rates.

Short-term loans at December 31, 2019 and 2018 consist of CP issued under the Corporation's CP program. These short-term loans are denominated in Canadian dollars and are issued with varying maturities of no more than one year. CP issuances bear interest based on the prevailing market conditions at the time of issuance. CP issuance at December 31, 2019 was $180 (2018 - $250).

For the year ended December 31, 2019, the average annual outstanding borrowings under the Corporation's revolving credit facility, working capital facility, and CP were $132 (2018 - $130) with an average interest rate of 1.94% (2018 - 2.19%).

15. Other Liabilities

	2019	2018
Current:		
Advance payments	31	26
Notes payable to province of Ontario	2	24
Current portion of transition cost liability	2	3
Other	6	3
	41	56
Other long-term liabilities:		
Expansion deposit	13	9
Transition cost liability	4	2
	17	11

(In millions of Canadian dollars)

15. Other Liabilities (continued)

Advance payments represent amounts received from customers and developers for services that will be performed in the future and are recognized in revenue when the performance obligation is satisfied.

The expansion deposit represents security deposits received from customers, which are expected to be returned to the customer upon project completion.

The transition cost liability represents payments to be made in relation to the restructuring costs from the 2017 Amalgamation Transaction.

16. Loans and Borrowings

	2019	2018
Debentures		
4.770% Senior Unsecured Debentures due 2020	40	40
4.521% Senior Unsecured Debentures due 2021	110	110
3.033% Senior Unsecured Debentures due 2022	150	150
3.239% Senior Unsecured Debentures due 2024	150	150
2.488% Senior Unsecured Debentures due 2027	675	675
5.264% Senior Unsecured Debentures due 2030	65	—
5.297% Senior Unsecured Debentures due 2041	210	210
3.958% Senior Unsecured Debentures due 2042	200	200
4.121% Senior Unsecured Debentures due 2045	30	—
3.458% Senior Unsecured Debentures due 2049	200	—
Less: Unamortized debt issuance costs	(9)	(7)
	1,821	1,528
Promissory notes from related parties		
4.410% Promissory note issued to the City of Vaughan	78	78
4.410% Promissory note issued to the City of Markham	68	68
4.410% Promissory note issued to the City of Barrie	20	20
	166	166
Total loans and borrowings	1,987	1,694
Less: Current portion of loans and borrowings	(40)	—
Long-term loans and borrowings	1,947	1,694

The debentures rank pari passu with all of the Corporation’s other senior unsubordinated and unsecured obligations. The debentures are presented net of debt issuance cost. Interest expense on these debentures was $62 (2018 - $52) for the period.

Two debentures were added on January 1, 2019 as a result of the GHESI amalgamation transaction (Note 3): a 20-year $65 senior unsecured debenture at 5.264% maturing in 2030 and a 30-year $30 senior unsecured debenture at 4.121% maturing in 2045.

16. Loans and Borrowings (continued)

On April 11, 2019, the Corporation issued 3.458% senior unsecured debenture for $200 maturing in 2049.

The debentures are subject to financial covenants. These covenants require that neither the Corporation nor any designated subsidiary may incur any funded obligation (other than no-recourse debt and intercompany indebtedness) unless the aggregate principal amount of the consolidated funded obligations does not exceed 75% of the total consolidated capitalization. The Corporation was in compliance with this covenant at December 31, 2019 and 2018.

The three promissory notes to the City of Vaughan, the City of Markham, and the City of Barrie mature on May 31, 2024 and may be renewed for a twelve year term followed by two optional ten year extensions. The notes are subordinate to all unsecured debts, liabilities and obligations of the Corporation. Interest expense on these promissory notes was $7 (2018 - $8) for the period.

17. Employee Future Benefits

(a) Multi-employer defined benefit pension plan

The Corporation provides a pension plan for its employees, except those in UA, through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the Corporation and its employees. During the year ended December 31, 2019, the Corporation made employer contributions of $18 (2018 - $16) to OMERS. These contributions have been recognized as an operational expenditure net of the amount capitalized in assets. The expected payment for 2020 is $19.

As at December 31, 2018, and subject to the estimates, assumptions and valuations of OMERS, the plan obligations are 96.0% (2017 - 94.0%) funded by its assets. OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

(b) Non-pension defined benefit plans

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through group defined benefit plans. There are four defined benefit plans. Independent actuarial valuations of the plans were performed as at December 31, 2019. The group defined benefit plans as a whole provides benefits to eligible retirees of the Corporation.

(In millions of Canadian dollars)

17. Employee Future Benefits (continued)

Information about the group unfunded defined benefit plan and changes in the present value of the aggregate unfunded defined benefit obligation and the aggregate accrued benefit liability are as follows:

	2019	2018
Defined benefit obligation, beginning of period	61	65
Defined benefit obligation, assumed through acquisition	11	—
Benefit cost recognized in net income:		
Current service costs	2	3
Interest expense	3	2
Benefit cost recognized in net income	5	5
Amounts recognized in other comprehensive income:		
Actuarial losses (gains) arising from changes in financial assumptions	18	(6)
Actuarial losses arising from changes in experience adjustments	1	—
Actuarial losses arising from corrections to benefits	2	—
Amounts recognized in other comprehensive income	21	(6)
Payments from the plans	(3)	(3)
Defined benefit obligation, end of year	95	61

The main actuarial assumptions underlying the valuation are as follows:

	2019	2018
Discount rate	3.10%	4.00%
Rate of compensation increase	3.30%	3.30%
Medical benefits costs escalation	5.96%	5.96%
Dental benefits costs escalation	4.50%	4.50%

(c) Sensitivity analysis

The approximate effect on the defined benefit obligation if the main actuarial assumptions underlying the valuation increased or decreased by:

	2019	2018
Discount rate:		
1% increase	(13)	(8)
1% decrease	17	10
Medical and dental benefits costs escalation:		
1% increase	12	7
1% decrease	(9)	(6)

(In millions of Canadian dollars)

18. Share Capital

The Corporation's authorized share capital is comprised of an unlimited number of Class A through G voting common shares, and an unlimited number of Class S non-voting shares, all of which are without nominal or par value as follows:

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Authorized				
Unlimited Class A through G common shares				
Issued and outstanding				
Class A common shares	2,149,000	206	2,149,000	206
Class B common shares	1,573,000	146	1,573,000	146
Class C common shares	878,000	74	878,000	74
Class D common shares	3,100,000	361	3,100,000	361
Class E common shares	1,815,000	91	1,815,000	91
Class F common shares	485,000	32	485,000	32
Class G common shares	485,000	43	—	—
Total common shares	10,485,000	953	10,000,000	910
Authorized				
Unlimited Class S shares				
Issued and paid				
Class S shares	99,999	47	99,999	51
Total share capital	10,584,999	1,000	10,099,999	961

An unlimited number of Class A through C special shares have been authorized but not issued.

Each class of shares relates to the common shares issued to each shareholder as follows:

- Class A common shares have been issued to Vaughan Holdings Inc.
- Class B common shares have been issued to Markham Enterprise Corporation
- Class C common shares have been issued to Barrie Hydro Holdings Inc.
- Class D common shares have been issued to Enersource Corporation
- Class E common shares have been issued to Hamilton Utilities Corporation
- Class F common shares have been issued to St Catharines Hydro Inc.
- Class G common shares have been issued to Guelph Municipal Holdings Inc.
- Class S non-voting common shares have been issued to Vaughan Holdings Inc., Markham Enterprise Corporation, and Barrie Hydro Holdings Inc.

18. Share Capital (continued)

During 2019, the Board of Directors approved a return of capital to the Class S shareholders in the amount of $4 (2018 - $9) in accordance with the Alectra Dividend Policy incorporated as Schedule C to its Unanimous Shareholders' Agreement.

Dividends on the common shares and Class S shares of the Corporation may be declared by the Board of Directors through a resolution.

During the year ended December 31, 2019, the Corporation declared and paid dividends as follows:

- Common share dividends aggregating $79 or $7.55 per share (2018 - $60 or $6.06 per share); and
- Class S share dividends aggregating $6 or $56.59 per share (2018 - $9 or $87.02 per share). As at December 31, 2018, $4 was reclassified from dividends paid to Share Capital.

The Class S dividends are subject to Part VI.1 tax under the *Income Tax Act (Canada)* at a rate of 25% based on the amount of dividend paid. The Corporation is also eligible for a corresponding deduction equal to a specified multiple of the dividend. The deduction does not fully offset the Part VI.1 tax, resulting in a net effective tax rate of 1.8% on the Class S share dividends to the Former PowerStream Shareholders.

19. Lease Obligations

The Corporation leases many assets including property, building rooftops for solar projects, vehicles, and equipment.

Property Leases

The Corporation has entered into property leases for its various offices and operations centre. The Corporation is committed to a 10-year building lease. The lease contains two renewal options of five years each. The Corporation is reasonably certain that it will exercise the first renewal option and has included the renewal option in the lease term. The Corporation has a 25-year lease agreement for the use of an operations centre which includes both land and building elements, of which the land portion does not qualify as a lease. The lease has a purchase option and three extension options of 5 years each. The Corporation has assessed that it is not likely to exercise these options. The Corporation is also committed to a 5-year building lease with no renewal or extension options. Most property leases include annual rent adjustment clauses with reference to an index or contractual rate.

Other Leases

The Corporation has entered into lease agreements with various landlords across the province for the leasing of building rooftops for the purpose of installing and operating solar panels. The leases typically run for a period of 20 years from the start of commercial operation. The leases include a termination option and a 5-year extension option, which have not been included in the lease term.

The Corporation leases vehicles for qualifying employees with a standard lease term of 3 years. The Corporation does not purchase or guarantee the value of leased vehicles.

19. Lease Obligations (continued)

The Corporation also leases office equipment with lease term of 1 year with the option to renew the lease for an additional period of the same duration at the end of the contract term. The Corporation considers these leases to be short term in nature and therefore no right of use assets and lease liabilities are recognized for these leases.

Refer to Note 10 for details on right of use assets.

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2019:

Less than one year	4
Between one and five years	14
More than five years	29
Total undiscounted lease obligations	47

There were additions of $1 to lease obligations during the year. The Corporation expenses the land portion of the operations centre lease, non-lease component of its property leases, and payments for any short-term and low value leases.

Amounts recognized in the Statement of Income and Comprehensive Income:	
Interest on lease obligations	2
Variable lease payments and non-lease components not included in the measurement of lease obligations	1

Amounts recognized in the Statement of Cash Flows:	
Payments for the principal portion included within financing activities	2
Payments for the interest portion included within financing activities	2
Variable lease payments included within operating activities	1
Total cash outflow for leases	5

(In millions of Canadian dollars)

20. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The carrying amount of cash (including restricted cash), accounts receivable (including unbilled revenue), amounts due from related parties, customer deposits, accounts payable, amounts due to related parties and current portion of loans and borrowings approximates fair value because of the short maturity of these instruments. The carrying amount of lease obligations approximates fair value, as lease obligations are measured based on a discounted cash flow analysis using discount rates that are representative of current market rates.

The fair value of the Corporation's long-term borrowings is $2,125 (2018 - $1,735).

		2019		2018	
	Maturity Date	Carrying Value[1]	Fair Value[2]	Carrying Value[1]	Fair Value[2]
Loans and borrowings					
Notes issued in 2002[3]	2024	166	166	166	166
Debentures issued in 2010[4]	2020	—	—	40	42
Debentures issued in 2010	2030	65	82	—	—
Debentures issued in 2011	2021	110	114	110	115
Debentures issued in 2011	2041	210	287	210	257
Debentures issued in 2012	2022	150	154	150	152
Debentures issued in 2012	2042	200	232	200	205
Debentures issued in 2014	2024	150	157	150	153
Debentures issued in 2015	2045	30	36	—	—
Debentures issued in 2017	2027	675	678	675	645
Debentures issued in 2019	2049	200	219	—	—
Total loans and borrowings - long-term portion		1,956	2,125	1,701	1,735
Less: issuance costs		(9)	—	(7)	
		1,947	2,125	1,694	1,735

[1] The carrying value of long-term debt represents the par value of the promissory notes.

[2] The fair value of long-term debt is based on unadjusted year-end market prices for the same or similar debt of the same remaining maturities. The fair value measurement of long-term debt is categorized as Level 2.

[3] The fair value of notes issued in 2002 approximates carrying value.

[4] In 2019, this debenture is classified as current portion of loans and borrowings.

(In millions of Canadian dollars)

20. Financial Instruments and Risk Management (continued)

(b) Financial risks

The risks associated with the Corporation's financial instruments and policies for managing these risks are described below:

(i) Credit risk

The Corporation's primary source of credit risk to its accounts receivable and unbilled revenue results from customers failing to discharge their payment obligations for electricity consumed and billed, as they come due.

The carrying amount of accounts receivable, to the extent deemed necessary by management's judgment, is reduced through the use of ECLs with the amount of such during the year recognized in net income. Subsequent recoveries of accounts receivable previously recorded as impaired are credited to net income. The ECLs as at December 31, 2019 are $33 (2018 - $9). An impairment loss of $4 (2018 - $4) was recognized during the period.

The Corporation’s credit risk associated with accounts receivable primarily corresponds to payments from distribution customers. At December 31, 2019, approximately $39 (2018 - $23) is considered over 60 days past due. Credit risk is managed, in part, through the collection of security deposits from regulated electricity distribution customers in accordance with regulations prescribed by the OEB. As at December 31, 2019, the Corporation holds security deposits from sub-metering customers in the amount of $1 (2018 - $1). The OEB restricts the ability of the Corporation to adequately and proactively manage credit risk with respect to its regulated electricity distribution customers.

Accounts receivable and respective aging is provided as follows:

	2019	2018
Accounts receivable	279	265
Unbilled revenue	251	273
IESO receivable	31	26
Other	7	41
	568	605
Less: expected credit losses	(33)	(9)
Total accounts receivable, net	535	596
Less than 30 days	517	563
30 - 60 days	12	19
61 - 90 days	8	7
Greater than 91 days	31	16
	568	605
Less: expected credit losses	(33)	(9)
Total accounts receivable, net	535	596

(In millions of Canadian dollars)

20. Financial Instruments and Risk Management (continued)

	Expected credit losses
Balance, January 1, 2018	(9)
Additional allowances	(4)
Write-offs	4
Balance, December 31, 2018	(9)
Additional allowances	(28)
Write-offs	4
Balance, December 31, 2019	(33)

The Corporation determines the concentrations of its accounts receivable by type of customer. As at December 31, 2019, there was no significant concentration of credit risk with respect to any financial assets.

(ii) Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its post-employment benefit obligations (Note 17). The Corporation is also exposed to short-term interest rate risk on the net of cash, short-term borrowings under its Credit Facility and Commercial Paper Program (Note 14). The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

As at December 31, 2019, in addition to the valuation of its post-employment benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its CP Program and customer deposits, while most of its remaining obligations were either non-interest bearing or bearing fixed interest rates, and its financial assets were predominately short-term in nature and primarily non-interest bearing (Notes 14 and 16).

The Corporation estimates that a 100 basis point increase (decrease) in short-term interest rates, with all other variables held constant, would result in an increase (decrease) of approximately $2 to annual finance costs.

(In millions of Canadian dollars)

20. Financial Instruments and Risk Management (continued)

(iii) Liquidity risk

Liquidity risks are those risks associated with the Corporation's inability to meet its financial obligations as they fall due. Liquidity risks associated with financial liabilities are as follows:

2019				
	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	374	—	—	374
Commercial paper issuance	180	—	—	180
Customer deposit liability	74	—	—	74
Due to related parties	39	—	—	39
Other liabilities	41	17	—	58
4.770% Senior Unsecured Debentures due 2020	42	—	—	42
4.521% Senior Unsecured Debentures due 2021	5	112	—	117
3.033% Senior Unsecured Debentures due 2022	5	159	—	164
4.410% Promissory note issued to the City of Vaughan due 2024	3	91	—	94
4.410% Promissory note issued to the City of Markham due 2024	3	79	—	82
4.410% Promissory note issued to the City of Barrie due 2024	1	23	—	24
3.239% Senior Unsecured Debentures due 2024	5	169	—	174
2.488% Senior Unsecured Debentures due 2027	17	67	717	801
5.264% Senior Unsecured Debentures due 2030	3	14	86	103
5.297% Senior Unsecured Debentures due 2041	11	44	394	449
3.958% Senior Unsecured Debentures due 2042	8	32	342	382
4.121% Senior Unsecured Debentures due 2045	1	5	56	62
3.458% Senior Unsecured Debentures due 2049	7	28	369	404
Lease obligations	4	14	29	47
	823	854	1,993	3,670

The balances for loans and borrowings include both principal and interest.

(In millions of Canadian dollars)

20. Financial Instruments and Risk Management (continued)

2018				
	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	368	—	—	368
Commercial paper issuance	250	—	—	250
Customer deposit liability	67	—	—	67
Due to related parties	37	—	—	37
Other liabilities	56	11	—	67
4.770% Senior Unsecured Debentures due 2020	2	42	—	44
4.521% Senior Unsecured Debentures due 2021	5	117	—	122
3.033% Senior Unsecured Debentures due 2022	5	164	—	169
4.410% Promissory note issued to the City of Vaughan due 2024	3	14	81	98
4.410% Promissory note issued to the City of Markham due 2024	3	12	70	85
4.410% Promissory note issued to the City of Barrie due 2024	1	4	21	26
3.239% Senior Unsecured Debentures due 2024	5	19	155	179
2.488% Senior Unsecured Debentures due 2027	17	67	734	818
5.297% Senior Unsecured Debentures due 2041	11	44	405	460
3.958% Senior Unsecured Debentures due 2042	8	32	350	390
Lease obligations	5	15	35	55
	843	541	1,851	3,235

The balances for loans and borrowings include both principal and interest.

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet its operational and investment requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest rate exposure and cost. The Corporation monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The Corporation has the following sources of liquidity under which it may access financial capital from time to time:

- $600 in aggregate revolving unsecured credit facilities: (i) $500 committed facility with two Schedule A banks maturing October 5, 2020; and (ii) $100 uncommitted facility with a Schedule A bank which is callable by the bank. The committed facility is also used to support outstanding commitments under the CP program by way of same day prime rate advances.
- Issuance of senior unsecured debentures with various maturity dates under established trust indentures.

(In millions of Canadian dollars)

21. Capital Structure

The main objectives of the Corporation when managing financial capital are to:

- ensure ongoing cost effective access to such, to provide adequate investment in support of its regulated electricity distribution and other businesses;
- comply with covenants within its financial instruments;
- prudently manage its capital structure, as it relates to maintaining a high level of creditworthiness;
- recover financing charges permitted by the OEB on its regulated electricity distribution business; and
- deliver reasonable returns on the investments of its shareholders.

The Corporation's definition of capital includes: shareholders' equity; indebtedness under existing credit facilities; and long-term loans and borrowings, which includes the current portion of long term loans and borrowings.

The OEB regulates the amount of interest on debt and MARE that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure for the Corporation may differ from the OEB deemed structure.

The Corporation has customary covenants typically associated with long-term loans and borrowings. The Corporation is in compliance with all credit agreement covenants and limitations associated with its long-term loans and borrowings (Note 16).

22. Operating Expenses

	2019	2018
Labour	173	150
Contract and consulting	52	42
Office expenses	22	21
Information and technology	15	12
Repairs and maintenance	10	12
Business taxes and fees	10	9
Bad debt	9	5
Facility expenses	5	7
Other	—	3
	296	261

(In millions of Canadian dollars)

23. Other Revenue

	2019	2018
Solar generation	16	16
Consulting	14	6
Water and waste water billing and customer charges	11	15
Regulatory service charges	11	8
Amortization of deferred revenue	11	9
Street lighting	8	8
Sub-metering and metering services	8	5
Pole and other rental income	7	5
CDM performance incentive revenue	—	14
Other	11	5
	97	91

24. Deferred Revenue

Balance at January 1, 2018	300
Contributions received from customers	70
Amortization	(9)
Balance at December 31, 2018	361
Reclassifications to accounts payable	(2)
Contributions received through acquisition	27
Contributions received from customers	46
Amortization	(11)
Balance at December 31, 2019	421

25. Income Taxes

(a) Income tax expense

PILs recognized in net income comprise the following:

	2019	2018
Current tax expense	2	8
Deferred tax expense	18	31
Income tax expense	20	39

Income taxes paid and refunded during the year were $6 (2018 - $7) and $21 (2018 - $6) respectively.

(In millions of Canadian dollars)

25. Income Taxes (continued)

(b) Reconciliation of effective tax rate

PILs income tax expense differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rates. The reconciliation between the statutory and effective tax rates is as follows:

	2019	2018
Income before taxes	84	148
Statutory Canadian federal and provincial income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	22	39
Increase (decrease) in income taxes resulting from:		
Permanent differences	—	(1)
Adjustments in respect of prior years	(2)	1
Total income tax expense	20	39
Effective income tax rate	24.3%	26.5%

The statutory income tax rate for the current year comprises a combined 15% (2018 - 15%) federal corporate tax rate and an 11.5% (2018 - 11.5%) Ontario corporate tax rate.

(c) Deferred tax balances

The net deferred tax assets and liabilities consist of the following:

	2019	2018
Deferred tax assets:		
PP&E and intangibles	(3)	(2)
Non-capital loss carry forwards	7	6
Debt issuance costs	(1)	(1)
	3	3
Deferred tax liabilities:		
Employee future benefits	(24)	(16)
PP&E and intangibles	87	57
Non-capital losses	(1)	—
Tax credit carryovers	(10)	(9)
Non-deductible reserves	(1)	(2)
Energy variances	(3)	15
	48	45

(In millions of Canadian dollars)

26. Net Change in Non-cash Operating Working Capital

	2019	2018
Accounts receivable and unbilled revenue	72	(73)
Inventory	(1)	—
Prepaid expenses	1	(2)
Due from related parties	(4)	(5)
Advance payment	—	3
Accounts payable and accrued liabilities	(17)	(45)
Due to related parties	—	3
Customer deposits liability	(2)	3
Other liabilities	(16)	8
	33	(108)

Reconciliation between the amounts presented on the statement of cash flows and total additions to PP&E and intangible assets:

	Notes	2019
Purchase of PP&E, cash basis		343
Accruals		7
Reclassifications		(21)
Total additions to PP&E	9	329
Purchase of intangible assets, cash basis		37
Reclassifications		10
Changes to goodwill		(2)
Total additions to goodwill and other intangible assets	11	45

During the year, the Corporation modified the classification of certain assets to reflect more appropriately the way in which economic benefits are derived from the use of these assets. This resulted in the reclassification of balances between property, plant and equipment, intangible assets and inventory on a prospective basis. The changes to presentation for the current year were made as a result of a system change during the year.

27. Commitments, Contingencies, and Guarantees

(a) *Commitments*

(i) *Leases*

Lease commitments have been disclosed in Note 19.

(ii) *Security with IESO*

Entities that purchase electricity in Ontario through the IESO are required to post security to mitigate its risk of their default on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has posted a letter of credit as security in the amount of $33 (2018 - $33).

(b) *Contingencies*

(i) *Legal claims*

The Corporation is subject to legal actions and claims in the normal course of business from customers, former employees, and other parties. On an ongoing basis, the Corporation assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual claim. The value of provisions for legal claims at December 31, 2019 is less than $1. Such provisions are subject to change based on ongoing assessments or settlements of individual claims, including potential mitigation under the Corporation's insurance policies or otherwise.

(ii) *Insurance*

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of electricity industry liability insurance risks of many of the sector participants in Ontario. All members of the pool are subject 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. It is anticipated that should such an assessment occur it would be funded over a period of up to five years. As at December 31, 2019, no assessments have been made.

(c) *Guarantees*

In the normal course of operations, the Corporation enters into agreements that meet the definition of a guarantee as follows:

(i) The Corporation has provided indemnities under lease agreements for the use of certain operating facilities. Under the terms of these agreements, the Corporation agrees to indemnify the counterparties for various matters including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

27. Commitments, Contingencies, and Guarantees (continued)

(ii) The Corporation has agreed to indemnify the directors and/or officers of the Corporation for various matters including, but not limited to, all costs to settle suits or actions due to association with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The indemnified period is not explicitly defined, but it is limited to the period over which the indemnified party served as a director or officer of the Corporation. The maximum amount of any potential future payment cannot be reasonably estimated.

(iii) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of counterparties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisor's and consultants, outsourcing agreements, leasing contracts, information technology agreements, and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches of agreements such as breaches of representation or regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which results from the unpredictability of future events. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements. The Corporation is unaware of any breaches that would result in an indemnity claim against it.

28. Divisional and Regulatory Information

Alectra Inc., through its subsidiaries, consists primarily of two operating divisions: regulated operations and non-regulated operations. Regulated operations are comprised of Alectra Utilities. Non-regulated operations are comprised of: RFSP; Solar Sunbelt; Eastview Landfill Gas Energy Plant; the Southgate Solar Photovoltaic Facility; Stone Road Mall Electric Vehicle Charging Station; and AES including its subsidiaries.

The designation of activities to the two operating divisions is based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the divisions are consistent with those described in the summary of significant accounting policies.

Financial information that adjusts IFRS results to show the effect of rate regulation is used by the Corporation's Board of Directors, shareholders, the OEB, as well as management.

(In millions of Canadian dollars)

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28. Divisional and Regulatory Information (continued)

2019				
	Regulated	Adjustment for regulatory activities	Non-regulated	Total
Revenue				
Distribution revenue	568	(24)	—	544
Electricity sales	3,167	(29)	—	3,138
Other revenue	38	12	47	97
Total revenue	**3,773**	**(41)**	**47**	**3,779**
Expenses				
Cost of power	3,167	—	—	3,167
Operating expenses	270	(1)	27	296
Depreciation and amortization	136	12	10	158
Loss on derecognition of property, plant and equipment	(2)	—	2	—
Total expenses	**3,571**	**11**	**39**	**3,621**
Income from operating activities	**202**	**(52)**	**8**	**158**
Finance income	3	(2)	—	1
Finance costs	74	(2)	3	75
Net finance costs	**71**	**—**	**3**	**74**
Income before payments in lieu of income taxes	**131**	**(52)**	**5**	**84**
Income tax expense	2	17	1	20
Net income	**129**	**(69)**	**4**	**64**
Other comprehensive loss				
Reclassification to net income, loss on bond forward	—	—	1	1
Remeasurement of defined benefit obligation	(11)	(8)	(2)	(21)
Tax impact on remeasurement of defined benefit obligation	—	5	—	5
Total other comprehensive loss	**(11)**	**(3)**	**(1)**	**(15)**
Total comprehensive income	**118**	**(72)**	**3**	**49**

(In millions of Canadian dollars)

28. Divisional and Regulatory Information (continued)

2018	Regulated	Adjustment for regulatory activities	Non-regulated	Total
Revenue				
Distribution revenue	536	(31)	—	505
Electricity sales	2,833	17	—	2,850
Other revenue	42	11	38	91
Total revenue	**3,411**	**(3)**	**38**	**3,446**
Expenses				
Cost of power	2,833	—	—	2,833
Operating expenses	237	1	23	261
Depreciation and amortization	122	9	9	140
Loss on derecognition of property, plant and equipment	—	1	—	1
Total expenses	**3,192**	**11**	**32**	**3,235**
Income from operating activities	**219**	**(14)**	**6**	**211**
Finance income	2	(1)	—	1
Finance costs	64	(2)	2	64
Net finance costs	**62**	**(1)**	**2**	**63**
Income before payments in lieu of income taxes	**157**	**(13)**	**4**	**148**
Income tax expense	20	18	1	39
Net income	**137**	**(31)**	**3**	**109**
Other comprehensive income				
Reclassification to net income, loss on bond forward	—	—	2	2
Remeasurement of defined benefit obligation	3	3	—	6
Tax impact on remeasurement of defined benefit obligation	(2)	—	—	(2)
Total other comprehensive income	**1**	**3**	**2**	**6**
Total comprehensive income	**138**	**(28)**	**5**	**115**

(In millions of Canadian dollars)

28. Divisional and Regulatory Information (continued)

2019	Regulated	Adjustment for regulatory activities	Non-regulated	Total
Assets				
Current assets				
Cash	20	—	9	29
Restricted cash	1	—	—	1
Accounts receivable and unbilled revenue	524	—	11	535
Inventory	26	—	3	29
Prepaid expenses	13	—	—	13
Due from related parties	16	—	—	16
Other assets	1	—	1	2
Total current assets	**601**	**—**	**24**	**625**
Non-current assets				
Property, plant and equipment	3,250	41	111	3,402
Right of use assets	12	—	16	28
Goodwill and other intangible assets	954	5	39	998
Regulatory assets	160	(160)	—	—
Deferred tax asset	—	—	3	3
Other assets	4	—	(4)	—
Total non-current assets	**4,380**	**(114)**	**165**	**4,431**
Total assets	**4,981**	**(114)**	**189**	**5,056**
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	350	(4)	28	374
Customer deposits liability	73	—	1	74
Short term debt	169	—	11	180
Current portion of loans and borrowings	40	—	—	40
Current portion of lease obligations	1	—	1	2
Due to related parties	56	—	(17)	39
Other liabilities	39	—	2	41
Total current liabilities	**728**	**(4)**	**26**	**750**
Non-current liabilities				
Loans and borrowings	1,865	—	82	1,947
Deferred revenues	385	36	—	421
Employee future benefits	95	—	—	95
Lease obligations	15	—	16	31
Regulatory liabilities	39	(39)	—	—
Deferred tax liabilities	51	(21)	18	48
Other long-term liabilities	18	—	(1)	17
Total non-current liabilities	**2,468**	**(24)**	**115**	**2,559**
Total liabilities	**3,196**	**(28)**	**141**	**3,309**
Shareholders' equity				
Share capital	682	—	318	1,000
Contributed surplus	839	(13)	(227)	599
Accumulated other comprehensive loss	(14)	1	(10)	(23)
Retained earnings	278	(74)	(33)	171
Total shareholders' equity	**1,785**	**(86)**	**48**	**1,747**
Total liabilities and shareholders' equity	**4,981**	**(114)**	**189**	**5,056**

(In millions of Canadian dollars)

28. Divisional and Regulatory Information (continued)

2018	Regulated	Adjustment for regulatory activities	Non-regulated	Total
Assets				
Current assets				
Cash	4	—	9	13
Restricted cash	3	—	—	3
Accounts receivable and unbilled revenue	586	—	1	587
Inventory	21	—	—	21
Prepaid expenses	13	—	—	13
Due from related parties	11	—	—	11
Total current assets	**638**	**—**	**10**	**648**
Non-current assets				
Property, plant and equipment	2,898	41	97	3,036
Goodwill and other intangible assets	889	10	—	899
Regulatory assets	111	(111)	—	—
Other assets	4	—	(4)	—
Total non-current assets	**3,902**	**(60)**	**93**	**3,935**
Total assets	**4,540**	**(60)**	**103**	**4,583**
Liabilities and Shareholder's Equity				
Current liabilities				
Accounts payable and accrued liabilities	348	(2)	1	347
Customer deposits liability	66	—	—	66
Current portion of loans and borrowing from parent	241	—	4	245
Current portion of lease obligations	1	—	—	1
Due to related parties	50	—	—	50
Other liabilities	53	—	—	53
Total current liabilities	**759**	**(2)**	**5**	**762**
Non-current liabilities				
Deferred revenues	324	37	—	361
Employee future benefits	61	—	—	61
Lease obligations	15	—	—	15
Loans and borrowings from parent	1,610	—	60	1,670
Regulatory liabilities	84	(84)	—	—
Deferred tax liabilities	25	1	18	44
Other long-term liabilities	12	—	—	12
Total non-current liabilities	**2,131**	**(46)**	**78**	**2,163**
Total liabilities	**2,890**	**(48)**	**83**	**2,925**
Shareholder's equity				
Share capital	682	—	51	733
Contributed surplus	739	(11)	—	728
Accumulated other comprehensive income	—	4	(1)	3
Retained earnings	229	(5)	(30)	194
Total shareholder's equity	**1,650**	**(12)**	**20**	**1,658**
Total liabilities and shareholder's equity	**4,540**	**(60)**	**103**	**4,583**

(In millions of Canadian dollars)

28. Divisional and Regulatory Information (continued)

Alectra Utilities derecognizes all rate-regulated assets and liabilities that do not qualify for recognition under IFRS. Certain items that are presented as rate-regulated assets as prescribed by the OEB qualify for recognition as other types of assets under IFRS.

	2019	2018
Regulatory Assets:		
Deferred income tax asset	79	50
Retail settlement variance accounts (RSVA's)	33	22
Lost revenues adjustment mechanism variance account (LRAMVA)	23	22
Large commercial interval meter recovery	7	7
OEB cost assessments deferral	5	3
Re-measurements of post-employment benefits	4	—
Renewable generation capital and operating cost deferral	3	3
Collection of account lost revenue	1	—
Other	5	4
	160	**111**
Regulatory Liabilities:		
Retail settlement variance accounts (RSVA's)	26	61
PILs and tax variance	9	—
Pole rental variance account	3	—
Net refund of regulatory balances	2	12
Re-measurements of post-employment benefits	—	4
Other	(1)	7
	39	**84**

(a) The most significant regulatory activities included in the regulatory adjustments are: retail settlement variances; the difference between the cost of the electricity commodity and the sales revenue at the OEB allowed rates. Specifically, these amounts include variances between the amounts charged by Hydro One and the IESO for the operation of the electricity markets and grid, as well as various wholesale market settlement charges and transmission charges as compared to the amount billed to consumers based on the OEB-approved rates. Under regulatory accounting, Alectra Utilities would have adjusted energy sales or purchases for these variances with corresponding assets or liabilities. Under IFRS, the Corporation recognizes these differences in future periods as an increase or decrease to distribution revenue, when these differences are settled with customers.

(b) The OEB approved a variance account to record revenues associated with the delivery of CDM programs. The variance account tracks the difference between the results of actual, verified impacts of CDM activities and the level of CDM program activities included in a distributor's load forecast. Alectra Utilities may recover or refund this revenue through future distribution rates.

28. Divisional and Regulatory Information (continued)

(c) The OEB approved four deferral accounts to record qualifying incremental capital investments, operating, maintenance and administration expenses and funding adders approved by the OEB related to the connection of renewable generation or the development of smart grid. Under IFRS, Alectra Utilities capitalizes or expenses these items as incurred and recognizes revenue when funding is received.

(d) The OEB approved a deferral account to record costs associated with replacing interval meters for its large commercial customers in order to meet amendments made to its Distribution System Code. Under IFRS, Alectra Utilities capitalizes or expenses the amounts in the period they were incurred.

(e) The OEB requires Alectra Utilities to accrue interest on regulatory assets and liabilities balances. Under IFRS, Alectra Utilities recognizes the net interest on these balances in future periods as an increase or decrease to distribution revenue once approved for recovery or refund by the OEB.

(f) The OEB approved a deferral account to record any re-measurements of the post-employment net defined liability including actuarial gains or losses. Under IFRS, Alectra Utilities recognizes any re-measurements of the post-employment net defined liability in other comprehensive income.

(g) The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the application of a new cost assessment model effective April 1, 2016. Under IFRS, Alectra Utilities recognizes these costs under operating expenses in the period they were incurred.

(h) The OEB approved three variance accounts to record the difference between the revenue requirement calculated using pre-merger capitalization policies and the revenue requirement calculated using Alectra Utilities' capitalization policy. Under IFRS, the Corporation recognizes these differences as an increase or decrease to distribution revenue and will recover or refund these differences through future distribution rates.

(i) The OEB requires Alectra Utilities to record eligible incremental capital investments subject to the assets being used and useful, accumulated amortization and revenues collected through rate riders related to incremental capital projects approved by the OEB. Under IFRS, Alectra Utilities capitalizes or expenses these items as incurred and recognizes revenue in the period it was earned.

(j) The OEB approved a new pole attachment revenue variance account to record the difference between pole attachment revenue at the prior rate of $22.35 per pole, and pole attachment revenue based on the new pole attachment charge effective September 1, 2018, of $28.09. Under IFRS, Alectra Utilities recognizes the revenue based on the effective rate in the period the revenue was earned.

(k) The OEB approved a deferral account to record the lost revenues related to the administration of the Collection of Account charge. The OEB recently mandated that collection of account charges are part of normal business activities where customers are not to be charged for activity. However, as the associated revenue was factored into the rate-setting process the newly established deferral account allows Alectra Utilities to record the lost revenues for recovery through future distribution rates.

28. Divisional and Regulatory Information (continued)

(l) The OEB requires utilities to record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules that are not incorporated in the distributor's rates. On June 21, 2019, Bill C-97, the Budget Implementation Act, 2019, No. 1, was given Royal Assent, which introduced the Accelerated Investment Incentive ("AII") program. This program provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018. Alectra Utilities has recorded the revenue related to the AII program to be refunded through future distribution rates.

(m) Deferred income taxes are presented as regulatory liabilities or assets and are not expensed through the Consolidated Statement of Income and Comprehensive Income as is the case under IFRS.

Future regulatory accounting treatments prescribed by the OEB and government policy changes may affect the electricity distribution rates charged and recoverable costs permitted by the OEB. Therefore, there is a risk that the timing and amount of recovery or settlement of amounts included in the adjustment for regulatory activities could be significantly different from the amounts that are eventually recovered or settled through distribution rates in the future.

Consolidated Financial Statements of

ST. CATHARINES HYDRO INC.

Year ended December 31, 2019

ST. CATHARINES HYDRO INC.

MANAGEMENT REPORT

The accompanying consolidated financial statements of St. Catharines Hydro Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies are disclosed in note 2 to the consolidated financial statements. The preparation of consolidated financial statement necessarily requires judgement and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgement where estimates were required, and these consolidated financial statement reflect all information available to June 2, 2020.

Management maintains and is looking to improve upon systems of internal controls designed to provide assurance that assets are safeguarded, that transactions are property authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems include formal policies and procedures and an organizational structure that provide for a proper delegation of authority and segregation of incompatible responsibilities where possible. The internal control systems are monitored by management which reports regularly to the Board of Directors.

The consolidated financial statements have been examined by KMPG LLP, Chartered Professional Accountants and the external auditors of the Company. The responsibility of the external auditors is to express an opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards. The Independent Auditors Report, which appears on the following pages, outlines the scope of their audit examination and states their opinion.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors meets regularly with management and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Board of Directors reviews and approves the financial statements. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

On behalf of the management of St. Catharines Hydro Inc.:

Matthew Harris
Chair
St. Catharines Hydro Inc.
June 2, 2020

KPMG LLP
80 King Street, Suite 620
St. Catharines Ontario L2R 7A7
Canada
Telephone (905) 685-4811
Fax (905) 682-2008

INDEPENDENT AUDITORS' REPORT

To the Board Members of St. Catharines Hydro Inc.

Opinion

We have audited the consolidated financial statements of St. Catharines Hydro Inc. (the Company), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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.

KPMG

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 Company'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 Company'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 Company 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 2, 2020

ST. CATHARINES HYDRO INC.

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ST. CATHARINES HYDRO INC.

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 4,112,404	$ 3,684,523
Accounts receivable	468,589	194,274
Income tax receivable	272,418	272,418
Other current assets	27,818	8,964
	4,881,229	4,160,179
Non-currents assets		
Investment in Alectra Inc. (note 3)	93,962,990	91,215,696
Property, plant and equipment (schedule 1)	14,191,073	14,537,844
Deferred tax asset (note 4)	1,051,945	1,164,605
	109,206,008	106,918,145
	$ 114,087,237	$ 111,078,324
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 171,961	$ 107,450
Due to related party (note 9)	137,098	122,914
Other current liabilities	10,848	10,679
	319,907	241,043
Non- current liabilities:		
Deferred tax liability (note 4)	17,021,461	16,293,428
Long-term note payable (note 5)	7,754,000	7,754,000
	24,775,461	24,047,428
	25,095,368	24,288,471
Shareholder's equity:		
Share capital (note 7)	40,264,545	40,264,545
Retained earnings	48,727,324	46,525,308
	88,991,869	86,789,853
Subsequent event (note 14)		
	$ 114,087,237	$ 111,078,324

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

__________ Director

__________ Director

ST. CATHARINES HYDRO INC.
Consolidated Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Generation revenue	$ 2,151,493	$ 1,918,062
Dividend income	3,732,843	2,940,689
	5,884,336	4,858,751
Operating Expenses:		
Generation operation and maintenance	681,190	536,190
Corporate administration	210,214	237,159
Depreciation and amortization	346,771	336,286
	1,238,175	1,109,635
Income from operating activities	4,646,161	3,749,116
Fair value – Alectra Inc. (note 3)	2,747,294	-
Finance income	69,558	73,792
Finance charges	(554,411)	(554,411)
Income before income taxes	6,908,602	3,268,497
Income tax expense (note 4)	840,693	87,833
Net income, being total comprehensive income	$ 6,067,909	$ 3,180,664

See accompanying notes to the consolidated financial statements.

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ST. CATHARINES HYDRO INC.

Consolidated Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2019	$ 40,264,545	$ 46,525,308	$ -	$ 86,789,853
Net income	-	6,067,909	-	6,067,909
Dividends	-	(3,865,893)	-	(3,865,893)
Balance at December 31, 2019	$ 40,264,545	$ 48,727,324	$ -	$ 88,991,869
Balance at January 1, 2018	$ 40,264,545	$ 48,035,510	$ -	$ 88,300,055
Net income	-	3,180,664	-	3,180,664
Dividends	-	(4,690,866)	-	(4,690,866)
Balance at December 31, 2018	$ 40,264,545	$ 46,525,308	$ -	$ 86,789,853

See accompanying notes to the consolidated financial statements.

ST. CATHARINES HYDRO INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating activities:		
Net income	$ 6,067,909	$ 3,180,664
Fair value – Alectra Inc.	(2,747,294)	-
Depreciation	346,771	336,286
Income tax expense	840,693	87,833
Net finance costs	484,853	480,619
	4,992,932	4,085,402
Interest paid	(554,411)	(554,411)
Interest received	69,558	73,792
Income tax received	-	-
Changes in non-cash working capital components (note 8)	(214,305)	(106,954)
Cash provided by operating activities	4,293,774	3,497,829
Financing activities:		
Dividends paid	(3,865,893)	(4,690,866)
Increase (decrease) in cash	427,881	(1,193,037)
Cash, beginning of year	3,684,523	4,877,560
Cash, end of year	$ 4,112,404	$ 3,684,523

See accompanying notes to the consolidated financial statements.

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Reporting entity:

On July 1, 2000, St. Catharines Hydro Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) along with its wholly-owned subsidiary company, St. Catharines Hydro Generation Inc. The incorporation was pursuant to the provisions of the Energy Competition Act, 1998. The Company owns and operates generating facilities located in St. Catharines, Ontario. The Company's head office is located at 50 Church Street, St. Catharines, Ontario.

The Company's subsidiaries include:

- St. Catharines Hydro Generation Inc. ("SCGHI")
    - SCGHI owns and operates generating facilities to generate electricity located in St. Catharines, Ontario. Revenues are earned on the electricity generated and sold under a hydroelectric contract initiative with the Ontario Power Authority ("OPA") issued January 21, 2010. The OPA has since merged with and now operating as Independent Electricity Systems Operator. The Company's head office is located at 50 Church Street, St. Catharines, Ontario.

1. Basis of preparation:

(a) Statement of compliance:

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on June 2, 2020.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

1. **Basis of preparation (continued):**

d) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, 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 periods affected.

In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

(i) Notes 2 (e), Schedule 1 – estimation of useful lives of property, plant, and equipment
(ii) Note 2(g) – recognition and measurement of provisions and contingencies
(iii) Notes 2 (a), (d), 3 – estimation of the fair value of the investment in Alectra Inc.

Judgments:

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

- Note 2(j) – leases: whether an arrangement contains a lease; and

2. **Significant accounts policies:**

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

(a) Basis of consolidation:

The consolidated financial statements reflect the results of the Company and its subsidiary SCGHI which is owned 100%. All significant intercompany balances have been eliminated.

2. Significant accounts policies (continued):

(b) Financial instruments:

All financial assets and all financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 2 (f), with the exception of the Company's investment in Alectra Inc.

IFRS 9 contains three principal classification categories for the financial assets: measure at amortized cost, fair value through other comprehensive income and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The investment in Alectra Inc. has been classified as FVTPL and is recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the investment in Alectra Holdings Inc. is measured at fair value with changes in the fair value recognized immediately in profit or loss.

The Company does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(c) Cash and cash equivalents:

Cash equivalents include highly liquid investments that are readily convertible to cash and are subject to insignificant risk of change in value.

(d) Investments:

The Company's investment in Alectra Inc. ("Alectra"), of which it owns 4.63% of the outstanding voting shares, is accounted for at fair value through profit and loss. Under this method, the investment is recorded at fair value and adjusted to fair value at each reporting period. Dividends received are recorded as revenue on the consolidated statement of comprehensive income.

(e) Property, plant and equipment:

Items of property, plant and equipment acquired prior to January 1, 2011, the transition date to IFRS, are measured at deemed cost established on the transition date 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, direct labour, directly attributable overhead 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 using the weighted average cost of debt incurred on the Company's external borrowings. Qualifying assets are considered to be those that take in excess of nine months to construct.

2. Significant accounts policies (continued):

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

In circumstances where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

Depreciation is recognized in net income on a straight-line basis over the estimated service life of each part or component of an item of property, plant and equipment.

Land is not depreciated.

Construction in progress assets are not amortized until the project is complete and available for use.

The estimated service lives for the current and comparative years are as follows:

Asset	Service life
Turbines, generators and service transformers	40 years
Speed increasers	25 years
Governor equipment	20 years
Main transformers and control panels	50 years
Powerhouse and cofferdams	70 years
Overhead	48 years
Computers	5 years
Furniture and equipment	10 years

Gains and losses on disposal of an item of property, plant and equipment are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of property, plant and equipment.

Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted prospectively.

2. Significant accounts policies (continued):

(f) Impairment:

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.

Non-financial assets:

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset 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 and, further, that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The recoverable amount of an asset or cash-generating unit 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 cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income. An impairment loss is not reversed.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Company 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.

(h) Revenue recognition:

Energy Revenue

The performance obligations 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 generation since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill.

Dividend income is recognized in the year declared and collection is reasonably assured.

2. Significant accounts policies (continued):

(i) Finance income and finance charges:

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

Finance costs comprise interest expense on borrowings. Borrowing costs are calculated using the effective interest rate method and are recognized as an expense unless they are capitalized as part of the cost of a qualifying assets.

(j) Leased assets:

At inception of a contract, the Company assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Company with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Company recognizes a right–of–use asset and a lease liability at the lease commencement date. The right–of–use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right–of–use asset is subsequently depreciated using the straight–line method from the commencement date to the earlier of the end of the useful life of the right–of–use asset or the end of the lease term. The estimated useful lives of right–of–use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right–of–use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

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

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

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

2. Significant accounts policies (continued):

(k) Income taxes:

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 Company is 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 Company 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. Payments in lieu of taxes and payments under the Tax Acts are collectively 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. A deferred PILs asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred PILs assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Investment in Alectra Inc.:

Investment in Alectra Inc.	2019	2018
4.63% (2018 – 4.85%) Interest	$ 93,962,990	$ 91,215,696

On January 1, 2019, Alectra Inc. amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. The common shares issuance by Alectra Inc. represents an effective 4.63% interest in its aggregate issued and outstanding classes of common shares. The new shareholder ownership structure has resulted in a decrease to the Company's investment from 4.85% to 4.63%, effective January 1, 2019.

As a result of classifying the investment in Alectra Inc. as a level 3 investment (see note 10), the Company recognized an increase in the fair value of the investment in the amount of $2,747,294 (2018 - $nil) as a result of the performance of the underlying investment.

ST. CATHARINES HYDRO INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Payments in lieu of income taxes:

Payments in lieu of income taxes:

	2019	2018
Current:		
Current year	$ -	$ -
Deferred:		
Origination and reversal of temporary differences	840,693	87,833
	$ 840,693	$ 87,833

Reconciliation of effective tax rate:

	2019	2018
Income (loss) before taxes	$ 6,908,602	$ 3,268,498
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax provision on income at statutory rates	1,830,780	866,152
Increase (decrease) in income taxes resulting from:		
Non-taxable dividends	(989,204)	(779,116)
Other items	(883)	797
Income tax expense	$ 840,693	$ 87,833

Significant components of the Company’s deferred PILs balances are as follows:

	2019	2018
Deferred PILs assets:		
Property, plant and equipment	$ 8,042	$ 8,572
Losses available for carry forward	1,043,903	1,156,033
	1,051,945	1,164,605
Deferred PILs liabilities:		
Property, plant and equipment	1,723,766	1,723,766
SR&ED investment tax credit	3,589	3,589
Deferred gain on exchange of shares of Horizon Holdings Inc.	14,566,073	14,566,073
Fair value of Investment in Alectra Inc.	728,033	-
	$ 17,021,461	$ 16,293,428

The Company has losses available to be carried forward in the amount of $3,467,200. These losses can be carried forward up to a maximum of 20 years and are set to expire in 2039.

5. Long-term note payable:

Note payable to the Corporation of the City of St. Catharines bears interest at a rate of 7.15% or $554,411 (2018 - $554,411). The Company and related parties have agreed not to call the notes prior to January 1, 2021.

6. Pension plan:

The Company 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, public utilities and school boards. 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.

OMERS is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan as a defined benefit plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

In 2019, the Company made no contributions to OMERS, as a result of having no direct staff. The amount contributed to OMERS for 2019 was $nil (2018 - $492) for current service.

7. Share capital:

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 40,264,545	$ 40,264,545

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Company paid aggregate dividends in the year on common shares of $3,865.89 per share (2018 - $4,690.86), which amount to total dividends paid in the year of $3,865,893 (2018 - $4,690,866).

ST. CATHARINES HYDRO INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Statement of cash flows:

Changes in working capital components include:

	2019	2018
Accounts receivable	$ (274,315)	$ (8,942)
Other current assets	(18,854)	(4,265)
Accounts payable and accrued liabilities	64,511	3,747
Due to related party	14,184	(97,494)
Other current liabilities	169	-
	$ (214,305)	$ (106,954)

9. Related party transactions:

(a) Parent and ultimate controlling party

The Company is wholly owned by The Corporation of the City of St. Catharines (the "City"). The City produces consolidated financial statements that are available for public use.

(b) Transactions with parent

During the year the Company paid management, billing and administrative services to the City in the amount of $139,702 (2018 - $128,115) and is included in corporate administration expense on the statement of comprehensive income.

The Company has entered into a shared services agreement with the City to complete a dam safety review. The City billed the Company $2,989 (2018 - $58,385) in respect of this service and is included in corporate administration expense on the statement of comprehensive income.

As at December 31, 2019, 137,098 (2018 - $122,913) remained payable to the City for services provided during the year. This balance is non-interest bearing with no fixed terms of repayment.

The Company paid dividends to the City in the amount of $3,865,893 (2018 - $4,690,866).

Other current liabilities include $52,715 (2018 - $4,864) related to a shared services agreement and other miscellaneous payables to the City. These amounts are non-interest bearing with no fixed terms of repayment.

The Company has a long-term note payable to the City, see note 5.

10. Financial instruments and risk management:

Fair value

The carrying values of cash and cash equivalents, accounts receivables, other current assets, accounts payable and accrued liabilities, and other current liabilities approximate fair value because of the short maturity of these instruments.

Fair value measurements can be classified in a hierarchy in order to discern the significance of management assumptions and other inputs incorporated into the measurements. The three levels of fair value hierarchy are:

- Level 1 –Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Inputs for the asset or liability that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments are required to reflect differences between the instruments.

The long-term note receivable and payable of $7,754,000 has a fair value estimated at $11,838,000 using a discount rate of 3.72%. The discount rate is determined using indicative quoted rates for instruments with approximately the same terms and credit risk. The long-term note receivable and payable have been classified as Level 3. The Company's investment in Alectra Inc. is classified as Level 3.

Credit risk

Credit risk is the risk that a counterparty will be unable to fulfill its obligation on a timely basis or at a reasonable cost. The Company has accounts receivable which are exposed to credit risk. The Company earns its generation revenue from a respected local power generation company, under a contract with the IESO which expires December, 2030 and is paid through Ontario Power Generation. As a result, the carrying amount of the accounts receivable is not adjusted for credit risk.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's long-term note payable bears interest at a fixed rate. The Company is exposed to the effects of fluctuations in market interest rates when the long-term note payable is renegotiated.

11. Financial instruments and risk management (continued):

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due.

The Company manages this risk by maintaining detailed cash forecasts, as well as the annual preparation of a 60 month business plan.

Capital management

Specific goals for the Company are as follows:

- to provide a reasonable rate of return to the shareholder
- to maintain a prudent financial capitalization structure
- to provide effective management and mitigation of business risks
- to develop effective strategies and plans to ensure the Company's viability and enhancement of shareholder value

A municipal transfer by-law established the initial capital structure of the company at a 50/50 debt to equity ratio, resulting in a promissory note payable to the City of St. Catharines. in the amount of $7,754,000. Subsequent to this, the Board of Directors approved the following amendment:

- while the Board of Directors must continue to maintain a conservative debt to equity ratio, financing of new projects and the assumed debt of each of the projects, shall be evaluated on the merits of each project, and the Board of Directors shall not be bound by predetermined ratios.

The Company will continue at this time with the outstanding promissory note to the City of St. Catharines. The Company may be required to pay out the $7,754,000 to the City of St. Catharines at some yet to be determined date. There are no conditions or covenants attached to this note.

The Company’s definition of capital includes shareholder’s equity and long-term note payable. As at December 31, 2019, shareholder’s equity amounts to $88,991,869 (2018 - $86,789,853) and long-term note payable amounts to $7,754,000 (2018- $7,754,000).

12. Commitments and contingencies:

Contingencies:

General liability insurance

St. Catharines Hydro Inc. is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which is a pooling of general liability insurance risks. Coverage is then extended to one subsidiary of St. Catharines Hydro Inc., namely, St. Catharines Hydro Generation Inc. Members of MEARIE would be assessed, on a pro-rata basis, based on the total of their respective deposit premiums should losses be experienced by MEARIE, in excess of reserves and supplementary insurance, for the years in which the Company was a member.

As at December 31, 2019, St. Catharines Hydro Inc. has not been made aware of any additional assessments. Participation in MEARIE covers a one year underwriting period which expires on January 1, 2021.

13. Change in accounting policy:

The Company has applied IFRS 16 Leases with a date of initial application of January 1, 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. The details of the changes in accounting policies are disclosed below.

Previously, the Company determined, at contract inception, whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(j). On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which contracts are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they contained a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Company has decided to apply recognition exemptions to short-term leases and leases for which the value of the underlying asset is of low value.

Impacts on financial statements

There are no transitional impacts to report as all of the Company's leases contain variable lease payments not based on an index or a rate and therefore has concluded that these leases are expensed in the statement of comprehensive income.

During the year, the Company recognized $102,761 (2018 - $94,438) as variable lease payments in the statement of comprehensive income.

14. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

15. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to comprehensive income or retained earnings as a result of the reclassification

ST. CATHARINES HYDRO INC.

Schedule 1 – Property, Plant and Equipment

Year ended December 31, 2019

	Cost				Accumulated depreciation				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Depreciation	Disposals	Balance, end of year	Net book value
Turbines, generators and service transformers	$ 4,410,401	$ -	$ -	$ 4,410,401	$ 840,860	$ 110,260	$ -	$ 951,120	$ 3,459,281
Speed increasers	840,860	-	-	840,860	269,075	33,634	-	302,709	538,151
Governor equipment	417,683	-	-	417,683	121,084	20,885	-	141,969	275,714
Main transformers and control panels	571,785	-	-	571,785	91,486	11,436	-	102,922	468,863
Powerhouse and cofferdams	8,944,981	-	-	8,944,981	1,016,271	127,785	-	1,144,056	7,800,925
Overhead	2,023,961	-	-	2,023,961	336,344	42,166	-	378,510	1,645,451
Computers	8,329	-	-	8,329	8,329	-	-	8,329	-
Furniture and equipment	6,053	-	-	6,053	2,760	605	-	3,365	2,688
December 31, 2019	$17,224,053	$ -	$ -	$17,224,053	$ 2,686,209	$ 346,771	$ -	$ 3,032,980	$14,191,073
Turbines, generators and service transformers	$ 4,410,401	$ -	$ -	$ 4,410,401	$ 735,752	$ 105,108	$ -	$ 840,860	$ 3,569,541
Speed increasers	840,860	-	-	840,860	235,441	33,634	-	269,075	571,785
Governor equipment	417,683	-	-	417,683	105,948	15,136	-	121,084	296,599
Main transformers and control panels	571,785	-	-	571,785	80,050	11,436	-	91,486	480,299
Powerhouse and cofferdams	8,944,981	-	-	8,944,981	887,947	128,324	-	1,016,271	7,928,710
Overhead	2,023,961	-	-	2,023,961	294,301	42,043	-	336,344	1,687,617
Computers	8,329	-	-	8,329	8,329	-	-	8,329	-
Furniture and equipment	6,053	-	-	6,053	2,155	605	-	2,760	3,293
December 31, 2018	$17,224,053	$ -	$ -	$17,224,053	$ 2,349,923	$ 336,286	$	$ 2,686,209	$14,537,844

St Catharines Hydro Inc.

2020-2024 Consolidated Business Plan

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Introduction

Each year as part of its Annual General Meeting (AGM), St. Catharines Hydro Inc. (Holdco) is required to present a 5-year business plan to its sole Shareholder, the Corporation of the City of St. Catharines (City). This business plan assumes a status quo for the operating model of St. Catharines Hydro Generation Inc. (Genco), as well as the most recent estimates and forecasts from Alectra Inc. (Alectra).

Background

Corporate Structure

The City owns 100% of the shares of Holdco, which in turn owns 100% of the shares of Genco and 4.63% of the shares of Alectra. The Board of St. Catharines Hydro Inc. is currently composed of three members from St. Catharines City Council. Senior city staff continue to fill the officer roles in the corporation, including being responsible for managing the operator for Genco and corporate administration of both Genco and Holdco. The City is recovering costs for City time spent working on Hydro activities.

Operations

Holdco does not undertake any business operations directly. It is essentially a governance body which flows dividend payments from its subsidiaries (Genco and Alectra) through to the City and typically incurs costs related to insurance, corporate record keeping and administration and Board of Directors meetings.

Genco owns the Heywood Generating Station in Port Dalhousie. Reddick Contractors are contracted the operate and maintain the station, and several members of City staff are responsible for the management of the company and operator. The Heywood Station is reliant on water flowing downstream from Ontario Power Generation's (OPG) Decew Generating Facility, and generation production is also impacted by the lake levels in Lake Ontario, with higher water levels resulting in lower revenues. The Hydroelectric Contract Initiative agreement continues to provide above market rate pricing on electricity produced; the agreement expires at the end of 2029. Genco technically has a separate Board of Directors, however it's membership is the same as that of Holdco.

Alectra

Alectra Inc. is an electricity distribution (Alectra Utilities Corporation) and integrated energy solutions provider (Alectra Energy Solutions), with the transmission and distribution of electricity regulated under the Ontario Energy Board Act, 1998. Electricity rates charged by Alectra Utilities Corporation must go through a rate setting process with the Ontario Energy Board, and are determined in a manner that provides shareholders with opportunity to earn a regulated maximum allowable return on equity.

Alectra Inc. was formed in 2017 as a result of the merger of Powerstream Holdings Inc., Enersource Holdings Inc., and Horizon Holdings Inc., and subsequent acquisition of

Hydro One Brampton Networks Inc. A further amalgamation occurred on January 1, 2019 with Guelph Hydro Electric Systems Inc.

The ownership of Alectra Inc. is through holding companies that represent the City of Barrie, City of Guelph, City of Hamilton, City of Markham, City of Mississauga, City of St. Catharines, City of Vaughan and BPC Energy Corporation. The City of St. Catharines owns 4.63% of the shares of Alectra Inc.

2019 Highlights

Generation Levels

The Heywood generating station generated 25,975 MWH of electricity in 2019. This represents an approximately 9% increase over the generation level in 2018. 2019 dealt with higher water levels, a shut down in December, and the continued commissioning of OPG's G2 generator, which was completed in August 2019 and returned flows to a normal level in September. In 2020, the MWH generated by the Heywood generating station had already exceeded 2019 levels by the end of August, putting the station in position to exceed budgeted generation and revenue for 2020.

Capital Works

In 2019, a condition assessment was completed for the electrical systems and controls for the station. Capital rehabilitation and replacement work for this component of the station began in 2019 and will continue through 2021.

Payments made to the Shareholder

In 2019, Holdco made payments to its sole shareholder, the City, to pass through regular Alectra dividends, make a special dividend payment and to pay interest to the City, as follows:

Alectra Regular Dividends	$ 3,865,893
Genco Regular Dividends	$ 133,050
Promissory Note Interest	$ 554,411
Total Payments	$ 4,553,354

Updates from the 2019 AGM

At the 2019 St. Catharines Hydro Inc. Annual General Meeting of the Shareholder, it was requested that a valuation of the Heywood Generating Station be undertaken, and that Board Remuneration be reviewed. Report on both of these items have been presented to the St. Catharines Hydro Board of Directors. Information on the valuation of the Heywood Generating Station will be provided under separate cover and the report on Board Remuneration is provided to the shareholder through the agenda for the Special Shareholder Meeting scheduled for December 8, 2020.

Strategic Overview

Business Plan Assumptions

The assumptions included in the 2020-2024 business plan are as follows:

- That the focus of St. Catharines Hydro Generation Inc. will be to efficiently and effectively manage the operations of the Heywood Generation Station;
- No further major acquisition or expansion initiatives to be undertaken during the period of the business plan (note small scale new initiatives or partnerships may be considered, but have not been included in the financial plan);
- Upstream OPG facilities have returned to full operations and normal levels of flow will be maintained through the forecast period;
- High spring water levels every other year (resulting in revenue reductions);
- Consumer Price Index of 2% annually (used for most cost increases as well as hydro rate (revenue) increases);
- Electrical Upgrades proceeding in 2020 and 2021 (Capital cost + downtime);
- Approximately $500k of Capital works annually from 2021-2023;
- Management and corporate officer positions continue to be filled by City staff;
- No principle payments of outstanding debt between the City, St. Catharines Hydro Inc. and St. Catharines Hydro Generation Inc. will occur;
- Dividends from Alectra will meet the levels forecast in their 2020 Budget Plan (indexing applied for 2023 and 2024).

Consolidated Financial Plan

Income Statement

The forecasted income statement shows an increase in generating revenues, particularly in 2021 when we assume a full year with OPG's generators all operational. The forecast also shows a leveling off in the level of dividends from Alectra over the term of the business plan. No significant changes are expected in the expenses. There will be PILs that will apply each year, however due to the significant tax credit resulting from the Shickluna write off, no actual taxes are expected to be payable until at least 2022.

Projected Dividend payments to the Shareholder (City) are as follows:

Dividends ($ millions)	2020	2021	2022	2023	2024
Alectra pass through	$ 3.66	$ 3.61	$ 3.93	$ 3.99	$ 4.05
Genco Regular	$ 0.17	$ 0.34	$ 0.55	$ 0.51	$ 0.62
Total	**$ 3.83**	**$ 3.95**	**$ 4.48**	**$ 4.50**	**$ 4.67**

Cash Flow Statement

There is expected to be on-going investments required to manage and maintain the assets at the generating station. With these capital expenditures and an increase in dividends flowed through to the City, Genco is expected to begin to accumulate cash. Once condition assessments on the remaining components of the generating station

have been completed, staff will be in a better position to advise on whether or not this level of cash and investment is appropriate and sufficient.

Balance Sheet
The Capital Assets shown relate to Genco. The future income tax liability relates to the Alectra merger, as the increased value of Holdco's investment in Alectra attracts future income tax that would be payable if at some point in the future the City's share of Alectra was sold by Holdco.

Alectra Updates

During the Holdco AGM, Alectra will provide updates directly to the shareholder on the following topics:

- Financial Performance
- Alectra Updates (Regulatory, Covid-19)
- Community Involvement

Deliverables – next 12 months

Updated Dividends Policy
With a return to regular profitability, a review and update to the Dividend Policy will be undertaken in 2021 to address both regular and special dividends for both Holdco and Genco.

Completion of Facility Condition Assessment
In 2018/2019, a condition assessment on the electrical system and station controls was undertaken for the Heywood Generating Station, identifying needed upgrades and forecasted expenditures that would be required over the next five years. A similar assessment is needed for the facility itself to identify required upgrades and replacements for the facility/structure and estimated costs. This will assist in confirming an appropriate level of cash reserves that should be maintained in order to sustain operations and ensure the ability to cover the cost of capital upgrades and replacements.

Business Plan Appendix

St. Catharines Hydro Inc. (Consolidated)
2020 Business Plan
Income Statement

	Audited	Budget	Forecast			
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
REVENUE						
Generation revenues	2,151,493	2,975,722	3,400,000	3,200,000	3,502,765	3,296,720
Interest income	69,558	74,000	40,000	67,500	67,500	90,000
Income from Alectra Utilities Corporation	3,732,843	3,657,700	3,606,400	3,937,600	3,996,664	4,056,614
Other income	2,747,294	168,756	3,000	2,250	1,500	1,000
	8,701,188	6,876,178	7,049,400	7,207,350	7,568,429	7,444,334
EXPENSES						
Generation operation and maintenance	681,190	927,593	720,000	640,800	650,412	660,168
Corporate administration	210,214	307,247	324,743	330,364	336,070	341,861
Interest costs	554,411	554,411	554,411	554,411	554,411	554,411
Depreciation and amortization	346,771	352,156	352,762	363,710	374,480	384,897
Loss on disposal of property, plant & equipment		-	-	-	-	-
	1,792,586	2,141,407	1,951,916	1,889,285	1,915,373	1,941,337
INCOME BEFORE TAXES	6,908,602	4,734,771	5,097,484	5,318,065	5,653,056	5,502,997
TAXES						
Corporate income taxes (PILS)	840,693	246,303	400,332	371,614	445,335	390,224
Future income taxes (recovery)		-	-	-	-	-
	840,693	246,303	400,332	371,614	445,335	390,224
NET INCOME (LOSS)	6,067,909	4,488,468	4,697,152	4,946,452	5,207,721	5,112,773
RETAINED EARNINGS, Beginning of Year	46,525,308	48,727,324	49,226,005	49,975,185	50,428,859	51,124,565
Net Income (Loss)	6,067,909	4,488,468	4,697,152	4,946,452	5,207,721	5,112,773
Dividends - Holdco to the City	(133,050)	(166,044)	(341,571)	(555,178)	(515,351)	(617,588)
Dividends - Alectra to City	(3,732,843)	(3,657,700)	(3,606,400)	(3,937,600)	(3,996,664)	(4,056,614)
RETAINED EARNINGS, End of Year	48,727,324	49,226,005	49,975,185	50,428,859	51,124,565	51,563,136

St. Catharines Hydro Inc. (Consolidated)
2020 Business Plan
Statement of Cash Flows

	Audited	Budget	Forecast			
	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES						
Net income for the year	6,067,909	4,488,468	4,697,152	4,946,452	5,207,721	5,112,773
Adjustments for:						
Depreciation and amortization	346,771	352,156	352,762	363,710	374,480	384,897
Change in non cash working capital balances	(214,305)	(144,691)	202,883	-	-	-
Change in other assets and liabilities	840,693	339,801	152,614	386,913	-	-
	7,041,068	5,035,734	5,405,410	5,697,075	5,582,201	5,497,670
INVESTING ACTIVITIES						
Capital Expenditures	-	(195,000)	(534,000)	(500,000)	(500,000)	(500,000)
Equity investment income - Alectra	(2,747,294)	-	-	-	-	-
	(2,747,294)	(361,044)	(534,000)	(500,000)	(500,000)	(500,000)
FINANCING ACTIVITIES						
Dividends paid to City - Alectra pass through	(3,732,843)	(3,657,700)	(3,606,400)	(3,937,600)	(3,996,664)	(4,056,614)
Dividends paid to City - Special	-	-	-	-	-	-
Dividends paid to City - Regular	(133,050)	(166,044)	(341,571)	(555,178)	(515,351)	(617,588)
	(3,865,893)	(3,823,744)	(3,947,971)	(4,492,778)	(4,512,015)	(4,674,202)
INCREASE (DECREASE) IN CASH POSITION	427,881	850,947	923,439	704,297	570,186	323,468
CASH POSITION, BEGINNING OF YEAR	3,684,523	4,112,404	4,963,351	5,886,790	6,591,086	7,161,272
CASH POSITION, END OF YEAR	4,112,404	4,963,351	5,886,790	6,591,086	7,161,272	7,484,741

St. Catharines Hydro Inc. (Consolidated)
2020 Business Plan
Balance Sheet

	Audited	Budget	Forecast			
	2019	2020	2021	2022	2023	2024
ASSETS						
Current Assets						
Cash and cash equivalents	4,112,404	4,963,351	5,886,790	6,591,086	7,161,272	7,484,741
Accounts receivable	468,589	350,977	400,000	400,000	400,000	400,000
PILs Receivable	272,418	-	-	-	-	-
Other current assets	27,818	11,809	230,809	230,809	230,809	230,809
	4,881,229	5,598,555	6,517,599	7,221,895	7,792,081	8,115,550
Capital Assets						
Capital Assets	17,224,053	17,419,053	17,953,053	18,453,053	18,953,053	19,453,053
Accumulated depreciation	(3,032,980)	(3,385,136)	(3,737,898)	(4,101,607)	(4,476,087)	(4,860,984)
Future Income Tax Asset - Long Term	1,051,945	790,466	418,852	31,939	31,939	31,939
	15,243,018	14,824,383	14,634,008	14,383,385	14,508,905	14,624,008
Other Assets						
Investment in Alectra	93,962,990	93,962,990	93,962,990	93,962,990	93,962,990	93,962,990
	93,962,990	93,962,990	93,962,990	93,962,990	93,962,990	93,962,990
Total Assets	114,087,237	114,385,928	115,114,596	115,568,270	116,263,976	116,702,547
LIABILITIES AND SHAREHOLDER'S EQUITY						
Current Liabilities						
Accounts payable	171,961	25,699	25,699	25,699	25,699	25,699
Other current liabilities	147,946	73,705	73,705	73,705	73,705	73,705
	319,907	119,916	99,404	99,404	99,404	99,404
Long Term Debt						
Promissory notes payable to City	7,754,000	7,754,000	7,754,000	7,754,000	7,754,000	7,754,000
Future Income Tax Liabilities	17,021,461	17,021,461	17,021,461	17,021,461	17,021,461	17,021,461
	24,775,461	24,775,461	24,775,461	24,775,461	24,775,461	24,775,461
SHAREHOLDER'S EQUITY						
Share capital	40,264,545	40,264,546	40,264,546	40,264,546	40,264,546	40,264,546
Retained earnings	48,727,324	49,226,005	49,975,185	50,428,859	51,124,565	51,563,136
	88,991,869	89,490,551	90,239,731	90,693,405	91,389,111	91,827,682
Total Liabilities & Shareholders Equity	114,087,237	114,385,928	115,114,596	115,568,270	116,263,976	116,702,547